EDITORIAL

In the Name of Allah, Most Gracious, Most Merciful

Waqf: A Key Islamic Social Finance Instrument

Waqf is a key tool of Islamic social finance that has been practised since Islam’s inception as part of Muslims’ religious obligations and benevolence to assist the needy and gain the pleasure of Allah (SWT). In the early years, Islamic social finance was not formally institutionalised within the Islamic economic system, except to a limited extent in a few Muslim-majority countries, which for instance, managed some Islamic social finance tools such as zakat and waqf at the state level.

In the early 2000s, there were increasing discussions about the social responsibility of Islamic finance, questioning whether profit should be the sole business objective of Islamic financial institutions or whether they should also be attributed social roles in view of the Islamic philosophical foundations that underpin their establishments. As businesses’ corporate social responsibility (CSR) grew in importance in mainstream discussions, many Islamic financial institutions engaged in CSR-based activities on an ad-hoc basis, as a philanthropic exercise, as they became more profitable, viable and sustainable. This started the trend of mixing the practice of Islamic commercial finance with Islamic social finance.

As Islamic finance evolved further, there was an increased realisation that the effectiveness and applications of Islam’s social and philanthropic instruments could be further strengthened by integrating Islamic social finance within mainstream Islamic commercial finance. Thus, there were unified efforts to establish cooperation between charitable instruments and the different sectors of the Islamic finance industry. The commercialisation objective of Islamic social finance instruments has been particularly visible in the waqf sector. Waqf has historically been limited to pursuing only the social interests of the donor, who sought reward in both this world and the afterlife by helping the poor and the needy. In the modern practice of waqf, the social objective is integrated with the profit motive so that the initial waqf capital generates more returns for the beneficiaries. Prominent developments in the modern practice of waqf include the following:

- The modern concept of waqf is not limited to immovable assets (e.g., land, orchards, wells) and movable assets (e.g., jewellery, Qur’an, books, equipment) which are donated for charitable purposes. Innovative strategies are adopted today to develop waqf as an alternative asset class by using contemporary forms of wealth such as cash and financial securities. Latest waqf instruments include cash waqf, temporary cash waqf, waqf-banks, waqf-shares, waqf-unit trusts, waqf-venture capital funds, waqf-sukūk, and waqf-Islamic real estate investment trusts.
Modern structures of waqf introduced professional management of waqf funds that ensures the sustainability of waqf assets and generates better returns to beneficiaries.

Innovative and effective channels of investments through Islamic banks, the Islamic capital market and the takāfūl sector have been used to develop dynamic and progressive waqf projects. An example is the case of myWakaf in Malaysia which leverages on the synergy between the State Islamic Religious Councils (SIRCs) and a consortium of Malaysian Islamic banks to manage waqf investments and channel the investment returns into waqf projects.

Utilisation of waqf proceeds are extended beyond the traditional sectors (e.g., mosques, cemeteries, Islamic schools) to provide a wider range of welfare services relevant to current societal needs (e.g., waqf qurbaan, waqf for funding impactful SMEs, reviving dormant or abandoned waqf assets into productive properties).

Modern waqf management introduces good governance that increases transparency and accountability of waqf institutions.

Application of technology in the management of waqf has widened the base of waqf donors/investors, thus expanding public participation and increasing the supply of waqf funding.

Special Issue on Waqf: Challenges and Opportunities

ISRA International Journal of Islamic Finance (IJIF) is pleased to publish its first Special Issue that focuses on a fundamental tool of Islamic social finance, notably waqf and discusses the challenges and opportunities in the sector. This Special Issue is published in collaboration with the Centre of Excellence in Islamic Social Finance (CoEISF), an initiative of INCEIF University, which aspires to be the global thought leader in Islamic social finance by promoting social impact-driven research and developing innovative products and services in Islamic social finance for the industry. As part of its effort to be a referral centre in Islamic social finance research, CoEISF has embarked on a number of strategic partnerships with the Islamic social finance fraternity, developed impactful research collaborations with relevant Islamic social finance entities, and provided talent development programmes in Islamic social finance.

