Financing through cash-waqf: a revitalization to finance different needs

Magda Ismail Abdel Mohsin
International Centre for Education in Islamic Finance (INCEIF), The Global University of Islamic Finance, Kuala Lumpur, Malaysia

Abstract

Purpose – Recently the revival of the institution of waqf took a movable form especially in terms of the creation of cash waqf which found its ways as one of the financial institutions financing different goods and services in the different countries. In an attempt to enrich the literature on this area, this study is an extension to the authors’ work, focusing mainly on the different goods and services provided by different cash waqf schemes in Muslim and Muslim minority countries without depending on the government to provide their needs. The paper aims to discuss these issues.

Design/methodology/approach – This study uses data collected from primary sources including text from the Hadith, while data collected from secondary sources include books, articles, journals besides web sites and e-books.

Findings – The findings show the potential of cash waqf in financing not only religious areas but also financing different goods and services needed globally, such as education, health, social care and commercial activates, basic infrastructures, besides opening jobs for the majority of people.

Practical implications – The expected outcome of this research is to open the door wider for more researchers to explore the potential of cash waqf as one of the instruments to finance all sectors in Muslim and Muslim minority countries without exhausting government budget.

Originality/value – A revitalization of an old Islamic financial product to meet the different needs.

Keywords Cash waqf, Financing, Shari’ah

Paper type Research paper

Introduction

Historically speaking the institution of waqf has played a significant role throughout Islamic history, from the time of the prophet (pbuh) to the beginning of the nineteenth century. Although the creation of waqf existed before Islam, yet, Islam accepted it and developed it into an institution with its legal framework. Hence, it became one of the devices developed by the Muslims to fulfil many crucial needs in various sectors that are today financed by the state/the government. Examples of such needs are; education, health care, national security, commercial and business activities, transportation facilities, shelter and food for the poor and needy, creating jobs for many people, besides supporting the agricultural and industrial sectors without inflicting any cost on the government. The beauty of this institution is that, it is one of the redistribution institutions (Cizakca, 2011) and its objective is not for the sake of profit but to support the general goods and the welfare of the whole society while seeking compound rewards in the hereafter. This paper is divided into four sections, the first section highlights the legal framework for cash waqf from Shari’ah perspective, section two presents its modern applications in Muslim and Muslim minority countries and the different goods and services it provides, section three proposes a framework for cash waqf financial
institution (CWFI) as an applicable scheme to provide the needs for every society without depending on government expenditure, this is followed by the conclusion.

1. Shari’ah aspect of cash waqf
Although, the term “waqf” does not appear in the Qur’an, Muslim jurists deduced its legitimacy and its law from the Qur’an and the Sunnah. In this part the legal framework for cash waqf is presented from the different schools of law.

1.1 Legitimacy of cash waqf
There is a consensus among the majority of Muslim jurists regarding the legitimacy of cash waqf. From the Hanafi school, a disciple of Abu Hanifah, Imam Zufar approved all movable properties to be dedicated as waqf including the waqf of dirham and dinnar, namely waqf al-nuqud/cash waqf. Along the same lines, Imam Zufar confirmed that jewelleries could also be dedicated as waqf. He based his opinion on the act of Hafsah (may Allah be pleased with her), the wife of the prophet (pbuh) and the daughter of Umar b. al-Khattab, who dedicated her jewellery to her relative (Qudama, n.d.; Al-Hanafi and Mustafa, 1997; Zaidan, 1993). In addition, both Imam (1989) and Al-Sarakhsi and Ahmad (1906) had approved all movable properties as the subject matter for waqf. Imam Malik b. Anas had also agreed on both immovable and movable properties as a subject matter of waqf even if it is cash waqf. With respect to the other two schools of fiqh, both Imams Al-Shafe’i and Ibn. Hanbal had agreed on the validity of both immovable and movable properties as a subject matter of waqf (Al-Zuhaili, 2004; Abu Zuhrah, 1972; Qureshi, 1990).

