

Review Article

Conceptual Review for Cash Waqf Using Mudharabah Approach for Developing Public Employment Opportunity

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ABSTRACT

This article reviews the viability of using cash waqf to develop public employment opportunity based on a mudharabah approach. This mini review is based on secondary data retrieved from academic journals, books, websites, articles, and theses. The research found that despite its numerous benefits, some remained unaware of cash waqf. In particular, cash waqf is seen to be able to develop agriculture sector through its incorporation with mudharabah concept. This cash waqf - mudharabah synergy could help reduce the poverty rate of any country where it is applied and reduce the gap between the have and have-not. Secondly, it can also facilitate efficient management of waqf property by dedicating some of the waqf land for the agricultural sector development. Lastly, it may promote agricultural sector in an efficient manner. To this end, cash waqf is a proven mechanism that must be elegantly exploited to safeguard the well-being of a society.

Keywords: Cash waqf; mudharabah contract; Public employment opportunity; Poultry; Agriculture and Awareness.

Received: 3rd September 2018 **Accepted:** 20th November 2018 **Published Online:** 14th December 2018

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Citation: Traore I, Sulong Z and Doukoure A. Conceptual Review for Cash Waqf Using Mudharabah Approach for Developing Public Employment Opportunity. J Halal Ind Serv 2018; 1(1): a0000013

Introduction

Waqf can be referred to as the dedication of privately owned property (movable or immovable) and/or its benefit and usufruct in perpetuity for the well-being of the society. Immovable waqf such as land and buildings were popular in Islam as a means of benefiting the Ummah. However, recently, movable waqf such as cash waqf is growing in popularity as a result of the dire need in Islam to reduce the gap between the rich and poor. Waqf can be dedicated to public, family or a combination of both.

Supporting evidences for the achievement of cash waqf can be found in many literatures. Looking at the present situation of Muslim societies, the incorporation of cash waqf into various Islamic mechanisms such as mudharabah and musharaka, and using it to develop different sectors like property and estate, agriculture and transportation should be highly encouraged.

However, in practice, this potential endeavor requires proper research to ascertain its viability and ability to achieve its targeted purposes. This present work conceptually reviews most relevant and recent literatures on the use of cash waqf for developing employment opportunity through a mudharabah approach leading to greater awareness of the benefits of cash waqf in reducing the gap between the rich and poor. It is also anticipated that this study could provide an alternative mechanism through which governments can reduce poverty.

Literature Review

Cash waqf is a movable waqf in which people contribute money via assets, or exchange the idle waqf property for cash (*Istibdal*) in order to invest in social well-being. Khademolhoseini (2008) classified waqf into several categories namely timing, legitimacy, beneficiary, usage type and object. The object category is further classified into movable and immovable properties.

The importance of cash waqf cannot be over emphasized due to its numerous contributions, socially and economically. It is a trust fund established in order to provide services to people for the sake of Allah. The use of cash waqf can be traced to the Ottoman Empire at the beginning of 15th century, which became extremely popular at the end of 16th century (Cizakca, 2004). Waqf, especially cash waqf, has been proven to be an important mechanism for social well-being in Muslim societies (Ibrahim, Amir, & Masron, 2013).

Legality of Cash Waqf in Islamic Finance

The legality for approval of cash waqf can be found in the Qur'an and Sunnah. All Muslim schools of jurisprudence (Hanafi, Maliki, Shafi'i and Hanbali) agreed on the use of both immovable and movable assets for waqf. The evidence for the use of cash waqf in Islam can be traced to many verses in Qur'an as well as Hadith. Some of them are quoted below:

“You will not attain unto piety until you spend of that which you love. And whatsoever you spend, Allah is Aware thereof” (Q. 3:92). It was also narrated from Abu Hurairah that the Messenger of Allah (S.A.W.) said: “When a man dies all his good deeds come to an end except three: Ongoing charity (Sadaqah Jariyah), beneficial knowledge and a righteous son who prays for him”.

From the above evidences, it can be said that using cash waqf is an important part of Islam, as recommended by Allah and His messenger. As such, cash waqf can be used together with other Islamic financial mechanisms such as the Mudharabah contract in order to provide employment opportunities.

Methodology

The researchers adopted a conceptual reviewing method of secondary data. Relevant information from academic journals, books, websites, articles, and theses were retrieved and analysed in order to elicit opinions towards the use of cash waqf to develop public employment opportunity based on the Mudharabah approach, with special focus on the agriculture (poultry) sector.

Results and Discussion

Cash waqf has become increasingly well-known in many Muslim societies particularly due to its flexibility, contributions and distribution of the waqf usufruct to the poor. Waqf is a means of investing in, or dedicating some public usufruct in perpetuity to prescribed purposes (Khademolhoseini, 2008). Cash waqf carries several advantages to financial institutions, investors, and society. Historically, waqf has focused on developing land and constructing buildings. However, since not everyone has assets to dedicate as waqf, cash waqf has become a useful alternative for those wishing to donate to waqf.

