

“Waqf-Shares: new product to finance old waqf properties”

AUTHORS	Magda Ismail A. Mohsin
ARTICLE INFO	Magda Ismail A. Mohsin (2012). Waqf-Shares: new product to finance old waqf properties. <i>Banks and Bank Systems</i> , 7(2)
RELEASED ON	Monday, 25 June 2012
JOURNAL	"Banks and Bank Systems"
FOUNDER	LLC “Consulting Publishing Company “Business Perspectives”



NUMBER OF REFERENCES

0



NUMBER OF FIGURES

0



NUMBER OF TABLES

0

© The author(s) 2026. This publication is an open access article.

Magda Ismail A. Mohsin (Malaysia)

Waqf-shares: new product to finance old waqf properties

Abstract

This paper highlights the practice of waqf-shares in five Muslim and Muslim minority countries for the last two decades. With the urge needs for capital to re-develop the old waqf properties in the different countries it is much recommended to introduce the concept of waqf-share as fund raising to improve and to upgrade the current situation of these properties so that they can deliver the suspected services needed in the different societies. Besides, proposing this type of waqf-share will motivate founders from all categories of people to contribute directly in re-developing the old waqf properties with the least amount of money they can afford to give and seeking the compound rewards in the hereafter. To achieve this, an overview on waqf-share and its current application in five countries are highlighted; the structure of waqf-share and its modus operandi are provided as a guideline for its creation and management, this is followed by the conclusion.

Keyword: fund-raising, waqf-shares, old waqf properties.

JEL Classification: G 20, G 29.

Introduction

Historically speaking the institution of waqf had played a significant role throughout Islamic history, from the time of the Prophet (pbuh) to the beginning of the 19th century. Although this institution existed before the coming of Islam, yet, Islam was the first religion to develop its legal framework and to regulate it. Thus, it became one of the devices created by the Muslims to fulfill many services that are today financed by the state or the government, such as education, health care, national security, transportation facilities, the basic infrastructure, food, shelter and jobs for many people. Its role was like a network, which penetrated many service sectors whenever it found a need to promote that sector. We cannot deny the role of this institution in the development of Islamic civilization before its destruction in the 19th century. Followed that destruction, the old waqf properties in many Muslim countries faced mismanagement which put them in needless situation and hence they become idle, unproductive and neglected for many years. Among these old waqf properties are agriculture lands, residential areas and commercial buildings. With the recent revival of some of the Islamic institutions in the 21st century, the revival of the institution of waqf, which took a new approach through the creation of cash-waqf, succeeded in financing many needy areas in Muslim and Muslim minority countries through waqf-shares. Waqf-share is one of the cash-waqfs which has been accepted by the majority of Muslim scholars and hence practiced widely today as fund raising for capital accumulation. These waqf-shares are issued by the *muttawali*/trustee and in different amounts so that any individual can contribute even with the minimum amount of money he can afford. Founders then can buy these waqf-shares bearing in mind that they

created waqfs which are going to be converted into projects, as the beneficiaries, that will benefit their society.

The main objective of this paper is to highlight the success of the current practice of waqf-shares in five countries and to recommend the implementation of these waqf-shares in re-developing the old waqf properties which have been kept idle and unproductive for many years in the different countries. Keeping in mind that the main objective for introducing waqf-shares is not only for capital accumulation but also to encourage all citizens to participate in developing their societies, regardless of rich or not, with the minimum amount of money they can afford to pay. This act has also a religious and spiritual dimension that motivate participants to contribute voluntarily since they knew that such act will carry their rewards double and multiplied until the Day of Judgment as promised by the Prophet Muhammed (pbuh) in the following hadith. "*Abu Hurairah (Allah be pleased with him) reported Allah's messenger (pbuh) as saying: When a man dies his acts come to an end, except three things, recurring charity, or knowledge (by which people benefit), or pious offspring, who pray for him*".

1. Literature review

Literature on waqf is numerous. However, the main emphasis appears to have been placed on the legal, historical and administrative perspectives. Recently little effort has been made by some researchers to examine its role as a financial institution. For example, Kahf (Monzer Kahf, 2000) in his book tried to discover new techniques for financing the development of waqf properties especially, the investment of waqf properties by resorting to the private sector's sources in a manner that is compatible with Islamic law. Cizakca (Murat Cizakca, 2000) in his book highlighted the practices of cash-waqf during Ottoman period and during the present time in some Muslim countries. Magda (Magda Ismail A. Moh-

sin, 2009) in her book shows nine schemes for cash-waqf as financial institutions which are practiced in Muslim and Muslim minority countries today.

