

WAQF FOR POVERTY ALLEVIATION

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Abstract

Religious principles and social teaching however, can positively contribute to poverty alleviation and socio-economic development. Waqf is one of the greatest sources of charity devoted for the overall development of the Muslim society. This paper will focus on Waqf as one of the forms of Islamic Philanthropy and especially with respect of how it can be used to alleviate poverty and in socio-economic development. It will also help to develop a waqf-based model for application to Muslim education in Bangladesh, which benefits the general society and the Muslim community in particular. Waqf can be one of the vital alternatives alongside because early history indicates free education, scholarship, orphanage, free treatment, and inns for nomads as provided by Waqf based institutions.

I. INTRODUCTION

Bangladesh is the world's eighth most populous country, as well as one of the world's most densely populated countries .With a population of more than 160 million people in a territory of 56,977 square mile (147570 square kilometers)and 1062 people live per square kilometer . The Bengalis form the country's predominant ethnic group, whereas the indigenous peoples in northern and southeastern districts form a significant and diverse ethnic minority. The Bengal delta region has a rich and diverse cultural heritage. The four largest religions in the country are Islam (89%), Hinduism (9%), Buddhism (1%) and Christianity (0.5%).

The study examines financial instrument commonly used in the money markets of different development and developing economics. This traditional developing economics are not working properly to alleviate poverty. There is an Islamic financial instrument that can diminish the poverty and that is called “Waqf”.

Collection of reasonably reliable data and other necessary information from the field is not an easy task but it must be done properly .Data are the key to the survey and success of the survey depends on the reliability of data. Data can be collect from primary and secondary sources. Secondary data can be collected by the way of consulting various documents such as Annual reports, by laws, booklets and publications.

Primary data can be collected either through experiment or through survey. In case of survey data can be collected by any one or more ways. Such as by observing, through personal interview, through telephone interview, by mailing of questions, through schedules etc. To collect primary data the researcher will conduct interviews.

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The research has to work with the nature of competition in the banking industry and performance parameters of public, private sector and foreign bank group. The study will also undertake a situational analysis of the interview notes and write a research report that combines the researchers' understanding of the relevant theory

The study can suffer from a numbers of limitations, such as,

- Gathering and processing data can be very expensive.
- Organizations are often forced to balance the need to build up as detailed a picture as possible regarding customer needs against the desire to make decisions as quickly as possible, in order to maintain or improve their position in the market
- Reliability of the data
- Legal & ethical constraints, the Data Protection Act (1998) is a good example of a law that has a number of implications for market researchers collecting and holding personal data.

II. LITERATURE REVIEW

Economy of Bangladesh, Poverty alleviation strategies

The World Bank announced in June 2013 that Bangladesh had reduced the number of people living in poverty from 63 million in 2000 to 47 million in 2010, despite a total population that had grown to approximately 150 million. This means that Bangladesh will reach its first United Nations-established Millennium Development Goal, that of poverty reduction, two years ahead of the 2015 deadline. Bangladesh is also making progress in reducing its poverty rate to 26 percent of the population.

Since the 1990s, there has been a declining trend of poverty by 1 percent each year, with the help of international assistance.[citation needed] According to the 2010 household survey by the Bangladesh Bureau of Statistics, 17.6 percent of the population were found to be under the poverty line.

The population in Bangladesh is predominantly rural. Around 80% of the population living in rural area. The biggest cause of rural poverty is due to the fast growing population rate. It places huge pressure on the environment, causing problems such as erosion and flooding, which in turn leads to low agricultural productivity. The main thing is this people can work efficiently if the resources are given to them and why are people poor? Because they have no money, so let us give them money , then they will not be poor anymore because they can work hard and Bangladesh have a fertile land they can harvest food and can invest in dairy firms. For these reason they all have to be educated or well train that is why there should be a training Centre and some schools which will educate them free to alleviate poverty.

Social safety-net program

Social safety nets, or "socioeconomic safety nets", are non-contributory transfer programs seeking to prevent the poor or those vulnerable to shocks and poverty from falling below a certain poverty level. Safety net programs can be provided by the public sector (the state and aid donors) or by the private sector (NGOs, private firms, charities, and informal household transfers). Safety net transfers include:

- Cash transfers
- Food-based programs such as supplementary feeding programs and food stamps, vouchers, and coupons
- In-kind transfers such as school supplies and uniforms
- Conditional cash transfers

- Price subsidies for food, electricity, or public transport
- Public works
- Fee waivers and exemptions for health care, schooling and utilities

On average, spending on safety nets accounts for 1 to 2 percent of GDP across developing and transition countries, though sometimes much less or much more. In the last decade, a visible growing expertise in various areas of safety nets has taken place. However, even though an increasing number of social safety net programs are extremely well thought out, correctly implemented and demonstrably effective. Social safety net programs are not much effective in Bangladesh. The upward trends does not show an overall optimistic view because the benefits are dragged down due to following reasons:

- Focusing largely on transfer payments rather than for enhancing the capabilities of the poor.
- Lacks of sustainability as these programs are mainly driven by foreign aid.
- The actual numbers of beneficiaries are less than the officially determined number.
- Local political leaders are grabbing aid able goods such as rice, wheat, lentils etc. through VGF card manipulation.
- Nearly 50 percent of the recipients of the stipend at school and madrasah levels are fake and they are getting the stipend money illegally in collusion with a section of corrupt teachers.
- Anomalies are found in transportation, handling of grains and inaccurate weighing for distribution.
- Needy and poor people are not conscious about their rights.
- Information gap persists between recipients and authority.
- Weakness of government in selecting effective programs.

