Poverty, Hunger and Inequality in the Context of Zakat and Waqf

Ahmet Şuayb Gündoğdu

Abstract
The purpose of this paper is to clarify the differing roles of zakat and waqf in poverty alleviation, hunger, and inequality. It aims to provide a blueprint for harnessing zakat and waqf as alternatives to remedy these social ills. The paper is a qualitative research project, performed through analysis of literature regarding current confusion points pertaining to the areas of infaq, sadaqah, zakat, cash waqf, corporate waqf, and traditional waqf. An ideal social safety net is attainable by focusing on poverty, giving special attention to economic empowerment programs. Zakat should play a supporting role in abating hunger for people in the transition while counterbalancing inequalities created by market imperfections. Since zakat funds cannot be used for social infrastructure development, traditional waqf should fulfil these needs among vulnerable people. Additionally, contemporary forms of cash waqf and corporate waqf are essential in mobilizing resources for social infrastructure development. In contrast to existing literature, this paper provides an alternative blueprint for Islamic social investment and transfer, clearly delineating the roles of infaq, sadaqah, zakat, and waqf. Different Islamic social investment and transfer tools should function like prongs, each acting in a separate sphere, working to serve the same ultimate purpose.

Keywords
Infaq • Sadaqah • Zakat • Waqf • Cash Waqf • Corporate Waqf • Islamic Microfinance • Economic Empowerment

Zekât ve Vakıf Bağlamında Yoksulluk, Açlık ve Eşitsizlik

Öz

Anahtar Kelimeler
Infak • Sadaqa • Zekat • Vakf • Para Vakfı • Kurumsal Vakfı • İslami Mikrofinans • Ekonomik Olanak Sağlama

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Introduction

As a religion, Islam encourages entrepreneurship and wealth creation while obliging believers to allocate some part of their wealth for good causes, as clearly indicated in the Qur’an.\(^1\) Indeed, many verses in the Qur’an clearly indicate the unacceptability of continuing to accumulate wealth without allocating some amount to those in need of support.\(^2\) Hence, the issue of spending in the interest of good causes is an important topic in Islamic economics and finance. This topic has been discussed throughout Islamic history, as poverty is viewed as a matter to be handled similarly to struggles against disbelief (kufr) in Islam. Muhammad (PBUH) said: “O Allah! I seek refuge from disbelief (kufr) and poverty”.\(^3\) Hence, the realities of the contemporary world require a systematic elaboration of how best to structure spending for the cause of Allah (fisabilillah).

However, there is often confusion concerning several pertinent terms, namely, *infaq*, *sadaqah*, *zakat*, and *waqf*.\(^4\) These terms are intended to represent different types of spending and should not be mingled or used interchangeably. The Islamic view suggests beginning with your community first: start with your family (*infaq*) and then expand your giving to relatives and the neighborhood in which you live. The word *infaq* relates to *nafaqa*. It is obligatory for every Muslim to work for and spend money on family members who are not eligible to receive *zakat*. Particularly, it is essential for parents to assure that their children have the relevant education and basic assets necessary to fulfill their obligations in adulthood toward their children and parents. Thus, they should be well-versed in the contemporary skills required to create value, and subsequently allocate some part of their wealth to those closest to them in need of support. Hence, allocation of resources for *zakat* and *waqf* should come only after obligation towards family members has been met. The exception to this principle is *sadaqah*, which is a voluntary act performed by the giver in cases of urgent need and, unlike *zakat*, is not obligatory.\(^5\) Members of a community should address emergency issues with *sadaqah*.

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1 You can never have extended virtue and righteousness unless you spend part of what you dearly love for the cause of God. God knows very well whatever you spend for His cause (3:92)
2 And let not those who [greedily] withhold what Allah has given them of His bounty ever think that it is better for them. Rather, it is worse for them. Their necks will be encircled by what they withheld on the Day of Resurrection. And to Allah belongs the heritage of the heavens and the earth. And Allah, with what you do, is [fully] Acquainted (3:180)
3 Sunan an-Nasa’i 5485.
4 Abdur Rashid Siddiqui, *Qur’anic Key Words* (Markfield: The Islamic Foundation, 2008).
On the other hand, if the problem is not sporadic but persistent, the issue should be addressed with tools other than *sadaqah*. The intractable issues of poverty, hunger, and inequality should be addressed by enabling a business environment capable of economically empowering people (Islamic microfinance) with the support of *zakat* and *waqf*. Gundogdu systematized the role of Islamic social transfer in the context of sustainable development goals (SDGs) related to economic empowerment (Islamic microfinance), *zakat* and *waqf*. Unfortunately, *zakat* is assumed to be a major mechanism to address the issue of poverty, yet guidance of Muhammad (PBUH) suggests economic empowerment by means other than *zakat*. Indeed, there is substantial confusion regarding the different facets of *zakat* itself. The distinction between hunger and poverty is key to understanding the role of *zakat* in this context. Although there are different definitions of poverty and hunger, perhaps the best categorization lies in the context of local purchasing power: “National Poverty Line” and “National Hunger Line.”