1.2 Definition of cash waqf
There is a consensus among the fuqaha’ Muslim jurists regarding the definition of waqf. According to them waqf means the appropriation of the ayn/property from private ownership and the dedication of its usufruct to charitable purposes. Following the same definition and proposing the creation of cash waqf at large, we may define cash waqf as follows (Abdel Mohsin, 2009):

The confinement of an amount of money by a founder(s), (individuals, companies, institutions, corporations or organisations private or public), and the dedication of its usufruct in perpetuity to the welfare of the society.

1.3 Legal conditions for the creation of cash waqf
Since cash waqf is one of the movable waqf which is accepted in Islam, its creation must follow the same legal conditions for the creation of immovable waqf (Al-Kasani and Mas’ud Al-Hanafi’, 1986; Imam, 1989; Rashid and Husain, 1979). The current need for the creation of cash waqf opens the door wider for different founders to establish this kind of movable waqf and which is accepted by the majority of Muslim jurists. Hence, founders for cash waqf can be individuals, institutions, companies, organisations, NGOs and corporations private or public, as long as they are capable of transferring their money from their ownership to the ownership of Allah.

1.4 Restrictions for the creation of cash waqf
Muslim jurists agree that once a property is created as waqf, it should be placed under three key restrictions (Al-Sarakhsi and Ahmad, 1906; Al-Zuhaili, 2004), the same must be followed for creating cash waqf:
Irrevocability. This means that once the founder(s) created the cash waqf, he/she cannot revoke it. However, he/she can benefit from its generated profit.

Perpetuity. Once the cash waqf is created it must be perpetual. This will ensure sustainable and continuous support from the revenue generated from the cash waqf towards financing different goods and services needed in the different Muslim societies.

Inalienability. This means that once money is created as waqf no one can ever become the owner to alienate it and it becomes as a “frozen asset”. It cannot be the subject to any gift, inheritance, or any alienation whatsoever.

Note that all these conditions and restrictions will secure a sustainable and continuous goods and services needed not only for the present generation but for the future generations too without depending on the government to provide them. Besides, such act will keep rewarding the founder(s) until the Day of Judgment which is one of the motivations to create this sadaqah Jariah, i.e. the cash waqf as highlighted in the following Hadith:

The prophet (pbuh) said: when a man dies his acts come to an end, except three things, recurring charity, knowledge (by which people benefit), and pious offspring, who pray for him.

2. Role of cash waqf in the different countries
The twenty-first century witnesses the revival of the institution of waqf in many Muslim countries as well as the creation of cash waqf at large. Recently, many cash waqf schemes were practiced in the different countries. In this section the main focus will be on six cash waqf schemes and their roles in Muslim and Muslim minority countries. These six schemes are; waqf shares scheme, deposite cash waqf scheme, compulsory cash waqf scheme, corporate waqf scheme, deposit product waqf scheme, and co-operative waqf scheme.

2.1 Waqf shares scheme
This scheme is a public waqf which emerged in the last decades in Muslim and Muslim minority countries, such as Malaysia, Indonesia, Kuwait, and the UK. The main objective of this scheme is to generate money or to raise funds from the public to support the welfare of the society. The collection of this kind of funds is meant to finance lawful goods and services needed in the different societies. Here it is worth mentioning that, to ensure the perpetuity of the cash waqf, the accumulated cash waqf, collected from the different founders, must be invested first and only then its generated revenue to be channelled to the beneficiaries. In general, the modus operandi for this waqf share scheme is as follows:

- Any specified institution, organization, corporation, private or public, may established this scheme and may become the mutawalli/trustee.
- Then, the trustee has to issue waqf shares in different values and call for contributors to contribute to the specified project.
- Contributors can then buy the waqf shares according to their affordability.
- In return, contributors receive cash waqf certificate as an evidence for purchasing the waqf shares with a specific amount for the said project.
The amount collected from selling the waqf shares will then be managed by the issuer’s institution in its role as a trustee in terms of managing and investing the funds.

