

## **Examining the Traditional *Waqf*-Based Financing Methods and Their Implications on Socio-Economic Development**

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**Abstract:** *Waqf properties constitute a large percentage of societal wealth in several Muslim countries. Yet, many Muslim countries are facing enormous socio-economic problems such as poverty, illiteracy and lack of basic healthcare services. These socio-economic problems encourage contemporary Muslim scholars to revive the traditional methods of financing the development of waqf properties to ensure that waqf institution plays its vital role on improving the social welfare of the ummah. This paper examines the traditional waqf-based financing methods of developing waqf properties and their implications on socio-economic development. We have realized that with good waqf management and effective legislations, istibdal could be more suitable for the development of waqf properties, which in turn will finance socio-economic development. Nevertheless, all the traditional waqf-based financing methods may not be suitable in most of the low income Muslim countries, as there are widespread corruption and abuses of waqf properties. Therefore, allowing the waqf management to develop waqf assets using these traditional methods may expose waqf assets to further abuses and expropriation. The paper suggests that, putting the right waqf management teams which practices good governance; cash waqf, waqf share scheme and corporate waqf would be the most suitable methods of financing both the development of waqf properties as well as socio-economic development.*

**Keywords:** *Waqf, Traditional Methods, Financing, Socio-Economic, Development*

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### **I. Introduction**

According to income-based measures of poverty, 1.2 billion people live with \$1.25 or less a day (UNDP report, 2014). However, the report stresses that, using UNDP Multidimensional Poverty Index; almost 1.5 billion people in 91 developing countries are living in poverty with overlapping deprivations in health, education and living standards. The report warns that persistent vulnerability threatens human development, and unless it is systematically tackled by universal provision of basic social services, stronger policies for social protection and full employment, progress will be neither equitable nor sustainable (UNDP report, 2014).

However, to note that these socio-economic problems cannot be solved by either market system or governments alone; there is a need for non-profit sector to play vital roles in the provision of social and public goods. According to Weisbrod (1998), governments and non-profit organisations are better than market institutions at supplying public goods. But when the electorates' demands for these goods are heterogeneous, then non-profit organizations are the most suitable in supplying them. He argues that even when demands are not heterogeneous, governments may prefer to subsidise the provision of public goods by the third sector, rather than bear the full cost of supplying them. Billis and Glennerster (1998) argue that these nonprofit organisations are effective and efficient in providing services for consumers who suffer from financial, personal, and societal or community disadvantage. Putnam (1995) stresses that third-sector organisations have a particular role to play in fostering social capital, which he defines as the features of social organization, such as trust, norms and networks that can improve the efficiency of society by facilitating co-coordinated actions. The third sector fosters social capital that in turn promotes economic growth and contributes to the healthy operation of democratic societies (Putnam, 1995).

Indeed, historically, *waqf* which is a nonprofit sector, has played an important role in the provision of social goods such as education, hospitals; and public goods such as roads, mosques, bridges; caring for the orphans, the poor and the needy, the widows, the handicapped and the old, etc. (Sadeq, 2002). It has been argued that the entire health, education and welfare budget during the Osman Caliphate based in Istanbul came from its charitable foundations (Cizakca, 2000)). Hodgson (1974) asserts that, although establishing a *waqf* is an act performed by an individual for piety and religious devotion, the endowment institution and its operation is

solidly situated in the public sphere over which it has significantly promoted welfare of Muslim societies and communities at large. For instance, in the 18<sup>th</sup> century, in Istanbul, with estimated population of 700,000, up to 30,000 people were fed on daily basis by charitable complexes established under the *waqf* system (Saduman and Aysun, 2009).

Unfortunately, today, many Muslim countries are among the developing countries that are facing many socio-economic problems such as poverty, unemployment, illiteracy, lack of basic healthcare services and shelter, etc. Moreover, in many Muslim countries, *waqf* forms a huge reserve of land with high potential for socio-economic development. *Waqf* land for agriculture constituted half of the size of the land in Algeria in the middle of nineteenth century, whereas it amounted to one-third in Tunisia in 1883; and one-eighth in Egypt in 1949 (Hoexter, 1998). In a more recent development, it is recorded that in Malaysia there are over 35,000 acres of land as *waqf* properties (Zulkifli and Muhammad, 2008). Meanwhile in Indonesia it is recorded as of September 2002 that there are around 147,204.7 hectares of land as *waqf* properties (Achmad, 2002). In Singapore, there are 100 *awqaf* registered, with over 200 properties and assets worth over S\$ 350 million (Shamsiah, 2008). According to the India Prime Minister's High Level Committee on the Social, Economic, and Educational Status of Indian Muslim Community report, there are more than 49 million *awqaf* in the country, with a market value of USD 24 billion. The Sachar Committee also pointed to the low incomes actually earned from *waqf*, compared with their high earning potential (Obaidullah, 2012). In Egypt, the value of *waqf* properties reach half trillion *Egyptian pounds*; but the annual income received is only estimated at 1.5 billion *pounds* (Zahri, 2014).