The main purpose of this paper is to provide a viewpoint for Islamic social transfer while elaborating on confusion regarding *zakat* and *waqf*. The way *zakat* and *waqf* presented in the literature as a panacea is not reasonable. Different tools should have different scope of work to justify their presence. The principles of Islamic social transfer effectuate people-to-people platforms. The Islamic social safety net is formed by the intersection of *infaq*, *sadaqah*, *zakat* and *waqf*. The tax-based, government-centric social security system is not typically embraced. For example, *sadaqah* resources might be mobilized by crowdfunding. In principle, the piling up of resources by governments or institutions, religious or not, is not considered laudable. Resources should be collected and summarily distributed from account to account, not withheld to invest for return, so as to avoid misappropriation and corruption by those running charitable institutions. Only in this regard is government’s supervisory role welcomed and needed. The role of institutions, religious community leaders, and governments as distributors

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of charity for the sake of political agendas is not acceptable in Islam. It is clear that there exist moral hazard, adverse selection and incentive concerns in the delivery of Islamic social transfer services.

It is the aim of this paper to shed light on these issues; propose institutional structure to mitigate these problems and ensure sustainability, outreach and efficiency; and resolve the confusion in the literature on the role zakat and waqf for poverty alleviation, hunger and inequality. Following, the section two present the case of zakat and the section three present the case of waqf. The last section provides an evaluation of the viewpoints presented and concludes.

**Zakat**

The issue of zakat is very often confused, and in practice the use of zakat funds often defeats the intended purpose of zakat. In Islam, zakat is not meant as a tool for direct poverty alleviation of individuals. Rather, zakat is a means of addressing the societal issues of hunger in transition, and wealth inequality that may result from market imperfections. The effects of zakat and waqf on poverty alleviation are indirect, and their goal is to support systemic poverty alleviation efforts. The historical account supports this proposition, since despite reports of continued surpluses in zakat collection (beyond the amount of zakat that could be distributed); the issue of poverty has been prevalent in Muslim societies. Sporadic periods of plentitude notwithstanding, eradication of visible poverty could not be sustained in the long-run. The belief in Islam is that poverty should be directly targeted by entrepreneurship and trade, and doing so requires the economic empowerment of vulnerable people. Zakat and waqf mechanisms are needed to grapple with hunger, poverty, and inequality; yet, when it comes to poverty, the focus should be on economic empowerment. Creating dependency on charity is not encouraged in Islam, as indicated in the hadith in Table 1.

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8 O you who have believed, do not invalidate your charities with reminders or injury as does one who spends his wealth [only] to be seen by the people and does not believe in Allah and the Last Day. His example is like that of a [large] smooth stone upon which is dust and is hit by a downpour that leaves it bare. They are unable [to keep] anything of what they have earned. And Allah does not guide the disbelieving people (2:264).

Table 1: Economic Empowerment showcase of Muhammad (PBUH)

<table>
<thead>
<tr>
<th>Step</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>(#1)</td>
<td>The Prophet asked: Have you nothing in your house? He (the man) replied: Yes, a piece of cloth, which we wear, or which we spread (on the ground), and a wooden bowl from which we drink water.</td>
</tr>
<tr>
<td>(#2)</td>
<td>He (the Prophet) said: Bring them to me. He (the man) then brought these arcs to him and he (the Prophet) took them in his hands and asked to the assembly of people: Who will buy these? A man said: I shall buy them for one dirham.</td>
</tr>
<tr>
<td>(#3)</td>
<td>He (the Prophet) gave these to him and took the two dirhams and, giving them to the man of the Ansar, he said: Buy food with one of them and take it to your family, and buy an axe and bring it to me.</td>
</tr>
<tr>
<td>(#4)</td>
<td>He then brought it to him. The Prophet (peace be upon him) fixed a small branch of wood (as a handle) on it with his own hands and said: Go, cut and gather firewood and sell it, and do not let me see you for a fortnight.</td>
</tr>
<tr>
<td>(#5)</td>
<td>The man went away, cut and gathered firewood and sold it. When he had earned ten dirhams, he came to him and bought a garment with some of them and food with the others.</td>
</tr>
<tr>
<td>(#6)</td>
<td>The Prophet (PBUH) then said: This is beer for you than begging which should come as a spot on your face on the Day of Judgment.</td>
</tr>
</tbody>
</table>