Microcredit

Helping to alleviate poverty is the key aim of any individual or group involved in development. The classic diagram of the poverty trap is frequently used to explain why it is so difficult to break out of the cycle of poverty. Low productivity means that there is no money to invest in those things that could increase output. Banks will not lend even the small amounts required to invest in the means to increase productivity because those on such low incomes can provide no security against the loan. The only money available is often from local moneylenders who charge exceptionally high interest rates that only make the situation worse. In the last 30 years there have been some attempts to change the situation and microfinance is a term used to describe how financial services can be made available to poor people. It has received a lot of support from people involved in international development because it has been seen as an important way of helping millions of people out of the poverty trap. However recent criticisms by some politicians and development experts mean that the advantages and disadvantages of microfinance have been the subject of many discussions and caused many arguments.

Grameen microcredit principles in Bangladesh:

Yunus stated his principles when he started the Grameen Bank.

- Poverty is not created by poor people. It is created by the institutions and policies which surround them. Loans offer people the opportunity to take initiatives in business or agriculture to make earnings that enable them to pay off debt.
- Poor people have skills that remain unutilized or under-utilized. It is not the lack of skills that makes them poor.

- Charity is not an answer to poverty. It only helps poverty to continue. It creates dependency and takes away an individual's initiative to break through the wall of poverty. Utilizing the energy and creativity in each human being is the answer to poverty.

A study in Bangladesh (2008) found that, although the majority of loans were made to women, they were often acting as collecting agents for their husbands. Women had to accept responsibility for repaying the loans that men had spent. This is particularly true for larger loans - women have 100% control over loans that are smaller than 1000 Taka but only 46% of control if the loan is bigger than 4,000 Taka .

The cost of servicing Microfinance loans is higher than for commercial banks because administration charges for small amounts are proportionately higher than for larger amounts of money. Institutions have to charge an interest rate that will cover those costs and continue to lend to future borrowers. The result is that the world's poorest people pay the world's highest cost for their loans. Grameen Bank interest rates are typically 20%.

Limitations of micro credit institutions are:

- Creditors do not get much time to invest their credit as he has to pay the first installment just one week after taking credit.
- Subsistence people, who take credit spend most of the money for consumption purpose.
- There is no sound program to meet immediate consumption needs of the lower strata of population.
- To pay the loan of a particular microfinance institution, most of creditors go to another microfinance institution. This increases multiple indebtedness.
- Local micro credit providers always create pressure on creditors and creditors are being mentally and in some cases physically tortured by them.

Waqf an Islamic Financial Instrument to Alleviate Poverty

Various Islamic scholars are working to develop models based on waqf to revive this much needed Islamic institution in fighting the endemic poverty problem. We, therefore, are observing that the area of waqf is being diversified and developed over the years. Before discussing the role of waqf in poverty alleviation, the introduction to waqf and its essential characteristics are mentioned briefly.

Meaning of Waqf

Waqf is an Arabic word derived from the root verb Waqafa. Awqaf is the plural of Waqf. Ahmed (1998) asserted that there is no equivalent word or expression in English to convey the Islamic concept and meaning of Waqf in the true sense of the term. So it's good to use the word Waqf in its Arabic form instead of attempting to give a precise translation.

Meaning of Waqf can be expressed in different points of view such as

Linguistic point of view : Waqf means forbidding movement, transport or exchange of something (Raissouni, 2001, p. 13)

Shari'ah point of view: Waqf may be defined as holding a Maal (an asset) and preventing its consumption for the purpose of repeatedly extracting its usufruct for the benefit of an objective representing righteousness and/or philanthropy. (Kahf 1998, p. 4)

Defining Waqf

Appropriation or tying up a property in perpetuity for specific purposes. No property rights can be exercised over the corpus. Only the usufruct is applied towards the objectives (usually charitable) of the waqf. (Obaidullah and Khan, 2008)

Ibn Abdelbar defines, ““It’s when an owner gives benefactorily whatever he likes from his revenue, fruits, crops or real estate so that the yield, tax and benefits thereof follow the course he schemed willingly. That is one way of seeking God’s favor. Legal claim is in this case mortmain and meant neither to be sold nor granted and never inherited no matter how much remains thereof.” In the context of the census report of Waqf Estates 1986, Waqf Estate has been defined as land or other immovable property (a part or whole) donated by a person or a group of persons or an organization for any social, religious or state activity without having any return.