Despite, *waqf* properties constitute a large percentage of societal wealth in several Muslim countries with high potential to address socio-economic problems, *waqf* institution faces many challenges among others lack of financing, inefficient management teams, and legal constraints, etc. Thus, in order to solve financing problem, contemporary Muslim scholars revive the traditional modes of financing as well as innovating new methods of financing the development of *waqf* properties. This paper, therefore, examines the traditional *waqf-based* financing methods of developing of *waqf* properties and their implications on socio-economic development of Muslim societies. In particular these methods include: *Istibdal* (substitution) *Hukr* (long leasing with a large advance lump sum), *Al-Ijaratain* (lease with dual payment), and *al-Mursad* loan.

## II. Concept of Waqf ( Islamic Trust)

Al-Khassaf (1904) defined *waqf* as immobilization of an owned property (*habs al-'ayn*) for the purpose of worship (*'ibadah*) or charity (*tasadduq*) with revenues generated from that property are allocated to the poor, the needy and other beneficiaries. In other words, *waqf* is a perpetual dedication of movable or immovable properties for religious, pious or charitable purposes (Jasni, 2013). The legitimacy of *waqf* is derived from the tradition of the Prophet (P.B.U.H) and sanctioned by the *Qur'an* injunctions to give alms (Othman, 1983). For instance, Prophet (P.B.U.H), re-emphasized benevolence dedication of one's wealth in anticipation of perpetual rewards in the hereafter by saying: "when a person dies, all his/her deed ceases except for three things: the establishment of running/continuous charity (*Sadaqah*), the knowledge that benefits others and a righteous child who prays for him/her" ( Al-Tirmidhi, 1967. pp.660). Ibn Majah's report adds a few details: "a Mosque that he/she builds, a house for the wayfarer, a river/canal he/she digs or a charity (*Sadaqah*) given during his/her life that continues (giving its benefits) after his/her death". *Waqf* can be endowed in the form of movable assets (e.g. cash, horse, etc.) and immovable assets such as agricultural lands, fields, gardens and real estate. Muslim jurists agree that once a property is created as *waqf*, it has three main features: irrevocability, perpetuity and inalienability (Kahf, 1998). In that respect, no one can ever become the owner to alienate *waqf* property and the property is thus in nature, like a 'frozen asset'. It cannot be sold, disposed, mortgaged, given as gift, inherited or expose to suffer any alienation whatsoever. All these features will secure a continual benefit for the present and future generations, and keep rewarding the founder until the Day of Judgment (Kahf, 1999). In relation to financing, traditionally; various methods of financing were adopted by the trustees of *waqf* for maintenance and investment of *waqf* properties. Some of these modes include: lease of buildings, commercial properties and land which are belong to *waqf* institution to generate rental income, farming of agricultural land and sales of their produce, as well as replacement of *waqf* assets where necessary ( Kahf, 1998). Muslim jurists accepted these modes because they did not violate rules governing *waqf* properties (Anas Zarqa, 1994). According to Kahf (1998), the classical books of *fiqh* categorized the traditional methods of financing the development of *waqf* properties into: *Istibdal* (substitution); *Hukr* (long leasing with a large advance lump sum); *Al-Ijaratain* (lease with dual payment); and *al-Mursad* loan.

## III. Istibdal (substitution of Waqf Properties)

Substitution of *waqf* properties (*Istibdal*) is one of the classical mode of financing the development of *waqf* properties, where a *waqf* property is exchange for another property that provides at least similar service or income without any change in the provision laid out by the founder (Kahf, 1998). Kahf defines *Istibdal* as the

sale of all or part of *awaqf* land and the proceeds from the sale can be used to purchase another piece of land dedicated as *waqf* for similar purposes. Section 2 of the State of Selangor Enactment of *Waqf* (Malaysia) defines *istibdal* as “to substitute a *waqf* property with another property or with money which is of the same or higher value than it either by substituting, purchasing, selling or any other means in accordance to *Shariah* law” (Hisham, et.al. 2013). The concept of *istibdal* enables the *waqf* institution to gain money to finance *waqf* investment project through substitution of less beneficial *waqf* land (Zulkfli and Muhammad, 2008).