Source: Al-Baihaqi, Abu Bakr Ahmad Ibn Husain, Kitab Shu›ab al-Iman, Bab al-Hathth ‹ala› Tark al- Ghill was al-Hasad/ Mishkat, Kitab al-Adab, Hadith No 505 as cited by Obaidullah (2016)

This example of Muhammad (PBUH) suggests that the Islamic approach to poverty alleviation is entrepreneurship and trade. Indeed, what is illustrated in the hadith is very similar to contemporary Islamic microfinance practices with economic empowerment approaches.10

Ideally, the economic system should be designed to enable people to take care of themselves while creating a surplus. This requires measures which can ring-fence vulnerable people against exploitation occurring in the form of riba, or high input prices followed by low off-take prices. A phrase common among Indonesian rural populations summarizes this phenomenon: “tuku larang, adol murah- too high a price when you buy, too low a price when you sell”.11 Vulnerable people need protection from exploiters and economies of scale in their business transactions, that is, economic empowerment. Hence, Islam forbids riba and assures fair price formation in markets by disallowing monopolies and the taking advantage of financially strained people by offering them prices below market worth. The economic empowerment approach of Islamic microfinance aims at balancing economies of scale for vulnerable people by aggregating demands and supply in

order to obtain the best prices for them. This approach also introduces a profit-loss sharing financing mechanism, thus ring-fencing them against loan sharks. The Islamic approach indicates that not zakat but entrepreneurship and trade are ultimately the key to poverty alleviation and prosperity. However, while zakat does have a role to play in support for poverty alleviation, there remain certain confusions concerning the principle.\(^\text{12}\)

The traditional understanding of nisab to determine which people are liable to pay zakat (muzakki) may not be relevant in the contemporary world. However, the essence of nisab is still valid: one must have some assets after fulfilling infaq obligations and making voluntary sadaqah payments. In the same fashion, zakat should be allocated based on purchasing power parity in a community. Hence, zakat should be distributed to mustahqeen—those who are below the hunger line and wish to engage in economic activities.\(^\text{13}\) Continuing to allocate zakat to those who do not want to help themselves might in fact be seen as a kind of oppression (zulm). This is because such a practice would put generations of offspring into a poverty trap. In this regard, Gundogdu indicated the use of zakat to address hunger only in the case of Islamic microfinance.\(^\text{14}\) However, microfinance institutions should operate based on market dynamics without zakat or waqf equity contributions, so as to assure value-addition and profit making and avoid creating zombie microfinance intuitions. In cases where Islamic microfinance beneficiaries are also afflicted with hunger, zakat support directly to individuals is advised only as a transition mechanism. The use of zakat, sadaqah, and waqf as buffers against non-performing loans (NPLs), guarantee funds, or equity in Islamic microfinance (as proposed by Hassan; Obaidullah and Abdullateef) is not acceptable, since zakat is meant to be a people-to-people direct

\(^{12}\) Yusuf Qaradhawi, *Fiqh Al-Zakah*, trans. Monzer Kahf (Jeddah: Center for Research in Islamic Economics, King Abdulaziz University, 1995). The confusion relates to the following major aspects of zakat:

- a) Who should give zakat (Muzakki)?
- b) Who should be beneficiaries of Zakat (Mustahiq)?
- c) Who should distribute zakat?
- d) Where should zakat be distributed?
- e) Cash vs. in-cash-kinds of zakat allocation
- f) Calculation of zakat based on market value net-worth vs. income generated from assets
- g) Can we accumulate zakat funds and use return from investments as proceeds for distribution?

