



CASH WAQF: A LIMITLESS POTENTIAL FOR ECONOMIC AND SOCIAL DEVELOPMENT

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To cite this article:

Kamal, Muhammad Imran Bani. "CASH WAQF: A LIMITLESS POTENTIAL FOR ECONOMIC AND SOCIAL DEVELOPMENT." *The Scholar Islamic Academic Research Journal* 11, No. 2 (December 2025).

To link to this article: <https://doi.org/10.29370/siarj/issue21ar8>

Journal

The Scholar Islamic Academic Research Journal
Vol. 11, No. 2 || July -December 2025 || P. 219- 233

DOI:

10.29370/siarj/issue21ar8

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Journal homepage

www.siarj.com

Published online:

2025-12-20

Journal Indexed by:

DOAJ | AIL | Almanhal | National Library of Australia | Academia, | DRJI | WorldCat | SCILIT | Gale | The Internet Archive | 10-A Digital Library | Harvard Library E-Journals | Library | University of Ottawa | ScienceGate | NAVER Academic, Asian Digital Library | Tehqeeqat, | SEMANTIC SCHOLAR | Publon | Repository | Globethics | EuroPub database | Cornell University Library | Advanced Sciences Index.



CASH WAQF: A LIMITLESS POTENTIAL FOR ECONOMIC AND SOCIAL DEVELOPMENT

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ABSTRACT:

Traditional institutions of Islamic economics hold significant potential for social development and welfare. Historically, the institution of Waqf played a crucial role in the golden era of Islamic civilization. A key evolution within this system is Cash Waqf, which was notably encouraged during the Ottoman era. Due to its flexibility, it was used to overcome different issues and challenges associated with traditional real estate endowments. Cash Waqf is easier to establish and manage, allowing it to serve a larger segment of society. It can be utilized for direct financing or invested, and the profits generated will be used for funding microfinance and social goals. In the contemporary era, Cash Waqf has regained attention and is being applied to innovative concepts like Islamic insurance (Takaful). This underlines the importance of this tool and its capacity to establish a humanitarian and moral economy in the world.

KEYWORDS: Waqf, Cash Waqf, endowment, Islamic economics, social development.

Introduction:

The institution of *Waqf* (endowment) is one of the wonders of the Islamic economic and social system that has had a wide impact on the formation and progress of Islamic civilization. Although the history of endowment dates back to before the advent of Islam, it was Islam that developed the concept of endowment, as the well-known waqf system, determined its criteria and limits, and established the culture of *Waqf*. *Awqaf* spread

rapidly in the very first era. It is narrated that there was no one among the companions of the prophet (PBUH) who had financial means and did not endow something.¹

Throughout Islamic history, endowments (*Awqaf*) have made a major contribution to the formation of powerful Islamic societies and to meeting their needs.

For centuries, the two sectors of education and healthcare were organized and managed by the endowment institution without the need for government funds.² During times of weakness of governments and political crises, society maintained its stability thanks to the services that *Awqaf* provided in the fields of education, health, and economic and social affairs.

On this basis, the Muslim nation has rightly been called the nation of *waqf* (*Ummatu al-Awqaf*) and Islamic civilization: the civilization of *Waqf* (*Hadharatu al-Awqaf*).³

The colonialists realized the importance of endowments in empowering the Muslim community and made it their agenda to destroy them. In addition, the local authoritarian governments spared no effort in restricting active *awqaf* and confiscating endowments; the weakening of the

¹ Kahf, Monzer, "*Al-Waqf Al-Islāmi: Tatawwuruhi, Idaratuhu, Tanmiyatuhu*", (Damascus: Dar Al-Fikr, 2000), 19-28.

² Misri, Rafiq, "*Al-Awqāf fiqhan wa-iqtisadan*", (Damascus: Dar-Al-Maktabi, 1999), 109.

³ Malkawi, Fathi Hasan, "*Mashru'at Baḥthiyah fi Al-Turath Al-Tarbawi Al-Islami*", (Jordan: Human Knowledge Center, 2018), 267.

institution of *Waqf* dealt an irreparable blow to the Islamic society.⁴

(*waqf*) in its flourishing period was the most important institution for realizing solidarity and cooperation in the Islamic society.