Effective Cash Waqf for Social and Economic Development

In the Ottoman Empire, health, education and welfare were entirely financed by gifts and endowments which played a significant role in maintaining the social fabric of the Ottoman Empire (Çizakça, 2000). In addition, to combat illiteracy, sickness and lack of technical know-how, non-governmental organizations can assist in providing public goods and services on a large scale (Islahi, 1992). To illustrate, in Bangladesh, some well-to-do persons pooled their wealth to jointly create a cash waqf to finance private universities in the wake of the enactment of the Private University Act, 1992 (Sadeq 2002).

In contrast, there are many cash waqf funds throughout the Muslim world that have proven ineffective due to poor management (Siswantoro & Dewi 2007). Perhaps this is due to their shallow understanding of waqf where one common misconception is that waqf is limited to fixed assets. In such scenario, funds are merely channeled to build mosques and graveyards. Many appear to be unaware of diversifying their contribution in the form of cash waqf which has a much broader connotation than zakat or sadaqah. Likewise, if there was greater accountability for administrative costs within an organization, individuals would be more inclined to donate to non-profit organizations because many waqf assets are not managed efficiently (Beatty 2007; Frumkin & Kim 2001). To this end, cash waqf is seen to increase efficiency in the use and management of waqf.

Waqf Bank

Another waqf initiative is to develop a waqf bank as the bank for the poor (Mohammad, 2011). The validity of this rests on the validity of the waqf from which the funds for this bank are formed. The institutions of cash waqf have the unrealized potential to establish a waqf bank but this can only be favorable if the political environment supports the waqf institution. The waqf bank will contribute significantly to the society. Furthermore, cash waqf would help to improve the present Islamic institutional setup and their network relationship throughout the Muslims world (Chowdhury, 2011). In this view, their performance will increase in the direction of the efficient and proper management of the waqf, which will guarantee strong micro and macro mixed policies complying with the Shariah guidelines. Henceforth, there are three determinants for transforming particularized trust into a generalized social trust which should be presented in any community to arouse economic activity, namely the existence of business and corporate ties, reliable and positive public institutions and perception of the community as *umanaa* (plural of *ameen* meaning trustworthy and safe). Trust is seen as, “the expectation of ethical justifiable behavior that is morally correct and their actions are based upon ethical principles of analysis.” It is also defined as a person’s “expectation, assumptions, or beliefs about the likelihood that another’s future actions will be beneficial favorable, or at least not detrimental to one’s interest (Robinson, 1996). Similarly, trust is characterized as the, “undertaking of a risky course of action on the confident expectation that all persons involved in the action will act competently and dutifully (Lewis, & Weigert, 1985).

Furthermore, the importance of waqf for socioeconomic development, which consists of creating and developing a third sector distinct from the profit-motivated private sector and the authority-based public sector, manifests in changing this third sector with the responsibility of performing a group of tasks whose nature makes them better (Kahf, 1998). Another great advantage of cash waqf is in the area of tax where there will be greater incentives. Chua & Wung (2003) revealed that individual tax incentive is among the important determinants of charitable giving. Donations are found to be income-inelastic but highly price-elastic meaning that lowering the price of giving goods through tax incentives can be very effective in encouraging private donations to charity. In support of this, in Austria tax incentives have been found to represent a major determinant of donations to charity.

Another important aspect of waqf can be attached to contribution and distribution; waqf can be used to provide opportunities for facilitating mass participation, rightful utilization, and social and economic development. The waqf can also be an instrument, a tool, and means for poverty alleviation. Waqf funds can be used to micro-fund Islamic microfinance institutions. Furthermore, the Islamic endowment of waqf can be collected by a specialized bank, which will act as a Mutawalli for the waqf. The bank will offer a waqf purchaser a waqf certificate in return for his waqf investment. The value of such waqf certificate can be as low as \$1 USD.

With regards to the Cash Waqf Certificate, it was introduced by the Social Investment Bank Ltd. (SIBL), as a new product in the history of banking in the voluntary banking sector. Cash waqf can be seen as a social assignment replacing income tax in many Muslim countries. A great part of direct tax can be converted to social assignments and Cash-Waqf Certificates can partially substitute a substantial part of the income tax for financing strategic social projects in education, health, and social welfare activities proposed to be undertaken by the rich. For this to succeed, there needs to be political will together with a new beginning can be made for a participatory economy and a caring society (Mannan, 2008). Mannan also argues that cash waqf can support an important role as an efficient resource allocation in public finance, and in an economics to alleviate poverty in Muslim community by not only adjusting income and wealth, but adjusting the price of goods and services with which waqf is associated. Hence, the implications of the waqf revenue spending pertain to Good Deeds Effects, Free Rider Effects, and Income Distribution Effects.