\(^{13}\) Mustahqeen are clearly identified in Qur’an at verse 9:60.

wealth re-distribution mechanism.\textsuperscript{15} However, their proposal for a profit-loss sharing mechanism between microfinance institutions (MFIs) and microfinance beneficiaries (MFBs) is accurate, as fixed return contracts in microfinance may allow MFIs to put all the burden on MFBs without providing conducive business opportunities, that is, economic empowerment.\textsuperscript{16}

Once the issue of hunger is addressed in a community, zakat should continue its role as a wealth re-distribution mechanism to correct market imperfections. However, it is important to note that zakat is a measure of wealth, not GDP. Comparing zakat collection as a percentage of GDP as indicated by Kahf and Ahmad suggests that zakat is assumed to be a kind of tax based on annual income streams such as GDP, not wealth stock re-distribution.\textsuperscript{17} Zakat funds cannot be used to create return on investment so as to use their proceeds for charitable purposes. The wealth accumulation in zakat funds hints at a major issue, as zakat funds should be distributed and not withheld for any reason. There already exist issues concerning zakat distribution mechanisms. The contemporary zakat collection mechanisms used by institutions might not be proper, as many concerned Muslims have doubts about the integrity of those running these institutions.

Although Obaidullah observed cynicism as a major impediment to performance of zakat collection by institutions, perhaps Muslims with generations of experience have justification for their skepticism.\textsuperscript{18} Indeed, the doubts of Muslims are justified since zakat funds keep increasing; yet these institutions have accommodated the needy only with the returns on their investments.\textsuperscript{19} This practice is against the spirit of zakat: wealth re-distribution. We are not ready to suspect any Muslim preferring to give his/her zakat directly to real people, known to them, but not to institutions. Due to political economy constraints, it is not a straightforward process to audit integrity of institutions in investments so as to


\textsuperscript{19} Mohammed Obaidullah, \textit{Zakat Management for Poverty Alleviation} (Jeddah: Islamic Research and Training Institute, 2016).
prevent misappropriation via complicated financial mechanisms. With his full authority, Prophet Muhammad (PBUH) audited zakat employees. Today, no one has such authority. Hence, people-to-people zakat platforms under government supervision are necessary to gain the trust of devoted Muslims. None, including religious clergy and government officials, should enjoy the power to distribute money collected from people for charitable purposes to society.

The spirit of zakat also impedes the payment of zakat to any institution, but directs it to people alone. People-to-people platforms without any patronage and with transparent government supervision would increase formal zakat collection. The key is to have highly credible platforms, not institutions, because given the political economy, it is a big challenge for zakat institutions to be seen as trustworthy. The cost of people-to-people zakat platforms can be covered with some part of the zakat collected.\(^{20}\) It is clear in Islamic tradition that zakat is meant to be distributed where collected. Asabiyah in the form of geographical origin is not acceptable. For example, a person living abroad is not allowed to send zakat to his neighbors in this home country while he has a needy neighbor nearby. However, it is acceptable for a person to give zakat to his needy relatives living in another area, and surplus zakat in one area can be distributed in another area.\(^{21}\)

Zakat can be collected in the form of cash or cash-in-kind. However, it should not be in the form of food-stamps, and recipients should be able to liquidate the cash-in-kind for cash, as per the principles of tamlik. The principle of tamlik necessitates the transfer of ownership to a zakat beneficiary (mustahiq) with all the rights of ownership.\(^{22}\) In the contemporary world, there exists another concern regarding one type of cash-in-kind distribution: company shares. Unfortunately, given that there is no proper dividend distribution practice in many Muslim countries, the distribution of company shares is problematic. The practice is also problematic as it would negatively affect the sustainability of companies. Those who establish the companies should, and need to, maintain control over decision making by retaining voting power in the company. In this way, company share distribution methods were used in Iran. In due course, the Iranian company owners purchased back, at lower than market prices, the shares from mustahiqeen (zakat beneficiaries). Although there was some improvement in poverty, the issue

\(^{20}\) Qur’an at verse 9:60

\(^{21}\) Decree No. 3 on Transfer of Zakat Money to Other Areas, delivered by the First Symposium of Zakat Contemporary Issues, Cairo (1988).

of inequality persisted in Iran.\textsuperscript{23} It is perhaps because of the lack of understanding the issues pertaining zakat. An alternative is proposed that companies should pay zakat based on their balance sheets and income statements. Obaidullah takes stock of the literature on company zakat payments, concluding that the orthodox position of having earnings as a zakat base is consistent and makes economic sense.\textsuperscript{24} However, extensive literature on zakat bases, either orthodox or innovative, is not in line with the spirit of zakat.\textsuperscript{25}

1. Such practices only dilute fair price formation in the market as zakat payments would be factored as costs similar to taxes. It is clear that Islam does not favor tax-based, particularly transaction tax, systems.\textsuperscript{26} Nevertheless, tax credits for zakat are a good way to phase out tax funded social transfer systems. The resulting direct wealth transfer systems would thereby abate the burden on the states. \textsuperscript{27} Zakat should be collected based on market value net-worth, but not income generated from assets.