The revenue generated from the investment will then be channelled to the specified project, i.e. the beneficiaries as shown in Figure 1.

Although it is very difficult to trace how the above mentioned countries invested the accumulated cash waqf before channelling it to the beneficiaries, we realized that many goods and services have been provided through this scheme. For example, in 1990s waqf shares in Malaysia gain popularity and has been accepted at large as a fund raising scheme which, will later be invested (Gadot, 2006). The revenue generated from the investments succeeded in financing different projects such as; developing the existing waqf land, constructing mosques and religious schools, financing medical facilities, providing physical amenities for the Muslim community and maintaining the religious infrastructure, purchasing vehicles for da’wah and building religious centers (Annual Reports, 2009).

Similar to Malaysia, in early 2000, the Indonesia Waqf Board launched a cash waqf scheme known as Tabung Wakaf Indonesia/Indonesian Waqf Shares. The main objective of Indonesian Waqf Shares is to raise funds in order to finance many services that can benefit Muslim community at large. This scheme succeeded in financing poverty alleviation programs, providing free medical services to the poor and needy, arranging different educational programs and providing entrepreneur development programs (Dodik, 2007; Dompet Annual Reports).

Similar to the above mentioned countries, Kuwait has succeeded in playing a great role, not only internally but also globally. Under the NGO Law No. 64 of 1986, Kuwaiti managed to establish an International Islamic Charitable Organization (IICO) in order to provide global and humanitarian aids, aiming at assisting the poor communities and helping them develop their resources in the most efficient way (Ramli and Sulaiman, 2006). Through this IICO, ten cash waqf schemes has been established whereby the cash waqf endowed by the founders will be invested and the returns from investment will then be utilized to finance programs according to the following schemes (IICO-web site):

![Figure 1. Waqf share scheme](image)
• **Water wells scheme.** This scheme succeeded in constructing dams, digging surface wells and supplying the poor and needy with water coolers in India, Jordan, Somalia, Africa, Bangladesh, Nigeria and Somalia.

• **Educational scheme.** This scheme succeeded in financing educational and social charitable services such as sponsoring orphans, providing medical care, financing the teaching of Arabic and Islamic subjects and paying the salaries of teachers in Chad, Gambit, Philippine, Albania and Kosovo.

• **Mosques scheme.** This scheme succeeded in building and maintaining many mosques in many countries, such as Egypt, Kazakhstan, China and Togo.

• **Health care scheme.** This scheme succeeded in providing medical equipment and building hospitals in Egypt, building dental clinic in Palestine, building hospital in Philippine, and IICO hospital for cancer patients care in Kuwait.

• **Training centers scheme.** This scheme succeeded in funding many centers, such as computer training centers in Africa, training institute in Indonesia, Nigeria, and Uganda.

• **Farms and productive projects.** This scheme succeeded in funding different farms and agriculture projects in Philippine, Bangladesh, India and Uganda.

• **Orphans scheme.** This scheme succeeded in sponsoring orphans, building and maintaining orphanages and providing orphans with proper education in Uganda.

• **Seasonal projects.** This scheme succeeded in financing the cost of preparing meals for breaking the fast/iftar during the month of Ramadhan, and distributing the meat during the month of sacrifices in Malawi, Nigeria, Cambodia, Kurdistan and Somalia.

• **Social projects scheme.** This scheme sponsored the cost of wedding in Sudan, besides sponsoring productive projects for needy families in Sudan and Palestine.

• **Relief scheme.** This scheme succeeded in providing relief efforts in Kosovo and Palestine.

The establishment of waqf scheme is not limited to Muslim countries only but it extended to Muslims minority countries too. For example, in the UK, NGO institutions plays important role in Muslim community. One of these institutions is the Islamic Relief which was established in 1984, as an international relief and development charity organization. Under this scheme cash waqf scheme was established as a Waqf Future Fund (WFF and Islamic Relief). Similar to the scheme in Kuwait, the main objective of this WFF is for various long-term projects provided in many countries, such as education waqf scheme, water and sanitation waqf scheme, orphans waqf scheme, Qurbani waqf scheme, healthcare waqf scheme, emergency and relief waqf scheme, and income generation waqf scheme. Many countries have benefited from this scheme such as Kosovo, Palestine, Albania, Sudan, Afghanistan, Bosnia, Mali, Bangladesh, Pakistan, India, China, Kosova, Egypt, Iraq, South Africa, Niger and Kenya (WFF and Islamic Relief).