Cash Waqf in Agriculture Sector

The waqf institution reached its peak during the Ottoman Sultanate in terms of numbers, assets and the services it was rendering to the citizens, which ranged from municipal services to education, health, culture and religion. During this period, cash waqf also played a role in financing and granting of loans to those in need (Çizakça, 2000). During this era, more than 35000 awqaf (pl. waqf) (cash and real estate) was generated, 17% of tax revenue was collected in Western Anatolia while in other provinces, taxes from real estate awqaf were 5% to 16% of total tax revenue (Barkan, & Ayverdi, 1970). This achievement led to the creation of movable cash waqf in many Muslim countries including Malaysia, Singapore, Indonesia, Turkey, Brunei and Arab countries to name a few, which are now practicing cash waqf to boost the development of the Ummah (Mohsin, 2009).

While cash waqf has a large potential to positively transform agriculture sector (Cizakka, 1998), it can be ascertained that there was no previous study that investigated the incorporation of Islamic bank contracts such as mudharabah into cash waqf to develop agricultural product. Combining cash waqf and mudharabah contract to develop agricultural sector has a number of important implications on the economy. Firstly, this can be used to reduce the poverty rate of any country where it is applied and; reduce the gap between the have and have-not. Secondly, it can also facilitate efficient management of waqf property by dedicating some of the waqf land for the agricultural sector development. Lastly, it may promote agricultural sector in an efficient manner.

However, the implementation of cash waqf in the agricultural sector will only be efficient if the society is trustworthy (Sabatini, 2009). Likewise, cash waqf and agriculture will provide a

strong foundation for supporting religion, culture, and social and economic activities thus alleviating poverty in society (Alias, 2011).

Based on the discussion above, a cash waqf model to benefit agriculture sector can be developed. One example is shown in Figure 1 where cash waqf is used to establish poultry business through funds provided by the Baitul-Mal. Under this model, employment will be provided based on a mudharabah contract in various sections including feed-mill, grinding, crate making, transportation, management and security. The proper utilization of this model will not only provide employment opportunities to the needy, it will also improve the general well-being of all the public.

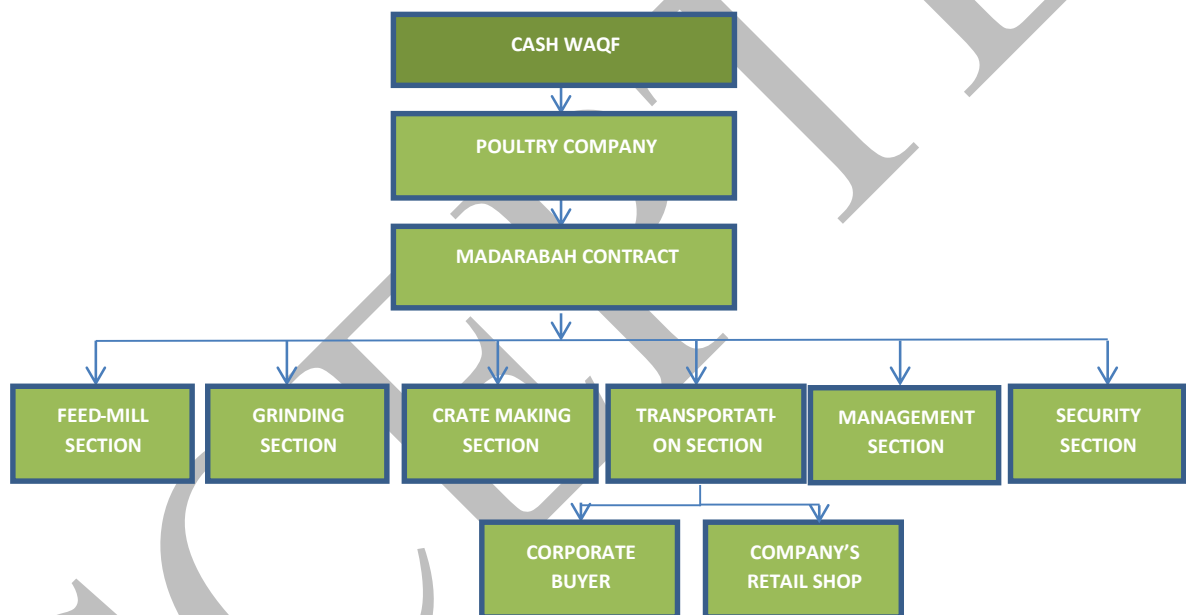


Figure 1. Illustration of the Model for Cash Waqf in Developing Agricultural Sector (Poultry)

Conclusion

This paper conceptually review secondary data on the usage of cash waqf to develop the public employment opportunity based on a mudharabah approach. The research concludes despite its numerous benefits, some remained unaware of cash waqf. Nevertheless, cash waqf is seen to be able to develop agriculture sector through its incorporation with mudharabah concept. This would assist in providing employment opportunities and reduce gap of rich and poor in a society.

Conflict of Interest

The author declare no potential conflict of interest with respect to the research, authorship, and/or publication of this article

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