Since the current application of waqf-share is new, data collection for this paper is based on published and unpublished papers presented in international conferences and local seminars, besides using pamphlets, reports and websites.

2. Definition of waqf-shares

Waqf-share is a movable waqf that has been established with liquid money to promote perpetual services to mankind in the name of Allah (s.w.t). For the creation of waqf-shares, any institutions can issue waqf-shares with different value so that different founders can purchase these shares each according to his budget. The accumulated money from selling these shares will then be channeled to the beneficiaries. The beneficiaries can be any projects that can promote the well-being of Muslim society such as building schools, hospitals, clinics, providing water supply, electricity, open jobs etc. In return founders will receive waqf certificate showing their contribution in developing such projects.

3. Conditions for the creation waqf-shares

Muslim scholars agreed that once a property, movable or immovable, is created as waqf it should be placed under three key restrictions. Irrevocability, once the founder created a waqf he cannot revoke it. Perpetually, once the property has been declared as waqf it must be perpetual to ensure the regular and the continual support to the beneficiaries on the one hand and the compound rewards for the founder in the hereafter on the other hand. The last one is its inalienability, once the property has been created as a waqf it becomes like a 'frozen asset' it cannot be given as a gift, or inherited, sell or any alienation whatsoever. All these conditions and restrictions are very important to be observed while creating the immovable and the movable waqfs including waqf-shares. The main objectives for these restrictions are to secure a continual benefit for the present and for the future generations; besides, ensuring continual rewards to the founders until the Day of Judgment.

4. Waqf-shares structure

The main objective of creating waqf-shares is the accumulation of capital through fund raising from the different categories of people and in different amount in order to provide them with services needed in their society. As mentioned above waqf-shares can be define as transferring an amount of money by a founder into waqf-shares in order to support the general good and welfare of the society. Recently this type of waqf-shares has been practiced in Malaysia, Indonesia, Sudan, Kuwait and the UK. The process flow of this scheme started as follows:

- ◆ A founder buys waqf-shares from any specified institution i.e. the issuer institution for a specific project as the beneficiaries such as; building mosques, schools, hospitals, providing the basic infrastructure, expenses for the different sectors, etc.
- ◆ The founder then receives a waqf-certificate as evidence that he has purchased waqf-shares with a specified amount of money for a specified project.
- ◆ These waqf-shares will then be endowed to the issuer's institution that acts as a trustee to manage and to invest the collected funds to that specified project.
- ◆ To ensure the perpetuity of such waqf the accumulated funds have two different ways to be channeled to the beneficiaries.
- ◆ In case the selected project will be established on waqf land the accumulated funds will be channeled directly to the specified project, such as building schools on waqf land or building hospitals on waqf land.
- ◆ In case the projects will be established on private or public land then the accumulated funds must be invested and only the revenue generated must be distributed in three portions specified by the trustee or by the founder, such as 70% to the beneficiaries, 10% to the trustee for managing the fund and 20% to be added to the accumulated fund as Self-Finance Device (SFD). In this case perpetuity of the waqf-shares will be realized. This can be further clarified in the structure below.