Kinds of Waqf

Eminent Islamic economist Monzer Kahf has shown three kinds of Waqf such as:

1. **Religious Waqf:** Mosques and real estate confined for providing revenues to spend on mosques’ maintenance and running expenses are in the category of Religious Waqf. Religious Waqf, in any society and for any religion, adds to the social welfare of any community because it helps satisfy the religious needs of people and reduces the direct cost of providing religious services for any future generation.
2. **Philanthropic Waqf:** It aims at supporting the poor segment of the society and all activities that are of interest to people at large such as public utilities for the poor and needy, libraries, scientific research, education, health services, care of animals and environment, lending to small businessmen, parks, roads, bridges, dams etc.
3. **Posterity or Family Waqf:** It started shortly after the death of Prophet, pbuh, during the reign of Umar (635-645), the second caliph. In this case, the revenues of Waqf must first be given to their own children and descendants of the waqf founder and only the surplus, if any, should be given to the poor.

III. FINDINGS AND DISCUSSION

It is very interesting to note that lately some new types of Waqf are making their appearances. These are Cash Waqf and Waqf of intellectual property.

Previously, waqf of building and land were the most popular forms of waqf. Nowadays, cash waqf has become increasingly well-known, particularly because of its flexibility, which allows distribution of the waqf’s potential benefit to be benefited by the poor anywhere.

Another very interesting development in the area of Waqf in Bangladesh is the creation of Waqf of Intellectual Property, consisting of copyright of Books. There are at least two such waqfs in the country.

- i. The Khairun Prokashani Trust, and
- ii. The Deeni Publications Trust.

The Khairun Prokashani Trust is a waqf created by Maulana Abdur Rahim, a renowned Islamic scholar of Bangladesh, with the copyright of his books with his wife and children as beneficiaries. The Waqf has a printing press and a building of its own in Dhaka.

The Deeni Publication Waqf is another waqf of Intellectual Property, established by another renowned Islamic scholar, Maulana Muhammad Abdul Khaleq, making waqf of copyright of all his books.

Philanthropic Waqf and Cash Waqf:

These two types of waqf can play the main roles of poverty alleviation. A proverb there "Give me good teachers I'll give you good Nation". For education there should be large fund which will help the poor illiterate people to change their fate.

Cash waqf was first introduced in Ottoman era in Egypt. Professor Mannan then socialized cash waqf in Bangladesh through Social Investment Bank Limited, now Social Islami Bank Ltd. (SIBL). SIBL issues Cash Waqf Certificate to collect funds from the rich and distributes incomes of the funds to the poor. (Masyita, Tasrf and Telaga, 2000).

In the recent past, some well-to-do persons pooled their funds to jointly create Cash Waqf to establish a number of private universities in the wake of the enactment of the Private University Act, 1992 (Sadeq, 2000). Also it can create some other financial instruments. Such as:

Mudarabah:

"Mudarabah" is a special kind of partnership where one partner gives money to another for investing it in a commercial enterprise. The investment comes from the first partner who is called "rabb-ul-mal", while the management and work is an exclusive responsibility of the other, who is called "mudarib and there should not be any interest like 20%. It will be interest free.

Musharakah:

It is the Islamic contract for establishing a joint venture partnership. In musharaka, two or more parties contribute capital to a business and participate with the related profits and losses. Waqf funds can participate in equity along with the project sponsors. The profits are shared among the parties on the basis of their participation or on a pre-agreed ratio and the losses are shared on the basis of equity participation. Even partners may negotiate fixed wages or salaries at the outset of the musharakah.

The difference between musharika and mudaraba is that in musharika, all involved parties provide capital to share in the profit or loss of the project. In mudaraba, one party provides the capital and the other acts as an agent to invest it. The agent in a mudaraba does not share in the losses.

IV. CONCLUSION

Poverty as a social problem is a deeply embedded wound that permeates every dimension of culture and society. There is no way to deny that govt. is cordial and serious about reducing poverty. In this regard, they have taken so many initiatives such as micro-credit operation, social safety nets, cash transfers etc to alleviate poverty. But unfortunately they never include Islamic instrument of poverty alleviation like zakah, lillah, waqf as poverty reduction strategy. As a result despite the high cordiality we have a little success in case of poverty alleviation. There are many ways to address the issue of poverty. A potential way to alleviate poverty is charity, which can be made an effective means to overcome the poverty problem. Charity can be of many forms, but a long-lasting form of charity is waqf, which has the characteristic of perpetuity.

The institution of waqf has played its role in poverty alleviation and socio-economic development throughout history, especially in Islamic society. It is still playing an important role in Muslim countries and societies today. There is a potential to make it more effective to alleviate poverty in an organized way.