### 2.2 Deposit cash waqf scheme

This scheme is also a public waqf which has been practised in Singapore, Bahrain and South Africa. In general the *modus operandi* for this direct cash waqf scheme is as follows:
The founder contributes directly to a specified religious authority or a specified institution by depositing money as cash waqf to a specific bank account.

The bank then invests the money according to the agreement with the religious authority or the specified institution.

The religious authority or the specified institution in its role as the trustee will receive the revenue generated after investment and then will distribute it to the said charitable areas as seen in Figure 2.

Similar to the above scheme, it is very difficult to trace how the banks invested the accumulated cash waqf before channelling it to the beneficiaries. Nevertheless, this scheme also succeeded in providing different goods and services needed in the different societies. For example, in Singapore the creation of deposit cash waqf started at the beginning of the twentieth century. During that time the Muslimin Trust Fund Association, which was founded on 31 August 1904, came into existence when Alsagoff and Co. and various other Muslim businesses and individuals endowed an amount of cash as waqf to be invested. The main purpose for this investment are to: finance the burials of poor Muslims, give aid to Muslim orphans, give aid to the Alsagoff School, and to finance other charity projects (Cizakca, 2000).

In South Africa, The National Awqaf Foundation (AWQAF SA) was established in 2000. Similar to Singapore, deposit cash waqf was also created to encourage contributors to contribute to the AWQAF SA cash waqf fund. The collected cash waqf was then invested in a portfolio of income-generating instruments. Revenue generated is then spent on programs ranging from providing funding for skills development, tree planting, and education projects besides, financing religious institutions.

Similarly, this type of deposit cash waqf has been established in Bahrain (Bahrain Institute), however, not by a religious authority or a non-profit organization, but by a regulatory body. In 2006, the Central Bank of Bahrain, i.e. the Bahrain Monetary Agency (BMA), together with several Islamic financial institutions, established deposit cash waqf to finance the development and implementation of Islamic finance training programs (BIBF). The returns from the investment succeeded to finance the public awareness programs and research and publication programs.

2.3 Compulsory cash waqf scheme

The compulsory cash waqf scheme is also a public waqf which has been practised in Singapore. The modus operandi of this scheme is as follows (Abdul Karim, 2007):

![Figure 2. Deposit cash-waqf scheme](image)
Compulsory contributions are made through the Central Provident Fund (CPF) Board, i.e. Singapore's national social security organization.

Monthly contributions of between US$1 and US$7 are made by Muslim employees, depending on their monthly gross income (Note: Muslim employees are encouraged to make greater voluntary contributions).

Each month Muslim workers contribute through an automatic check-off system, i.e. the contribution is deducted from their monthly salary by their employer and channeled through the CPF, as MUIS' collecting agent.

Then the collected amount is channelled to finance charitable purposes such as building mosques, educational programs and building dau'a centres, as seen in Figure 3.

For this compulsory waqf scheme, it is worth mentioning that, although this scheme is very successful in meeting the different Muslim minority needs, yet the element of perpetuity is missing since whatever amount collected will be channelled directly to the beneficiaries without any investment.

2.4 Corporate waqf scheme

This scheme is also a public waqf which has been practised in Malaysia, Turkey, India, Pakistan and Bangladesh. The founder in this scheme is not only individual but private corporations and public corporation. In general the following is the modus operandi for this corporate waqf scheme:

- The first founder, either the private or the public corporation, known as the mother corporation/main founder will establish an Associated Waqf Institution as the trustee.