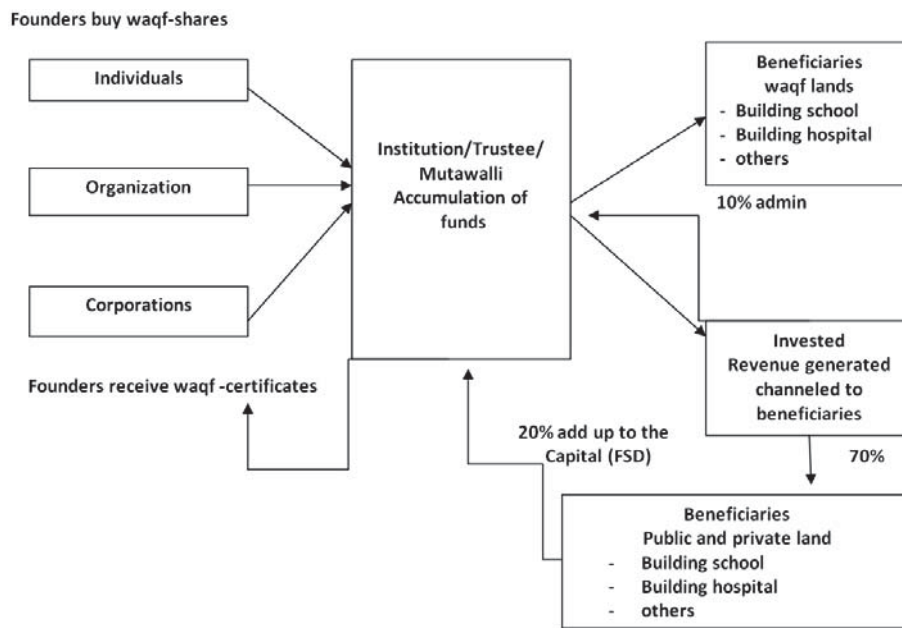


Fig. 1. Waqf-shares structure

5. Waqf-shares in Malaysia

In Malaysia the waqf-share scheme has been supported by seven State Islamic Councils in order for Muslims to contribute through movable waqf for the betterment of their society. Their main objectives in supporting such scheme are to inculcate the culture of creating waqf, to provide an alternative and platform for Muslims to be involved in waqf, to encourage the Muslim society to recognize waqf as a viable tool to enhance the economic position of the *ummah*; and to encourage Muslims to co-operate under the concept of cooperation (Annual Reports of State Islamic Councils, 2006).

Since its implementation in the early 1990s, the waqf-shares scheme has been able to play its role in gathering the needed funds to develop projects that benefit the Malaysian societies, such as developing the existing waqf lands; building mosques, building schools, providing physical amenities for the Muslim community and maintenance of religious infrastructure; establishing education funds, financing human capital development and medical facilities (Annual Reports of State Islamic Councils, Malaysia 2006). This waqf-share scheme has been adopted by two institutions namely the Islamic Dawah foundation called YADIM and Malaysian Islamic Economic Development Foundation Known as YPEIM. To ensure greater chances of getting the needed funds, the scheme is open not only for individuals but for institutions, organizations and corporations. Furthermore, founders can buy many shares as much as they can afford (State Islamic Councils, websites). In general the process flow of waqf-share scheme in Malaysia is as follows:

- ◆ The waqf-shares are issued by the State Islamic Councils, as the trustees to manage that fund;
- ◆ For the waqf to be effective, interested founders, from the different levels, buy the shares ranging from RM1, RM5, and RM10 per share, and subsequently, give it away as waqf to the State Islamic Council to manage it as a trustee;
- ◆ The founders are not entitled to receive any form of dividends or profits as this is a waqf scheme. In return, each founder receives a copy of the waqf-certificate as evidence that he has contributed in such project;
- ◆ The State Islamic Council will direct the accumulated capital, from selling all the waqf-shares, to the specified project such as building training center, Islamic school, etc (State Islamic Councils, Malaysia, websites).

6. Waqf-shares in Indonesia

The establishment of cash waqf in Indonesia was lead by a non-profit organization, i.e. Dompot Dhuafa Republika. This organization, which was established in 1993 by a group of journalists, is driven by a mission to help the needy through *zakat*, *infaq*, *sadaqah* and waqf (Dodik Siswanto, 2007). Dompot Dhuafa Republika established a dedicated body to participate in waqf programs and to ensure the efficiency and the effectiveness in the implementation of its waqf known as the Indonesia Waqf Board. Recognizing that cash waqf has the potential to provide the necessary funds for charitable projects, including poverty alleviation, the Indonesia Waqf Board launched a cash waqf scheme known as Tabung Wakaf Indonesia or the Indonesian Waqf-shares (Annual Reports of State Islamic Councils, 2006).

The main objective of these waqf-shares is to accumulate capital that can be used for purposes benefiting the Muslim community in Indonesia, such as financing, poverty alleviation programs, the provision of free medical services, the implementation of educational programs, and entrepreneur development programs. Similar to the schemes implemented by the State Islamic Councils in Malaysia, this is a waqf-share scheme. In this scheme, the founder can make contributions once or regularly, depending on his financial abilities. To ensure regular contribution, the Indonesia Waqf Board encourages the founders to give standing instruction to their banks for regular transfers from their accounts to the designated bank account of the Indonesia Waqf Board waqf-share scheme. The process flow of this scheme is similar to waqf-share in Malaysia:

- ◆ The waqf shares are issued by the Indonesia Waqf Board, in its role as the trustees;
- ◆ For the waqf to be effective interested founders buy the shares and subsequently they give them to the Indonesia Waqf Board as the trustee;
- ◆ The founders receive a certificate, showing the value of their contribution;
- ◆ Contributions are received and managed by the Indonesia Waqf Board and is then channeled to the specified beneficiaries in its role as the trustee (State Islamic Councils, 2007).