2. Zakat is an obligation of real persons, not legal entities. During judgement day, individuals, not legal entities, shall be accountable for having met zakat obligations. Hence, zakat should be collected based on the net worth of individuals.

Zakat collection based on company shares is more plausible, but the repercussions should be addressed. In this regard, people can transfer some of their company shares to a temporary corporate waqf that can use the cash receipt from the company shares dividends for social infrastructure development. However, there should be a fair dividend distribution mechanism in place to assure the tamlik right to the waqf while addressing the sustainability concerns for the company. Company shareholders can postpone their zakat obligation for a certain period of time, and at the end of the temporary corporate waqf, they can opt to pay their zakat obligation based on the market value of the shares or extend the duration of the temporary corporate waqf. Such a solution would allow growth and sustainability of profitable companies in the service economy while allowing


\footnotesize{24} Obaidullah, “Revisiting,” 349-364.

\footnotesize{25} For example, OIC Fiqh Academy Decree No.2 on Zakat on Building and Non-arable Land (2\textsuperscript{nd} session) ruled out levying 2.5 percent of revenues of assets. However, such an approach would defeat the spirit of zakat: Wealth distribution. At the end, 2.5 percent would be factored in the rent and deteriorate the situation of people who do not have assets/wealth but have to pay higher rents with little hope for accumulating some sort of assets/wealth. The wealth and assets would stay and accumulate at the hands of very few with such an approach to zakat base.

\footnotesize{26} Ahmet Suayb Gundogdu, \textit{A Modern Perspective of Islamic Economics and Finance} (Bigley: Emerald Publishing, 2019).

\footnotesize{27} The zakat Management Act of Indonesia No: 38/199 is a good example of tax-deduction.
social transfer obligations to be met through the waqf mechanism. Under such an approach, shareholders cannot keep deferring their zakat obligation forever, as tamlik principles would give substantial voting power to waqf beneficiaries. In a similar fashion, people can also defer some part of their zakat payment obligation to a future time with temporary cash waqf. Such a practice would serve as a cushion should they have financial sustainability concerns for the future.

**Waqf**

Unlike zakat, which is a direct wealth transfer and resource mobilization method to address imbalances in a community, traditional waqf is a business model that serves as an alternative to public or private ownership. The waqf model works very well within social infrastructure asset management, such as health centers, educational institutions, and water and sanitation infrastructure management. The role of waqf should be understood vis-à-vis restriction on the use of zakat funds. The use of zakat funds for social and economic infrastructure such as hospitals, schools, libraries, bridges, and highways, (unlike proposed by Anwar), is not accepted. Decree No. 1 on Investment of zakat funds by the Third Symposium of Zakat Contemporary Issues, Kuwait (1991) allows the use of zakat for social infrastructure development. However, again, such practices contradict the principle of zakat being an obligatory people-to-people wealth re-distribution mechanism. The issue of social infrastructure development is supposed to be addressed with waqf, a voluntary act, and this is how the waqf concept emerged as a separate charity tool in Islam, distinct from zakat. Indeed, the Islamic waqf model as a legal entity is believed to be inspiration for secular trusts, endowments, and foundations. However, there are key differences between a trust and a waqf.