- The main founder will ask all its subsidiaries to contribute part of their profits or dividends to the corporate waqf on a regular basis, besides calling other contributors such as individuals, companies and institutions to donate to this Associated Waqf Institution.
The Associated Waqf Institution in its role as the trustee will manage and invest the accumulated cash waqf from the different founders. The revenue generated is then channelled to the specified projects after operational expenses have been deducted. This can be clearly seen in Figure 4.

Similar to the above mentioned schemes, the modes of investment of the accumulated cash waqf from this scheme is not highlighted in the above mentioned countries. Nevertheless, this scheme also succeeded in providing different goods and services needed in the different societies. For example, in Turkey in 1974 (Vakfi, 1974) a corporate waqf was established by “Sadika Sabanci”, the wife of “Haci Omer Sabanci”, who donated her entire personal wealth to an endowment and which later incorporated by her six sons into Sabanci Foundation. This foundation plays a significant role in the development of Turkish economy and in initiating many services in the areas of education, health, arts, sports and culture besides opening new programs that focus directly on women, youth and the disabled (Koyunsagan, n.d.).

Prior to the establishment of Sabani Foundation in Turkey, a good example of corporate waqf, which was established in India by one family member (the father called Hakeem Hafiz Abdul Majeed), and spread to reach Pakistan and recently to Bangladesh (Hamdard Foundation). Similarly this waqf foundation has been incorporated later by his two sons into a Hamdard Foundation. In India this foundation play a great role in providing many services to Muslim minority society such as building the Jamia Hamdard University, providing education to the majority of people, financing all India Unan Tibbi conferences, business and employment bureau and Majeedia hospital. In Pakistan the Hamdard National Foundations manages to establish a city of education, science and culture. It also established Hamdard Village School, which caters to the children of the rural settlements found around Madinat al-Hikmah. In addition providing financial assistance in the form of scholarships given to qualified students, and educational grants – monthly/yearly grants are given to various types of educational organizations. It also formed a research institute by the name of Bait al-Hikmah Research Institute. This institute conducts research in the history of

![Corporate waqf scheme](image)
Apart from Turkey, India and Pakistan, a corporate waqf has been established in the state of Johor in Malaysia and which is a good example of public corporate waqf initiated by the State Government of Johor (JCorp AR). The JCorp managed to establish Waqf An-Nur Corporation Berhad as its trustee. Being a cash waqf base, Waqf An-Nur Corporation Berhad succeeded in providing different goods and services not only to Johor State but its benefit spread to reach Negeri Sembilan, Selangor and Sarawak in terms of building mosques, hospitals and chain of clinics, providing dialysis centers, dialysis machines and providing health facilities such as movable clinics and treating deserving patient’s with the minimum amount of only RM5 for both treatment and medication. Moreover, it also benefits others in term of voluntary act such as assisting victims of disasters and donation given for schools and universities. In addition, it succeeded in providing free interest loans through a scheme known as Dana Waqaf Niaga to assist small businesses.

2.5 Deposit waqf product scheme
Similar to the deposit waqf scheme mentioned above, this deposit waqf product scheme is a public waqf which has been practised by two banks in Bangladesh, the Social Investment Bank Limited (SIBL) and the Islamic Bank Bangladesh Limited (IBBL) (Mannan, 1998). However, in this scheme the banks act as the trustee. The modus operandi for this scheme is as follows:

- The founder deposits money as waqf in a cash waqf-based account in IBBL or SIBL.
- Before depositing the money the founders are given a list whereby they can select their beneficiaries from the list or they can specify their own beneficiary.
- The bank acts as trustee to collect and invest the capital through Mudarabah contract.
- The revenue generated from investment is then channelled to the said beneficiaries as selected by the founders, such as building hospitals, clinics, schools, village healthcare and sanitation, supplying pure drinking water, as shown in Figure 5.