7. Waqf-shares in Sudan

Prior to the practice of waqf-shares in Malaysia, Sudan has implemented this scheme since 1990 when the government separated the Ministry of Religious Affairs from al-Awqaf and called it Waqf Corporation (Magda Ismail Abdel Mohsin, 2005). Similar to the State Islamic Councils in Malaysia the Waqf Corporation in Sudan encourages the different sects of people to contribute to cash waqf through issuing waqf-shares valued from SP1, SP5 and SP10. The process flow of this scheme is as follows:

- ◆ The waqf-shares are issued by the Sudanese Waqf Corporation, as the trustees.
- ◆ Founders purchase the waqf-shares in return they get waqf certificates showing their contribution to a specified project.
- ◆ The Waqf Corporation then invested the accumulated fund in *mudharabah* mode through Islamic bank.
- ◆ The revenue generated from this investment is then channeled to the charitable area specified by the Waqf Corporation (Magda Ismail Abdel Mohsin, 2003).

As realized in this scheme the accumulated funds are invested first and the revenue generated is then channeled to the specified beneficiaries in order to ensure its perpetuity.

8. Waqf-shares in Kuwait

In Kuwait the non-governmental organizations (NGOs) play an important role in promoting the growth and development of cash waqf schemes. The International Islamic Charitable Organization (IICO), which is one of them, was established in 1986 in Kuwait. The main objective of this charitable organization is to provide global and humanitarian aid, aiming at assisting the poor communities and helping them in developing their resources in the most efficient way. Prior to the schemes adopted by the State Islamic Councils in Malaysia, IICO implemented a scheme based on waqf-shares. Through this scheme, it has established many waqf-share schemes. The main objective of these schemes is to help poor countries in terms of poverty alleviation, building properties such as mosques and educational centers, providing water supplies, etc. The process flow of waqf-share scheme in Kuwait is as follows:

- ◆ Founder select the waqf project(s) he wants to contribute to;
- ◆ The price of waqf-shares varies, e.g., KD5, KD300 and KD600 according to the project the founder selected;
- ◆ The founder can deposit his waqf contribution into IICO's Kuwait Finance House accounts, in any of IICO's bank or he may transfer their contribution online;
- ◆ The accumulated fund endowed by all founders will then be invested by the IICO and the returns from the investment are utilized to finance the above mentioned programs (<http://www.iico.org/home-page-eng/waqf-eng.htm>, accessed on August 2008).

This scheme succeeded in providing the assistance needed in many countries.

9. Waqf-shares in the UK

In a country where Muslims form the minority, waqf plays an even more important role for the advancement of Muslims in various social and economic sectors. In the UK, charitable organizations and solidarity groups are an important element within the Muslim community. One such institution is the Islamic Relief which is a non-governmental organization founded in 1984, as an international relief and development charity organization, with the aim of alleviating the suffering of the world's poorest people, responding to disasters and emergencies, and promoting sustainable economic and social development through working with local communities (Islamic Relief). The activities of the Islamic Relief are divided into provision of emergency relief, infrastructure development, and the support of orphans. They have established cash

waqf schemes under the Waqf Future Fund. The Waqf Future Fund (WWF) is a mechanism established by Islamic Relief to create cash waqf schemes, based on the waqf-shares scheme, for various long-term projects, encompassing many different scheme such as: education waqf-share scheme, water and sanitation waqf-share scheme, orphans waqf-share scheme, qurbani waqf-share scheme, healthcare waqf-share scheme, emergency and relief waqf-share scheme and income generation waqf-share scheme (Islamic Relief).

The mechanism of participation in this scheme can be made individually or collectively as explained below:

- ◆ Waqf-shares are issued by Islamic Relief, as the trustee;
- ◆ Usually the trustee prepare a list of projects and for the founders to choose their beneficiaries.
- ◆ Interested founders then buy the shares at \$1,900 per share and subsequently, give it away as waqf to Islamic Relief. There is no limit to the number of shares that each founder can purchase;
- ◆ Similarly the founders are thus not entitled to receive any form of dividends or profits. Upon full payment, the founders will receive a receipt, showing the total contribution made. For example, out of \$1,900, if the founder only buys one share, a one-off administrative charge of \$296.44 will be deducted and the remaining money is invested in low risk *Shariah*-compliant instruments;
- ◆ The return on investment is then used to finance the programs selected by the founder;
- ◆ For the purpose of good transparency and governance practices, Islamic Relief sends a report on the performance of the scheme, including details on distribution and returns on investments to the founder on an annual basis.