Islamic endowments, in terms of the type of endowed properties, the legal form of the *waqf*, the economic aspect, the types of founders, the method of management, and especially the goals and purposes of the *waqf*, enjoyed a high degree of diversity. The goals of *waqf* extended beyond common and well-known areas such as providing food and water for the needy, accommodating travelers, treating the sick, and establishing educational centers and libraries, to surprising and sometimes rare cases such as providing milk for infants, uplifting the spirits of patients, marriage of the blind, caring for orphaned animals, and even special endowments were established for the care of migratory birds.⁵

Challenges of Waqf Properties and Lands:

Despite the theoretical breadth of *waqf* domains and endowed properties, historically, the majority of endowments were practically limited to real estate and land. At one point, nearly one-third of agricultural land in Turkey, Egypt, and the Levant consisted of *waqf* lands.⁶

This concentration, coupled with inadequate maintenance and management of *waqf* assets, and limitations and obstacles in investing *waqf* resources and their optimal utilization, led to numerous problems. Consequently, many *waqf* properties were lost, and the standing of *waqf* as an institution weakened.

⁴ Ergun, Selim, "Al-Waqf fi Al-Siyāq Al-'Uthmānī", (Istanbul: Ibn Haldun University Press, 2023), 62.

⁵ Kahf, "Al-Waqf Al-Islāmi...", 32-38.

⁶ Ibid. 30.

Today, a large part of the endowments still consists of non-movable properties such as land and real estate. Prominent problems of property endowments include the high cost of real estate and the limited number of individuals capable of making such endowments, the high cost of maintaining endowed properties, and the obstacles to selling endowments in case of reduced or no productivity.⁷

Considering these problems, contemporary efforts have aimed to find new scientific solutions for establishing waqf, its optimal management, diversifying the areas of waqf, and developing investment in endowments; one of these solutions is cash waqf.

From the Emergence of Cash Waqf to its Flourishing in the Ottoman Era:

Although cash waqf has attracted more attention in recent times, it has a long history from a jurisprudential perspective, as evidence of cash waqf can even be found in the early Islamic centuries.⁸ Nevertheless, cash waqf in its common form and within the framework of institutions emerged centuries later in the 9th century AH/15th century AD in the Ottoman lands. The first known cash waqf for researchers is a waqf that existed in the city of Edirne, the then capital of the Ottoman Empire. This waqf consisted of several shops and ten thousand Akçe – the common currency of the Ottoman lands at that time.⁹

⁷ Althomali, Abdullah. "Waqf al-Nuqūd (Ḥukmuḥu, Tārīkhuhu, Aghrāḍuhu, Ahammiyyatuhu al-Mu'āṣirah, Istithmāruhu)". (Makkah: Ummul Al Qura University, 2006), 21-25.

⁸ Kachkar, Omar, "Waqfun nuqud". (Istanbul: Ibn Haldum University press, 2024), 39.

⁹ Al-Arnaout, Muhammad, "Dalalat Zuhour Waqf Al-Nuqood fi Al-Quds fi Al-'Asr Al-'Uthmani," *Majallat Awqaf*, vol. 5 No. 9 (2005) 33-47.

The Ottoman Empire era was the flourishing period of awqaf (plural of waqf). In the words of Hasan Ergun, "Thanks to awqaf, a person might be born in a waqf house, grow up in a waqf cradle, be provided for from waqf properties, study with waqf books, teach in a waqf school and receive their salary from a waqf institution, and whenever they passed away, they would be placed in a waqf coffin and buried in a waqf cemetery".¹⁰

Cash waqf developed in such a society. Researchers have considered cash waqf a revolution in the field of waqf and one of the Ottoman additions to Islamic civilization. It is reported that after the conquest of Istanbul, cash awqaf outnumbered public awqaf.¹¹

The operating method of these awqaf was generally to lend to merchants. Sometimes, the Mudaraba contract or direct investment was also used to utilize the waqf funds. Of course, this lending was not direct, and strategies were employed that would allow the waqf administration to earn income in a Sharia-compliant manner. Regarding these strategies, however, there was no consensus among jurists, and this very issue was a serious reason for the opposition of a number of well-known jurists of that time to cash waqf. The main reason for opposing cash waqf was its contradiction with the definition of waqf, which requires the preservation of the principal of the endowed property and the utilization of its profits, whereas in cash waqf, the principal is consumed. Based on this, detailed jurisprudential disputes arose in the Ottoman era between the opponents and proponents of cash waqf. Shaykh al-Islam Abu al-Su'ud Efendi (d. 982 AH) was one of the supporters of cash waqf, and the expansion of cash

¹⁰ Ergun, "Al-Waqf fi Al-Siyāq Al-'Uthmānī", back cover.