2.6 Co-operative waqf scheme
This scheme is a public waqf which has been practised in Uzbekistan (Sievers, 2002). This scheme has been established in 1992 to provide the basic needs for each district.
Each district acts as the trustee to manage its own cash waqf and to provide the services needed in their districts. The *modus operandi* of this scheme is as follows:

- Citizen acts as the founder of the cash waqf endowing money to different projects needed in their different districts.
- The specified district acts as the trustee to manage and invest the collected waqf funds.
- The investment earnings are then channelled for developing projects within the said district as seen in Figure 6.

This co-operative waqf scheme succeeded in providing different goods and different needs in the different districts such as building religious schools, healthcare and financing many economic development projects.

### 3. Framework for CWFI

The above practices of cash waqf schemes show the potential of cash waqf as one of the financial institutions in providing different needs in the different societies without depending on government’s budgets. This encourages the author to come up with a framework for CWFI which can be easily adopted by different countries today, not only to provide their urgent needs, but to create an active society whereby all citizens will be engaged in enhancing their societies without depending on their governments. Moreover, this CWFI can also help to revive all the old and unproductive waqf properties to be productive and to provide the goods and services needed on one hand and to employ more people on the other. In this case it is worth to quote Zulkifli bin Hasan paper as he mentioned (Hasan, 2008):

> In Muslim countries all over the world, wealth is not only in the hands of individual or corporate entities but also in the form of endowment known as waqf. In the context of Malaysia with a population of close to 24 million people with GDP per capita of US$4,707, it is reported that there are over 32,000 acres of waqf land in which may be utilized to benefit the Muslims society.

In addition, the idea of this CWFI can also help more researchers to study the potential of this institution as an Islamic Micro-Finance Institution financing small business, as the beneficiaries, through *al-Qard al-Hassan*/*Benevolent loan*.

Before providing the *modus operandi* for the proposed CWFI let us first highlight the consensus of the contemporary Muslim scholars on the modes of investment of cash waqf.

#### 3.1 Investment of cash waqf

Early Muslim jurists approved the investment of cash waqf through *mudharabah* mode. Recently and with the current creation of cash waqf in different Muslim and

![Figure 6. Co-operative waqf scheme](image-url)
Muslim minority countries, Fiqh Academy in its Resolution No. 140 (15/6) recommended the investment of cash waqf through both low risk investment and high risk investment while observing the following conditions (Resolution):

- Statement and scope of the investment should be *Shari'ah* compliant.
- Perpetuity of the waqf and its benefits must be ensured.
- Observation of variation of investment scope in order to minimize risks or diversify business risks, taking guarantees, documentation of the contracts, conducting of feasibility study for the intended investment projects.
- Selection of the safest modes of investment and keeping away from the high risk investment modes.
- Investment of waqf properties should be in accordance with the *Shari'ah* and modes suitable to those properties which serve and protect the waqf and beneficiary rights. Therefore, if the waqf properties are tangible assets the investment should not lead to the termination of their ownership, and if they are in the form of cash they can be invested in any *Shari'ah* compliant mode of investments, such as *Mudarabah*, *Murabahah*, *Musharakah*, *Istisna’*, etc.
- There must be an annual disclosure on the investment activities and make such information available to the persons involved.

Hence, cash waqf can be invested in low risk investment and high risk investment as explained below.

3.2 Modus operandi for CWFI

As highlighted above and since the main objective for the creation of cash waqf is to open the door wider for more founders to create cash waqf to meet their needs on one hand and to seek compound rewards in the hereafter, this will encourage more founders to contribute to this institution even with the least amount of money they can afford to donate. Moreover, this CWFI can also act as a fundraising to generate the funds needed to re-develop the old waqf buildings on one hand and to generate services and open new jobs for many people on the other hand. Hence, the *modus operandi* for the proposed CWFI can be as follows:

1. Main founder(s) can be individuals, organisation, company, corporation, NGOs, or financial institution (the main founder is the first one to establish the waqf, in this case the CWFI.
2. This CWFI in its role as the trustee can provide a list of beneficiaries and can call for more founders/contributors to donate/contribute cash waqf (either direct or indirect) for the selected beneficiary.
3. The CWFI can then managed the accumulated cash waqf and channelled it according to the type of the created cash waqf, either for direct or for indirect cash waqf (for more information on direct and indirect waqf please refer to Monzer Kahf, 1998):
   - *For the direct cash waqf*. To ensure the perpetuity of the direct cash waqf, the accumulated funds of the cash waqf must be channelled directly to re-develop any old waqf property. In this case istibidal/exchange from liquid money to re-developing the real state can be made and which is acceptable...
This means that the funds can be channel directly to re-develop idle and unproductive old waqf buildings, such as waqf schools, waqf colleges, waqf universities, waqf hospitals, waqf clinics, waqf factories, waqf agriculture lands, etc. as seen in Figure 7. Achieving so, all the old waqf properties can regain its role in providing the goods and services needed in each society besides employing majority of people.

- **For the indirect cash waqf.** To ensure the perpetuity of the indirect cash waqf, the accumulated cash waqf must be invested and only the revenue generated can be channelled to the beneficiaries. Hence, for the investment of the accumulated cash waqf it can be invested in low risk investment or high risk investment as recommended by the contemporary Muslim scholars mentioned above. To ensure the perpetuity of the capital of liquid waqf it is much recommended as an entail stage to invest only 50 per cent and to keep 50 per cent intact. Out of this 50 per cent, which is meant for investment, it is also much recommended to invest 30 per cent in low risk investment and 20 per cent in high risk investment.

(4) Profit generated from the indirect cash waqf investment can be channelled to three parties in different proportions, for example 10 per cent to go for the management team, 70 per cent to be channelled to the beneficiaries (services needed), and 20 per cent as a self-financing device (SFD) specifically to add up to the capital, i.e. to the 50 per cent (to cater if any lose happened in the future), as seen in Figure 8.

### 3.2.1 Low risk investment.

*Murabahah* financing mode. *Murabahah* financing is one of the most popular financing modes in Islamic banks today (AAOIFI; Ayub, 2007) the same can be adopted while investing the cash waqf in the proposed CWFI.

The CWFI who acts as a trustee to collect all the created cash waqf from the different founders who choose to invest their cash waqf through *Murabahah*:

(1) For ensuring the perpetuity of cash waqf, 50 per cent of the accumulated cash waqf will be kept intact at the entail stage as recommended above, and 50 per cent will be invested. Out of this 50 per cent, 30 per cent can be invested low risk investment such as *Murabahah* financing explained as follows:
The CWFI will buy an asset for a customer, perhaps for RM20 millions.
Then, it will sell the asset to the customer, cost plus profit (RM30 million + RM10 million).
The customer will pay back the total amount in three-year instalment that is RM10 million every year.

(2) Then, the CWFI will channel the revenue generated to three groups, for example out of the RM10 million, 70 per cent to be channelled to the beneficiaries (i.e. goods and services needed in the different societies), 20 per cent to be added to the capital as SFD and 10 per cent goes to the management team as seen in Figure 9.

3.2.2 High risk investment.
Mudharabah financing mode. Mudharabah is the act of one party giving away his property as capital to a person for him to work with that capital (AAOIF; Ayub, 2007). The nature of cash waqf can accommodate this type of equity financing of mudharabah even though it is associated with high risk investment. The modus operandi for mudharabah financing in the proposed CWFI will be in the following form:

(1) The CWFI acts as a trustee and rab al-mal that collects all the created cash waqf from the different founders who choose to invest their cash waqf on Mudarabah.

(2) 50 per cent of the accumulated cash waqf will be kept intact, and 50 per cent will be invested as recommended above. Out of this 50 per cent which is meant for investment, 20 per cent will be invested in high risk investment (10 per cent Musharakah and 10 per cent mudharabah), and in case of Mudarabah financing:
The CWFI acts as a trustee and as rab al-mal. It gives the mudharib/entrepreneur the capital for a specified period of time with an agreement to share the profit according to an agreed proportion, for example 30 per cent: 70 per cent.