Both public and private ownership in social infrastructure have repercussions that give rise to sustainability and fairness issues. Waqf, with its fundamental principles of perpetuity, inalienability, and irrevocability, assures proper

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31 For example, in a trust, the property ownership vests with the trustee; in case of Waqf ownership vests with Allah. A Waqif (Waqf endower) does not have power to revoke Waqf, while in case of trust settlor can revoke trust.
management of assets, and relies upon community engagement to meet basic human needs. In cases of private ownership, commoditization of basic human necessities gives rise to inequalities in society. In case of public ownership, the issues of corruption and maintenance emerge. *Waqf* is a viable business model to engage communities that are the beneficiaries of the services provided by these assets (*mawquf alaihi*). Hence, the issues of commoditization and maintenance are less likely to inflict inequities on people. Unfortunately, throughout history, the use of *waqf* was not fully related to social infrastructure development. Very often people used the *waqf* mechanism to avoid taxes, or the confiscation of inheritance by the state.\(^\text{32}\) The use of *waqf* to circumvent such adversities is a rational behavior:

1. Islamic economic principles eschew tax collection-based systems.\(^\text{33}\)
2. Inheritance rights are well-protected in Islamic jurisprudence, to the extent that one cannot allocate all his inheritable assets to a *waqf*.\(^\text{34}\)

Taxes imposed by the state and acting as a hindrance to rightful inheritance give rise to the second-best option for the people: the family *waqf*. The best option (having a tax-free economic system and allowing for wealth transfer to posterity via inheritance) has not been realized. Islam encourages wealth accumulation, as doing so supports the freedom of individuals to have a free say in society. In a case where mass numbers of people have no wealth attached to them, they might keep quiet even under heavy oppression. Hence, wealth attached to individuals is a kind of safeguard against the rise of oppression. However, uncontrolled wealth accumulated in the hands of a very few is not acceptable in Islam. Everyone should have some assets, and wealth should not be accumulated at the expense of *infaq*, *sadaqah*, or *waqf*. Furthermore, wealth should be re-distributed among the people by means of *zakat*, so that more individuals possess a certain amount of capital and can have a free say in matters concerning society.

The connection between *zakat* and *waqf* should be discerned: wealth allocated for *waqf* is not part of the *zakat* base. This was another reason for the development of the family *waqf*. Tax circumvention and protection against confiscation might


\(^{33}\) This refers to prohibition of tax collection by Muhammad (PBUH) at the establishment of Medina Market as cited in Kister, “The Prophet,” 272-276.

appear as reasonable causes to create a family waqf, but zakat avoidance is not acceptable at all. “The charity begins at home” principle is not related to waqf, but rather to infaq and inheritance. The guiding purpose of infaq and inheritance in Islam is to prepare posterity for the future. They should obtain the best possible education to prepare themselves to adapt to upcoming technologies. By making use of a certain amount of inherited wealth, and generating enough of their own wealth to sustain their families, they will be well-positioned to contribute to society via sadaqah, waqf and zakat. While it is not acceptable to avoid zakat by means of family waqf, as it was funded by cash-in-kind zakat payments from company shares (corporate waqf), zakat payments can be postponed by means of temporary cash waqf model. Temporary cash waqf may not observe all three principles of traditional waqf: perpetuity, inalienability, and irrevocability. Nevertheless, these principles are not based on Qur’an and might be re-visited as long as the philosophy of waqf (to provide social infrastructure to vulnerable people) is observed. Perhaps, the perpetuity, inalienability, and irrevocability principles of traditional waqf were brought forth due to concerns about those who established a family waqf with circumventive intentions. The principles dictate that waqf assets (mawquf) cannot be sold. However, this principle is circumvented by hukr contracts, which in practice also allow for inheritance of hukr. Additionally, cases of ibdal (changing waqf assets (mawquf) with cash), and istibdal (changing waqf assets (mawquf) with new assets) have been often recorded in the history of waqf. These types of practices had already rescinded the perpetuity, inalienability, and irrevocability principles of traditional waqf. Indeed, temporary cash waqf is perfectly acceptable, since it was justified as having similar economic benefits for social infrastructure development, and offered assurance to muzakki with financial sustainability concerns. In this regard, temporary cash waqf is similar to the corporate waqf approach. The approach, however, is different from social responsibility programs.

Unlike social responsibility programs and unacceptable zakat practice based on income statements (which are calculated like taxes by company management and create inefficiency), the company shares benefits from dividends, and cash waqf benefits from returns on investments. While the company focuses on profit-maximization, and a cash waqf focuses on maximizing return on investment, the dividend payments from profit-maximized companies and return on investments from a cash waqf can both be used on social infrastructure development.