This scheme also succeeded in providing the assistant needed in many countries such as Afghanistan, Kosovo, Palestine, Albania, Sudan, Bosnia, Mali, Bangladesh, Chechnya, India and Pakistan.

10. Waqf-shares for developing old waqf properties

Reviewing the success of waqf-share scheme in the above mentioned five countries encourage us to propose this scheme as fund raising to provide the capital to develop and to upgrade the old waqf properties which were neglected and left idle for many years. For example, in Malaysia 1/3 of the old waqf properties are unproductive, in Turkey 1/3, in Egypt and in Sudan 2/3. Tracing some of these old waqf which had been neglected and left idle for many years we found that these waqfs include agriculture lands, waqf buildings such as schools, universities, hospitals, clinics, orpha-

nage houses, highways, water supplies, commercial buildings included offices, stores, bakeries, butcheries, pharmacies, goldsmiths, restaurants, stables, tailors, shoemakers, carpenters, clinics, money changers, hotels and baths, factories for cloth and silk, leather-dying, soap, olive oil, boats, matches, yogurt, bronze tubes, ice cream, stones for road making, tiles, cups and bowls, candles, swords and guns, and waqf-based mills which provided the people with ground corn and wheat for bread making. All these are good services to be provided in each society on the one hand and will open jobs for the majority of people on the other. Hence it is much recommended to use waqf-shares scheme to develop the old waqfs in order to benefit Muslim societies at large.

The main objective for adopting waqf-share scheme to finance these old waqf properties can be summaries as follows:

- ◆ It opens the door for all categories of people to participate in creating waqf, even with the minimum amount of money they have;
- ◆ It helps getting multiple rewards as recommended by the Prophet (pbuh);
- ◆ It provides chance for the founders to choose their beneficiaries;
- ◆ It ensures perpetuity of the waqf-shares since the waqf-shares will be channeled directly to develop projects on waqf land.

The proposed *modus operandi* for this waqf-share scheme is as follows:

- ◆ The issuer institution for the waqf-shares can be the current trustee or any other institutions.
- ◆ The issuer institution can also provide the list of old waqf properties which need finance and the waqf-share amount for each one. An example of such list is highlighted below. Note that each country has different types of old waqf properties, so different lists can be prepared by the different trustees.

Table 1. List of old waqf properties

Founders can select the old waqf property he/she wish to contribute in redeveloping it	
1. Agriculture lands	2. Universities
3. Schools	4. Hospitals
5. Clinics	6. Pharmacies
7. Bakeries	8. Butcheries
9. Water supplies	10. Restaurants
11. Tailors	12. Goldsmiths
13. Orphanage houses	14. Shoemakers
15. Highways	16. Stables
17. Carpenters	18. Clinics
19. Money changers	20. Factory for cloth
21. Hotels	22. Factory for silk
23. Factory for leather-dying	24. Factory for matches
25. Factory for soap	26. Factory for stones for road making

Table 1 (cont.). List of old waqf properties

Please select the old waqf you would like to contribute in reviving and developing it	
27. Factory for olive oil	28. Factory of cups, bowls and candles
29. Factory of boats	30. Factory for weapons

- ◆ The founders can select the project they wish to contribute to re-develop it from the list provided and with the amount of money they can afford to pay.
- ◆ Similar to the above mentioned schemes, the founders can receive a waqf-certificate as evidence that they had purchased waqf-shares with a specified amount of money for re-developing a specified project.

- ◆ The issuer’s institution/trustee can then manage and channeled the accumulated fund directly to revive and develop the old waqf properties selected by the founders.
- ◆ For the purpose of good governance, similar to the Islamic Relief practice, the trustee must send a report on a regular basis to each founder showing the progress of development of their selected project.

The benefit of this scheme is that the trustee need not invest the accumulated fund from the waqf-shares they can directly channeled the accumulated funds to each project since the projects will be developed on waqf land as clearly explained in the following structure.