- In case of loss the CWFI will bear the loss and the entrepreneur will lose his time and effort and will not get anything.
- In case it is profitable business, then the profit would be shared between rab al-mal and the mudarib according to the agreed ratio.

(3) Then, the CWFI will channel the revenue generated, in case of profit, for example 70 per cent to the beneficiaries, 20 per cent to be added to the capital as SFD and 10 per cent goes to the management team, as seen in Figure 10.

*Musharakah* financing mode. Muslim scholars define *Musharakah* as a contract between partners on both capital and profit. The *Musharakah* financing can be supported and enhanced by the cash waqf scheme. Furthermore, the cash waqf can accommodate the risk associated with *Musharakah* financing as well (AAOIF; Ayub, 2007). The *modus operandi* for this CWFI with *Musharakah* Financing would be in the following form:

(1) The CWFI acts as a trustee that collects all the created cash waqf from the different founders who choose to invest their cash waqf on *Musharakah*. 

**Figure 9.**

*Murabahah* financing in the proposed CWFI
(2) 50 per cent of the accumulated cash waqf will be kept intact, and 50 per cent will be invested (as mentioned above). Out of this 50 per cent, 10 per cent can be invested in *Musharakah* financing as follows:

- The CWFI in its role as the trustee will enter into a contract of partnership with another partner in which both of them provide capital but not necessarily participate in the business.
- In case of loss in the investment both partners will bear the loss according to their shares.
- In case of profitable investment, the profit would be shared between the partners according to the ratio.

(3) Then, the CWFI will channel the revenue generated, in case of profit, for example 70 per cent to be channelled to the beneficiaries, 30 per cent to be added to the capital as SFD and 10 per cent goes to the management team as seen in Figure 11.

4. Conclusion
From the above practices it has been realized that cash waqf has been ascertained as one of the successful financial institutions in financing different goods and services needed in the different Muslim and Muslim minority countries without depending on the government’s budget. A matter which urged contemporary Muslim scholars to come up with a resolution not only to show the importance of the creation of cash waqf as a
fundraising scheme at the present time to meet Muslim society’s needs, but to highlight the different modes of investment for cash waqf while insuring its perpetuity. Among the goods and services provided by the six cash waqf schemes in the different Muslim societies are: constructing and building; mosques, religious schools, centers to teach Arabic language, colleges, universities, giving scholarship, financing computer training centers, providing entrepreneur development programs, financing medical facilities, providing physical amenities, providing free medical services to the poor and needy, providing medical equipment’s and building hospitals, building dental clinics, building hospital for cancer patients, sponsoring and sheltering the orphans, financing widows, destitute and disabled persons, providing free interest loan, financing burials of poor Muslims, constructing dams, digging well, financing tree planting, financing charity projects, developing the existing old waqf properties, besides, opening jobs for the majority of people.

This help the author to come up with a frame work for CWFI which can be easily adopted by any Muslim society in order to assist in providing their needs without depending on their governments. Moreover, the proposed CWFI can also play a unique micro-financial institution which can provide small entrepreneur with *Qard Hassan* loan/free-interest loan in order to start their businesses.

To conclude, cash waqf is a very powerful institution for fundraising, i.e. collecting the funds from the different founders to meeting their crucial needs in this world while seeking compound rewards in the hereafter. We hope that by encouraging people to create cash waqf either directly or indirectly, they will contribute to the welfare of their societies at large.
References


Further reading

Reports and resolutions
AAOIFI: Accounting and Auditing Organisation for Islamic Financial Institutions, AAOIFI, Bahrain, pp. 118, 141 and 165.
Dompet Dhuafa Republika’s Annual Reports, available at: www.dompetduhafa.org/dd.php?w=indo&x=annual&y=main

Web sites

About the author
Dr Magda Ismail Abdel Mohsin is an Associate Professor and is currently a Lecturer on Islamic Economics and Finance at the International Centre for Education in Islamic Finance (INCEIF), The Global University of Islamic Finance/Kuala Lumpur, Malaysia. Magda Ismail Abdel Mohsin can be contacted at: magda@inceif.org

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