Substitution can be divided into two forms i.e. substitution of one *waqf* with another similar asset and the substitution of *waqf* land with cash value (Kahf, 1998). In practice, the *Istibdal* has been used in several forms such as selling part of the *waqf* property to develop the remain of the same property, selling bundle of *waqf* properties and buying new one in exchange to be used for the same purpose of the sold properties. Or, selling one of the *waqf* properties and buying another property for the same purpose and lastly selling a handful properties belong to several *waqf* and buying a new property of higher value that could generate sufficient income to finance *waqf* project (Tahir Sabit, 2006).

The concept of *Istibdal* has been practiced in Malaysia and Singapore. In Malaysia it has already been practiced by the Islamic Religious Council of states of Pulau Pinang, Federal Territory, Selangor, Perak and Melaka (Zulkfli and Muhammad, 2008). For Example, Penang state has a good number of highly-valued *waqf* properties; and among them is *waqf al-Mashoor*. The land was initially intended for the construction of religious school. However, the *waqf* land is strategically located at the state’s administrative center and main business hub. Therefore, the state government agreed with Pinang State Islamic Religious Council to substitute this land with other land in addition to compensation. The agreement was reached and the state government paid RM 6 million and awarded 30 acres of land in Balik Pulau district as compensation to Pinang Islamic Religious Council (Hisham, et.al.2013). In Singapore, *istibdal* was used by Singapore Islamic Religious Council (MUIS) to substitute the Madrasah *Al-Maarif Al-Islamiyah* with a new building. The Madrasah was initially located in Ipoh Lane – a prime area and the madrasah needed a major renovation due to increase in number of students and the current building could not accommodate all the enrolled students. As a result the madrasah was reallocated to another place. This was possible because the land at Ipoh lane fetches a higher price than the land that the madrasah was reallocated. Since madrasah was not a commercial entity, it make more economical sense for it not be allocated in prime area. The exercise to reallocate the madrasah to a new place gave the Madrasah a new lease of life with better facilities and a new building without resorting to high capital outlay and borrowings to develop the building (Shamsiah, 2008). Indeed, all these developments in *waqf* lands are geared toward eradicating poverty and improving the socio-economic conditions of Muslim communities.

However, there are several issues in relation to the use of *istibdal* as financing instrument to develop *waqf* properties for socio-economic development. First issue is the disagreement among Muslims jurists. Islamic jurists have different views on the concept of *istibdal*. This is due to the fact that there is no direct reference from al-Qur’an and *sunnah* pertaining to *istibdal* (Jasni, 2013). Some jurists allow the implementation of *Istibdal* for the development of *waqf* properties based on certain conditions, such as *waqf* estate is ruined, a land is turned barren, or a mosque, for some reason, is not used by people for prayers or destroyed and there is no means to reconstruct these assets (Tahir Sabit, 2006). In that respect *waqf* properties or mosque land can be sold or replaced with another property for the sake of development. For those jurists who disapproved *istibdal*, relied on the basis that *waqf* is perpetual and intention of *waqf* property should be perpetuated and continued for the purposes of piety, religions and charities, in order to benefit its beneficiaries. To achieve this principle, no exchange was permitted on whatever grounds (Jasni, 2013). The action of altering or exchanging of the *waqf* property is contrary to the concept of *waqf*, which should exist forever, perpetual and cannot be changed. In fact, a public *waqf* property is no longer owned by man as the ownership is transferred to the Allah. Prophet Muhammad (P.B.U.H) forbids sell, disposition, transfer, exchange or inheritance of *waqf* property (Ayub, 2003). Imam Maliki himself states that *istibdal* application on immovable property is prohibited unless there is *maslahah* needs for the *istibdal* to be implemented or for the benefits of the *ummah* such as expanding the mosque compound, the cemetery, public road and etc, or the state authorities took *waqf* property by force for economic development (Wahbah al-Zuhaili, 1989). However, other jurists argue that if a *waqf* asset no longer provides benefit, then it should be exchanged with other asset in order to ensure continuity of benefit for the interest of the beneficiaries. Mardawi (1956) a Hanbali jurist has said that *waqf* property cannot be sold unless there are no benefits at all. The sale price after being sold should be used to purchase another property. Similarly, a horse which is unfit for battle can be sold for purchasing another one. According to Ibn Taymiyyah (2000), *waqf* property should be sold to gain definite benefit. Thus, an exchange of *waqf* is permissible as long as it guarantees benefits to recipients. In this case, more money can be added to the value of *waqf* property in order to improve on the social welfare of the beneficiaries (Ibn Qudamah, 1999). Nazih Hamad (1993) summarizes the views of Islamic schools of thought on *istibdal*. According to him, the majority of Maliki jurists disapproved *istibdal* but a small minority allows it; some Shafiis jurists disapproved and others allow substitution of *waqf* properties. The Hanbalis allow *istibdal* including mosque if is ruined, and it is needed;

similarly, the Hanafis allow *istibdal* as mode of financing for development of *waqf*. Indeed, these disagreements may affect the use of this mode for developing *waqf* properties that in turn will limit the source of fund for socio-economic development.