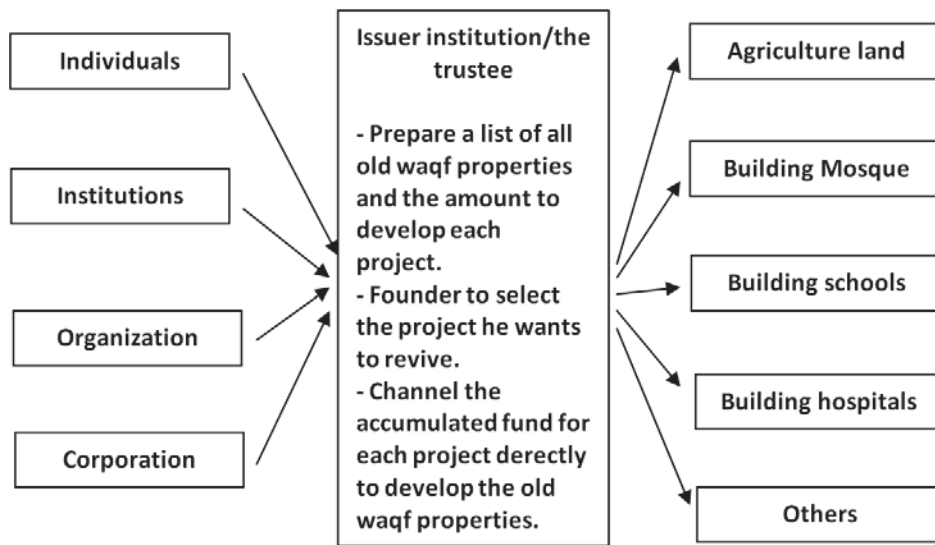


Fig. 2. Waqf-share structure for financing old waqf properties

Conclusion

The current practice of waqf-share in the different Muslim and Muslim minority countries are good evidences for the continuation of the remarkable role of the institution of waqf from the time of the

Prophet (pbuh) until today. We hope by adapting such scheme for reviving and developing old waqf building this scheme can return back the role of waqf in the Islamic world and which will benefit the Muslim societies as large.

References

1. Monzer Kahf (2000). *Al-Waqf Al-Islami: Tatawwuruh, Idaratuh, Tanmiyatuh*, Beirut: Dar al-Fikr.
2. Murat Cizakca (2000). *A History of Philanthropic Foundations: the Islamic World from the Seventh Century to the Present*, Istanbul: Bogazici University Press.
3. Magda Ismail A. Mohsin (2009). *Cash Waqf: A New Financial Product*, Person Malaysia Sdn. Bhd.
4. Annual Reports of State Islamic Councils in Malaysia (2006). Aviable at: http://www.mais.gov.my/majlis/index.php?option=com_booklibrary&task=showCategory&catid=48&Itemid=75. Accessed in October 2007 and re-visited in May 2011.
5. State Islamic Councils in Malaysia (websites). Accessed in July 2007, revisited in May 2011. State Islamic Councils in Malaysia (websites). Accessed in July 2007, re-visited on May 2011. See also Magda Abdel Mohsin, “Modern Application of Cash Waqf” paper presented at INCEIF-Kuala Lumpur/Malaysia as an internal seminar on January 22, 2008, p. 15. See also Selangor Islamic Council’s Annual Report at: http://www.mais.gov.my/majlis/index.php?option=com_booklibrary&task=showCategory&catid=48&Itemid=75. Accessed in October 2007 and re-visited in May 2011.
6. State Islamic Councils in Malaysia (websites). Accessed in July 2007, revisited in May 2011.
7. Dodik Siswantoro. “The Effectiveness of Waqf Fund Raising through Mutual Fund in Indonesia”, paper presented at the Singapore International Waqf Conference 2007, p. 7.
8. Ibid. Dodik Siswantoro, pp. 7-8.

9. Ibid, p. 8. See also Dompot Dhuafa Republika's Annual Reports, at: <http://www.dompotdhuafa.org/dd.php?w=indo&x=annual&y=main>.
10. Magda Ismail Abdel Mohsin (2005). "The Revival of the Institution of Waqf in Sudan", *Al-Awqaf Journal*, Kuwait, p. 44.
11. Magda Ismail Abdel Mohsin (2003). "Integration of Waqfs in the Process of Socio-Economic Development: Case Study Sudan", Ph.D. diss., International Islamic University Malaysia, p. 126.
12. Islamic Relief, "About us", available at: http://www.islamic-relief.com/submenu/about%20us/about_us.htm. Accessed in July 2007, revisited in May 2011.
13. Islamic Relief. "*Waqf Future Fund*", available at <http://www.islamicrelief.com/submenu/waqf/Waqf.htm>. Accessed in July 2007, revisited in May 2011.
14. <http://www.iico.org/home-page-eng/waqf-eng.htm>. Accessed on August 2008.