¹¹ Al-Arnaout, "Dalalat Zuhour Waqf Al-Nuqood", 35.

waqf is indebted to his fatwas.¹²

Although the mechanism of cash waqf in the Ottoman period is open to jurisprudential criticism and scrutiny, regardless of these issues, the activity of these institutions as a parallel institution to banks is considered one of the successes of the Ottoman era.¹³

Today, the jurisprudential objections related to the principle of cash waqf have largely faded. The Islamic financial and economic industry today is based on contemporary collective ijihad , which generally relies on the resolutions of Islamic Fiqh academies and the Sharia standards of AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions), which absolutely permit cash waqf. Based on this, the idea of cash waqf is accepted worldwide, and numerous cash waqfs have been established and are operating.¹⁴

Characteristics of Cash Waqf and its Mode of Operation:

Cash waqf possesses characteristics that make it more flexible and efficient compared to other types of waqf. Some of these features include:

1. Cash waqf is accessible to the general public because most people have cash amounts and savings, whereas many do not possess real estate and land.
2. It is possible to endow small amounts in cash waqf, while endowing land and real estate on a small scale is not very profitable and sometimes not even feasible.

¹² Salhab, Abdul Azim, foreword and appendix of "Mawqif Al-'Uqool min Waqf Al-Manqool" by Abi Al-Su'ud Jordan: Awrraq, 2019

¹³ Bulut, Mehmet, Korkut, Cem. "Ottoman cash waqfs." *Insight Turkey* 21, no. 3 (2019): 91-112.

¹⁴ Kachkar, "Waqf Al-Nuqud", 42.

3. Creating a temporary waqf is easier in cash waqf. Temporary waqf is also one of the issues that is subject to disagreement among jurisprudential schools, but the resolution of the Islamic Fiqh Academy emphasizes its permissibility, and many innovative waqf projects are designed based on temporary waqf.
4. Cash waqf is more applicable than other types of waqf in joint or collective waqf. Joint waqf is compatible with contemporary economic conditions and, if used correctly, can provide more financial resources and make the implementation of large social and economic projects possible.
5. A cash waqf fund, by utilizing modern management and accounting methods, can operate more successfully from an economic and administrative perspective.
6. Due to the diversity in its application and investment methods, cash waqf has a broader impact on sustainable development.¹⁵

Depending on the conditions and needs of society, cash waqf can operate in various ways to impact the economic and social development of the community.

The first form is the direct use of cash endowments to provide loans through the establishment of interest-free loan funds (qard al-hasana funds). These funds can grant interest-free loans to needy individuals to start small businesses and become self-sufficient.

The second form is investing endowed funds and using their income for

¹⁵ Shawqi Ahmed Dunya, "Al-Waqf al-Naqdi Madkhal li-Taf'il Dawr al-Waqf fi Hayatina al-Mu'asirah," *Majallat Awqaf* 2, no. 3 (1423 AH/2002 AD): 69-70

cultural, social, and economic purposes, such as building and equipping schools and universities; providing scholarships for needy students; establishing charitable hospitals and medical centers and providing free or low-cost medical services; and creating job opportunities by investing in production and entrepreneurship projects.¹⁶

In this way, cash waqf can be used as a powerful tool for poverty reduction, promotion of social justice, and sustainable development of society.

Innovative Ideas in Cash Waqf:

Contemporary researchers and scholars, drawing upon the theory of waqf, have proposed innovative ideas, some of which have been successfully implemented.