36 The cash Waqf seeking high-risk investment for profit maximization categorized as investment bank by some scholars. While cash Waqf categorized for Waqf administered based on zero-downside risk with moderate return approach.
mechanism to ensure that more resources for social infrastructure development are derived from corporate waqf and cash waqf is needed. The company shareholders and individuals may opt to postpone some part of their zakat obligation by means of corporate waqf and temporary cash waqf. Such postponement should be fine, as it addresses the concerns of both mustahiq (one eligible to receive zakat) and muzakki (one liable to give zakat). Muzakki may have some wealth for now, but perhaps he is not sure of the future, as economic conditions five years from now may lead to a life under the poverty line. Hence, upon termination of temporary cash waqf, he may have access to the funds. If conditions improve or stay as is, s/he may continue to allocate the wealth to temporary cash waqf. The money collected in temporary cash waqf can be invested as qard hasan, in which the return on investment is spent for social infrastructure development (such as affordable housing, temporary health programs, etc.), while the principle is returned to the original owner. This is a different understanding of qard hasan, and it is necessary, as it has been observed in many instances that vulnerable people are not even able to pay interest free loans for education, health, water, sanitation, and affordable housing projects. Hence, according to Gundogdu, using the return on investment from a temporary cash waqf is a needed solution to address social infrastructure development requirements. Moreover, as cited by Obaidullah, another definition of waqf is “withholding an asset while releasing its usufruct.”

Accordingly, there is a need to adapt the traditional waqf business model into the realities of the contemporary world. In this regard, finite waqf as opposed to permanent waqf can fit the bill. Traditionally, waqf is a business model intended to deliver social goods, such as education, health services and water supply which are better off not being commoditized. Given the evolving needs of society, the temporary cash waqf model can better deliver these social goods, while addressing bottlenecks with traditional waqf. First, contemporary development programs need to operate temporary programs such as “fighting against avoidable blindness,” or development of relevant educational curricula. Thus, the current need is to have funds available for a certain period of time at a specific geographical site,

37 Mohammed Obaidullah (2013) provided permissibility of such Waqf in the context of legal comparison across countries.

Indeed, the men who practice charity and the women who practice charity and [they who] have loaned Allah a goodly loan - it will be multiplied for them, and they will have a noble reward (57:18).
eventually moving on to another location (rather than establishing permanent physical infrastructure in a specific place). Secondly, the issue of principle-agent is more acute in permanent waqf if there exists no mechanism to impede mismanagement or misappropriation by the nazir/mutavalli (Trustee/Manager), particularly after the death of waqif (waqf Endower).

**Evaluation and Conclusion**

In an Islamic economic system, rich and able people should focus on profit maximization with their companies and increase economic surplus. They should then allocate some part of their wealth after infaq and sadaqah to temporary cash waqf, corporate waqf and zakat in order to make more people rich and able. The concern might be that these individuals may attempt total avoidance of zakat with temporary cash waqf and corporate waqf. However, the very nature of the decrease in purchasing power of money in temporary cash waqf over a long period of time and the controlling power of company shares would tend to balance toward preference for zakat. Hence, both temporary cash waqf, corporate waqf and zakat are expected to work hand-in-hand for the benefit of the social safety net. On another note, like keeping accumulated zakat in funds without making distributions, having returns on investment of cash waqf and corporate waqf into the corpus of Waqf is not acceptable. Nevertheless, if needed, the return of temporary cash waqf and corporate waqf can be used for commercial return, for awqaf development, and to provide physical assets for schools, hospitals, water and sanitation social infrastructure.

It is of the utmost importance to note the fact that Islam does not accept masses of people staying idle and depending on social transfer of capital from governments or wealthy people, as this is against human dignity. Everyone should work toward attaining a certain amount of wealth, as economic empowerment contributes to individuals’ willingness to participate in free speech in society. Ultimately, people dependent on government support or wealth transfer from the rich would be very obedient, even in the face of extreme oppression and malevolence in their society. Hence, the concept of economic empowerment within Islamic microfinance should be the central element of poverty alleviation in Islamic economies and financial systems. Economic empowerment programs should not use resources of waqf and zakat, but design programs based on economic viability to ensure value addition. Zakat has direct societal effects on hunger and inequality. Waqf is a business model intended to operate social infrastructure, but temporary cash waqf and corporate waqf models can both be used for resource mobilization to

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implement temporary social development programs. Both *zakat* and *waqf* have unique, indirect and valuable roles to play in poverty alleviation. However, for sustainable and long-term results, the focus of poverty alleviation efforts should be on economic empowerment.

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**References/Kaynakça**