Special thanks are directed to Associate Professor Dr Mohamed Fairooz Abdul Khir, Director of CoEISF and Professor Dr Aishath Muneeza, Associate Researcher at CoEISF and Associate Dean at INCEIF University, who have reviewed most of the articles submitted for consideration under the Special Issue, along with external reviewers. Unfortunately, many of the articles did not meet the Journal’s standard of quality, and only seven articles have been accepted for publication in this Special Issue. A brief summary of these articles is provided as follows.

‘An Islamic Crowdfunding Model for the Agricultural Sector: A Proposal Based on Salam and Muzāra’ah-Waqf Scheme’ by Meshari Al-Daihani, Khadar Ahmed Dirie, Md. Mahmudul Alam and Ahmad Sufian Bin Che Abdullah. This paper proposes an integrated social and commercial financing model that combines the concepts of muzāra’ah (sharecropping), waqf (Islamic endowment) and salam (forward sale) and leverages on crowdfunding platforms to offer a fundraising tool to small farmers to address issues of agricultural productivity, food security, and poverty in the Organisation of Islamic Cooperation (OIC) countries.
• ‘Philanthropic Impact of Investing via Waqf-Featured Unit Trust Funds: Determinant Factors Influencing the Participation in Waqf Unit Trust Funds in Malaysia’ by Syahnaz Sulaiman, Syadiyah Abdul Shukor, Amalina Mursidi and Muhammad Ridhwan Ab. Aziz. Waqf unit trust funds are a new addition to the Islamic fund industry in Malaysia. This article investigates the factors that influence people’s intentions to participate in these funds that align with the objectives of impact investing.

• ‘Factors Affecting Students’ Intention to Donate Cash Waqf: The Mediating Role of Literacy in Indonesia’ by Yana Rohmana, Juliana Juliana, Suci Aprilliani Utami, Shafinar Ismail and Ropi Marlina. This article studies the factors that influence the intention to donate cash waqf in the context of Indonesia, considering Islamic economics students at public and private universities within the sample of study.

• ‘An Analysis of Cash Waqf Institutions and Real Wages in Ottoman Rumelia, 1500–1914’ by Bora Altay and Mehmet Bulut. Waqf has a long history, rich in achievements, in the Ottoman era. By examining historical data drawn from waqf contracts in Ottoman Rumelia, this paper examines the trends in the capital levels of cash waqf institutions that operated at that time and the real wages that they paid to their employees.

• ‘Empowering the Future of Cash Waqf Through Digitalisation: An Insight into the Philanthropic Intention of the Indonesian Muslim Community’ by Dahlia Bonang, Shafinar Ismail and Raditya Sukmana. Like other institutions, cash waqf institutions are expected to become future-ready by adopting digitilisation. The question is: are donors ready to use digital waqf platforms? This paper examines the factors that influence Indonesian Muslims’ intention to donate cash waqf through digital waqf platforms.

• ‘Redefining Boundaries: The Case for Enterprise-Structured Waqf Over Corporate Waqf’ by Akhmad Akbar Susamto, M Bisri, Anang Rikza Masyhadi and Burhanuddin Susamto. The concept of waqf has evolved over time to include new variations such as cash waqf, temporary waqf, corporate waqf or waqf shares. This article specifically focuses on the concept of corporate waqf, critically examining its definition, highlighting the overextension in the use of the term, proposing a return to its original meaning, and advocating for the use of an alternative term, notably enterprise-structured waqf.

• ‘New Issues in Temporary Muslim Endowments (Waqfs)’ by Moath Alnaief, Kotb Rissouni, Reda Ibrahim Abdelgalil and Maryam Almansoori. This article discusses temporary waqfs in the contemporary context, considering their modern forms and demonstrating some of their effects in supporting the economy and the needy in society. It argues that jurists and waqf managers should utilise them more widely to address contemporary concerns and meet modern societal needs.

The next Special Issue to be published by the Journal will focus on zakat, another important instrument of Islamic social finance.

Allah (SWT) is the Bestower of success, and He knows best.

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