One such innovative idea is the International Islamic Waqf, presented to create a sustainable solution for combating poverty in Muslim countries. The goal of the International Waqf is for endowments to move beyond their regional and local nature and for the formation, activities, and services of awqaf to be supra-regional and among the member states of the Organization of Islamic Cooperation (OIC).

This waqf is formed with capital derived from individual donations, government contributions, commercial company assistance, and the income of small religious endowments. The capital of the waqf fund is invested in Islamic banks, Sharia-compliant stocks, sukuk (Islamic bonds), and precious metals, and the resulting profit will be used to address natural disasters, support small and medium-sized enterprises, and provide

¹⁶ Kachkar, "Waqf Al-Nuqud", 42.

microfinance.¹⁷

The Waqf Bank is another innovative idea, with the aim of collecting small and dispersed waqf funds that individually do not have the possibility of effective investment and investing them in a single institution. Utilizing the commercial features of a bank in modern financial management and organizational governance will be effective in reducing investment risk and increasing the returns of waqf resources.¹⁸

Waqf Bank of Turkey (VakifBank) (established in 1954 and one of the largest banks in Turkey) can be considered one of the earliest attempts to realize this idea.¹⁹ However, the establishment of this bank using the resources of old waqf properties that had come under the control of the Directorate of Endowments is debatable in terms of Sharia principles.

Islamic Insurance Based on Waqf:

Conventional insurance is not considered permissible by the majority of Muslim jurists, and its Sharia-compliant alternative is Islamic insurance, generally known as Takaful (solidarity-based insurance). Designing a model of Islamic insurance that provides insurance services while adhering to Sharia principles has been a challenging topic in Islamic economics literature. Several proposals have been put forth for this purpose, one of which is the design of a Takaful fund based on waqf. In

¹⁷ Bulut, M., Dembele, A. & Saiti, B., "The global cash waqf: a tool against poverty in Muslim countries," *Qualitative Research in Financial Markets* July 2021, vol. 13 No. 3 P. 277-294,

¹⁸ Yahya, Fahad, "Al-Bank Al-Waqfi", Islamic Economics Institute, Saudi Arabia, 2023

¹⁹ Kahya, Hatice Kubra. "Şeyhülislamın Gerçekleşen Rüyası: Evkaf Bankası'ndan Vakıf Katılım'a Para Vakfıyla Banka Kurma." *Darulfunun ilahiyat* 34, 1 (2023): 1–31.

this model, a waqf fund will be established using the capital of the founders plus the insurance premiums of the clients, and the insured will have the right to use its services under certain conditions. By designing the insurance fund based on cash waqf, the common Sharia objections to conventional insurance (such as *riba* - usury - and *gharar* - excessive uncertainty) will be resolved.²⁰

It is worth mentioning that the idea of designing Islamic insurance based on waqf was first proposed by the prominent authority on Islamic finance jurisprudence, Allama Muhammad Taqi Usmani, which was welcomed by the insurance industry, and Islamic insurance companies have been established based on it in several countries.²¹

Examples of Contemporary Cash Waqf:

Utilizing the idea of cash waqf, various endowments have been established in the contemporary era, clearly demonstrating the immense capacity of cash waqf and its compatibility with the diverse needs of society and various social and cultural goals. Below are a few examples of these awqaf that can serve as models for establishing efficient and dynamic endowments.

1. Sanabil Al-Khair Waqf (Grains of Goodness Waqf)

"Sanabil Al-Khair" is considered one of the first organized waqf projects in the field of charity and relief work in the Islamic world. This project was established by "Hay'at al-Ighatha al-'Alamiyyah" (International Relief Organization), a subsidiary of the "Rabitat al-Alam al-Islami" (Muslim

²⁰ Usmani, Muhammad Taqi, "Buhooth fi Qadaya Fiqhiyyah Mu'asirah", (Damascus: Dar Al-Qalam, 2011),

²¹ ISRA, Islamic financial system: Principles & operations, (Kuala Lumpur: ISRA, 2016), 551.

