

# ISLAMIC FINANCE 1ST

*Islamic Finance 1st is a Monthly Islamic Finance e-Notes published by Salihin Academy*

## - *Waqf & Cash Waqf* -

**Editor's Note:** *The term for this month Islamic Finance E-notes is Waqf & Cash Waqf. Waqf is regarded as one of the prominent concept in Shariah where many instruments, products and services in Islamic finance could be designed upon it. Waqf revolves between social and business matters, world and Hereafter calculations, individual and family interests, self and society benefits, government and people responsibilities. It is hope that waqf can be unleashed and integrated in the Islamic finance industry at all levels.*



### **What is Waqf?**

Waqf can be defined as: The confinement of property, movable or immovable, from the founder (Waqif) and the dedication of its usufruct (according to founder's condition) in perpetuity for the welfare of society" (Lahsasna, 2010).

The general concept of waqf is grounded on the above definition; however the concept of cash waqf is more oriented towards financial and economic dimensions in order to suit the corporate needs in the industry.

**Cash Waqf is a hybrid instrument that combines the benefit of social and businesses.**



## Waqf of Property

Dedication of property for religious or charitable purposes.

- Examples: mosque, school & orphan house.



## Waqf of Service

Dedication of skills or intelligence for religious or charitable purposes.

- Examples: education services (madrasah or tahfiz center); health care services (hemodialysis or chemotherapy center); & hotel services (family of long-term hospitalization patients)

## Classification of Waqf



## Cash Waqf

Dedication of cash for mobilization and investment purposes to support services of the mankind in the name of Allah SWT.

- Examples: invest the waqf fund and provide financing for Small-Medium Enterprises (SMEs); waqf fund is used to develop commercial project with the aim to utilize the proceeds for the construction of waqf hospital.

## Cash Waqf

Cash waqf can be defined as the mobilization of funds from donor (waqif) for perpetuity and invested by trustee (mutawalli) in productive assets that provide either usufructs or revenues for future consumption by individuals or groups (beneficiaries) by taking into account the policies and guidelines provided by the donor (waqif) (Lahsasna, 2010).



## Mobilization of Cash Waqf

Mobilization is the starting point and an important stage in the structure of cash waqf. The movement of funds for the cash waqf is based on the pre-arrangement agreement between the trustee (mutawalli) and different stakeholders (waqif).

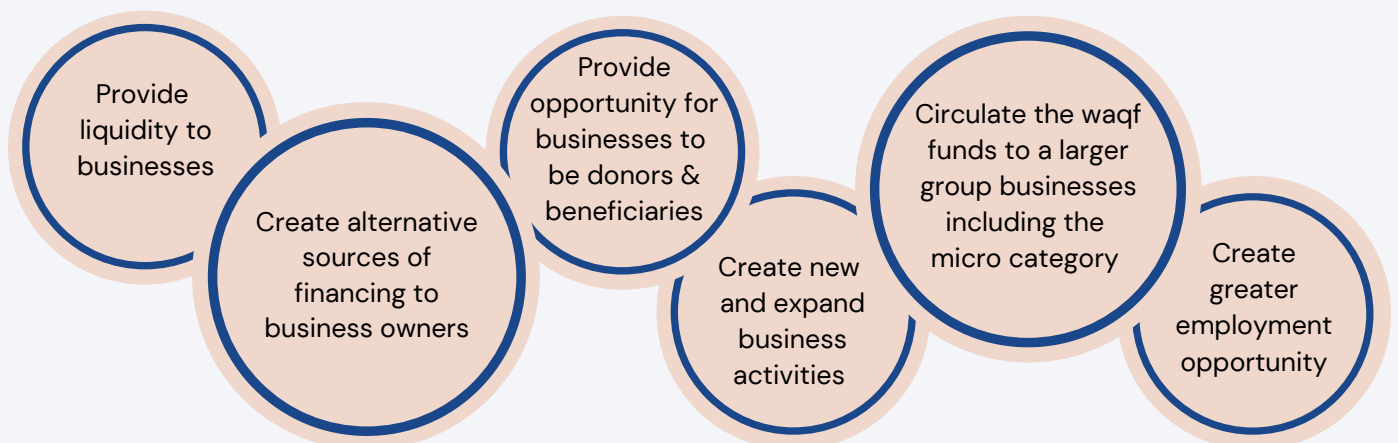
### Potential Stakeholders



## Benefits of Cash Waqf for Businesses

**Benefits of cash waqf to the commercial entities are as follows:**

- Provide commercial and financial assistance at no cost or low cost for commercial entities to start or develop businesses, which in turn will spur the overall economy of a country.
- Enable commercial entities to generate financial reward, profitability and bigger opportunity in their business ventures.
- Create more liquidity in the market for commercial entities to gain access to the fund for starting-up or expanding their business operations.
- Generate productivity for the benefits of commercial entities, society in general and specifically at macroeconomic level.
- In summary:



**Cash waqf has the potential to expand the boundaries of innovation in the Islamic Finance. It can be offered through various products for example, to bundle or package it with deposit, financing, takaful or even capital market products.**

## Investment of Cash Waqf

Purpose of the cash waqf is to channel the funds to the market for investment activities in order to contribute to the economic growth and generate profits to fulfill the objectives of the donor (waqif) as provided in the policy of cash waqf, if any. The trustee (mutawalli) has the full responsibility to deploy their best efforts for the success of the investment. There are some important guidelines that must be observed in order to ensure the safety of cash waqf investment as resolved by the Islamic Fiqh Academy in 2004 (Resolution No. 140 (15/6)) as follows:

- From Islamic point of view, cash waqf is permissible because its objective is to restrain the property ('ain) and channel its usufruct to the beneficiaries being with the original property under protection.
- Cash waqf can be created for financing purpose (eg. qard hassan (benevolent loan)), and for investment purpose (either direct investment or musharakah (partnership)) through fund investment or issuance of cash waqf shares. This will encourage the establishment of cash waqf from the public.
- When cash waqf is invested for acquiring tangible assets such as buying real state, or used in Istisna (manufacturing contract), the acquired asset or Istisna's asset cannot be considered as a waqf property and it can be sold for cash or reinvested, but the original cash waqf amount must be preserved.

## Investment of Cash Waqf via Certificate

The objectives of cash waqf via certificate are as follows (Mannan, 1998):

- To provide an avenue for banks & other waqf management institutions to issue cash waqf certificate;
- To encourage social savings through the issuance of cash waqf certificate (cash waqf certification can be in the name of other beloved family members; the act of waqf on behalf of the other family members);
- To transform the accumulated social savings to social capital, and develop social capital market for social investment purposes;
- To encourage awareness among rich communities on their responsibilities for public social developments; and
- To stimulate integration between social security and social welfare.

### EDITORIAL & DESIGN TEAM

#### Editor-in-Chief

Dr. Ahcene Lahsasna

#### Editor

Zarina Md Desa

#### Associate Editor

Nur Amira Rosli  
Nurdiyana Sabrina Abd Rahman

### PRODUCED & PUBLISHED BY

SALIHIN Academy Sdn. Bhd.

Email : ssa@salihin.com.my

Tel : +60361859970; Fax : +60361842524



@salihinshariah