World League). The project aimed to collect and invest one hundred million Saudi Riyals annually, totaling one billion Riyals over ten years. While preserving the principal capital, the profit generated from this investment was allocated to finance and support the programs of the Muslim World League and its humanitarian projects in the fields of relief, education, social welfare, and health. By implementing projects such as the construction of commercial towers in Mecca, this project was able to establish itself as a successful model in the field of waqf and charity.²²

Unfortunately, due to recent political developments in Saudi Arabia, the International Relief Organization has been dissolved, and current and up-to-date information on the current status of the "Sanabil Al-Khair" waqf is not available.

2. The Imam Ghazali Studies Chair Waqf

This cash waqf is an admirable and exemplary model in the field of endowing money for scientific and cultural purposes. The cash waqf for the Imam Ghazali Studies Chair at Al-Aqsa Mosque and Al-Quds University was established with the support of the Jordanian government and an endowment of two million Jordanian Dinars, which has been permanently endowed. This amount has been deposited in an investment account at the Jordanian bank "Al-Bank Al-Islami Al-Dawli Al-Arabi" (The Arab Islamic International Bank) so that its income can be used to advance the objectives stated in the endowment deed. These objectives include establishing a teaching chair for the thought of Imam Ghazali,

²² Gomaa, Ahmed. "Rābiṭat al-Ālam al-Islāmī: Sanābil al-Khayr namūdhaj yuḥtadhā lil-mashārī' al-waqfiyah bi-l-'amal al-insānī." Youm7, July 19, 2018. <https://www.youm7.com/3879217>.

establishing an award to honor research related to the scholarly heritage of Imam Ghazali, and granting scholarships to students who study at this chair in Al-Aqsa Mosque and Al-Quds University.²³

3. New Zealand Waqf Sukuk

Sukuk is the Islamic equivalent of conventional securities. The New Zealand Waqf Sukuk project represents a novel and innovative approach in the field of waqf, combining investment in the agricultural and livestock sectors with the aim of meeting religious needs (sacrifice) and generating sustainable income for charitable activities. This project is economically and religiously innovative and is considered a leap in the traditional mechanism of waqf, with expectations of creating a transformation in the waqf industry globally. The structure of this waqf is based on the concept of temporary waqf. The waqf's capital will be provided through the participation of thousands of Muslims in New Zealand, and experts from Malaysia – a leading country in the Islamic finance industry – will oversee it.²⁴

Concluding Remarks:

The economic teachings of Islam possess a vast capacity to address economic and social problems; however, in the contemporary era, the practical manifestation of Islamic economics has been largely confined to interest-free banking, which has provoked numerous objections. One notable criticism is the commercial approach of contemporary Islamic

²³ Salhab, Abdul Azim, *foreword and appendix of "Mawqif Al-'Uqool min Waqf Al-Manqool"* by Abi Al-Su'ud Jordan: Awrraq, 2019

²⁴ Sairally, S. & Muhammad, M., "Exploring new trends of waqf in the Islamic capital market," *Challenges and Impacts of Religious Endowments on Global Economics and Finance* [], P. 192-222, IGI Global, Pennsylvania, 2020 A.D.

financial institutions, which is based on engaging with the wealthy segments of society, financing large-scale economic projects, paying little attention to microfinance, and neglecting low-income groups. Indeed, the structure of commercial banks as profit-driven financial institutions makes it difficult to focus on grassroots projects and microfinance. This is where the need for parallel institutions arises to address these neglected areas. In this regard, the institution of waqf has the greatest potential and capability. Cash waqf, with the characteristics mentioned in this article, is of great social and economic importance and can also be instrumental in resolving the jurisprudential challenges related to qard al-hasana (interest-free loans) and insurance. Emphasizing cash waqf does not mean disregarding other forms of waqf; rather, cash waqf will operate alongside tangible endowments, endowed properties, and lands. According to reports, in most Islamic countries, the majority of awqaf consist of endowed properties and lands that have been dedicated to limited purposes. The utilization of public awqaf is very low, and the income from awqaf is disproportionate to their assets. The education and health sectors, which were largely based on the institution of waqf during its flourishing period, now have a very small share of it.

In such a situation, utilizing the immense capacity of waqf, promoting awareness, and expanding the idea of cash waqf, alongside the establishment of new endowments, can also help develop dormant waqf assets. In this way, it is hoped that waqf will gradually regain its historical standing and resolve some of the economic and social problems of the people.

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