Secondly, use of *istibdal* exposes *waqf* assets to the risks of corruption, mismanagement and expropriation. No doubt, there are some merits in using this method especially when high valued *waqf* asset are sold to develop other *waqf* assets which can generate sufficient incomes to finance socio-economic development. Nevertheless, the method requires *waqf* institution to implement best management practices that ensure transparency and accountability. Thus, the mode may not be suitable in some low income Muslim countries where there are widespread abuses of *waqf* properties by *waqf* management. *Waqf* managements in some of these countries are not transparent and accountable; and by allowing them to substitute *waqf* assets, this may give them legal justification to expropriate and misused *waqf* assets. Umar (2013) study on *waqf* in Uganda reveals that the majority of Muslim respondents (66%) do not trust *waqf* management in the country because they believe that they are not trustworthy, accountable, transparent, reliable, competent and honest. Mat Rani (2008) reveals that according to States Islamic Religious Councils (SIRC) in Malaysia records show that, most of the state authorities only pay for compensation of *waqf* properties without replacing the sold *waqf* properties. Therefore, without proper management in place there is a risk that the money from sales of *waqf* lands can be misused. Last but not least, from legal perspective the law on *waqf* or Trust in some countries makes it difficult for the trustee to replace or sell *waqf* assets. This can be another major obstacle in implementing *istibdal* for the development of *waqf* assets. In general, the method may not be suitable specifically in low-income Muslim countries, where *waqf* management teams exhibits varying degrees of dishonesty, inefficiency, corruption and mismanagement.

#### **IV. *Hukr* (Long Lease with Large Advance Lump Sum)**

This method was developed by Hanafi Jurists in the middle of the third century of *hijrah* in order to prevent *waqf* properties from being sold in case of any danger, damages or dilapidated (Kahf, 1998). Instead of selling *waqf* property, the trustee (Nazer) can sell a right over *waqf* property to the lessee for long lease at a nominal periodical rent. This right of the property is sold for a large amount of money which is paid in advance. The lessee can then develop the property using his own resources and at his own risks as long as he/she pays periodical rent to the *waqf* administration (Kahf, 1998).

Literally, the term *hukr* means monopoly or exclusivity. In this mode of financing, the lessee has exclusive right over *waqf* property which can be for a long period that usually goes beyond the normal natural life span of human beings or it may be permanent. It is one of the example of the financial right that can be marketed i.e. sold, inherited, given as gift, bequest in the last will etc. (Anas Zarqa, 1994). Thus, in *hukr*, the lessee pay a large down payment nearly equal to the total value of the leased land, and in addition he is obliged to pay annually a very small rental, say three per thousand of the land's value. Anas Zarqa adds, in return, the lessee gets virtually perpetual use of the land. He may plant it or build on it. He can sell that right to others, or bequeath it to his heirs.

The contract become effective with a court order and it facilitates the development of *waqf* properties that were otherwise in danger of being left barren, unutilized and unproductive (Kahf, 1998). The proceeds from the sale of rights to use *waqf* property plus periodic rent can be invested in other more profitable investment, or in maintaining and developing other *waqf* properties. Since the sale of the exclusivity right is not considered a sale of the *waqf* itself, monthly rental would be considered as income to *waqf* institutions while the lump sum that are acquired from the sale of the rights to the lessee would be used as fund for the development of *waqf* properties which are vital for socio-economic development (Obaidullah, 2012a).

Although, this method allows *waqf* institution to overcome financial problem, it is not worth taking. The institution virtually cedes all rights of utilizing the *waqf* asset in future. Moreover, the annual rental income is quite insignificant and it would be like *waqf* institution practically relinquished *waqf* land (Anas Zarqa, 1994). Essentially the *hukr* contract has similar outcome as that of a substitution. This enables the concerned parties to get around the *Shariah* restriction on sale of *waqf* asset. A sale of right to lease is like a sale of *waqf* asset as it makes *waqf* management to lose the asset for all practical purpose (Obaidullah, 2012b).

Kahf (1998), caution that the mode itself may be neutral but its application may sometimes give positive effects or negative effects to the beneficiaries/objectives of *waqf*. For example, if the management uses the proceeds prudently, then the mode can increase *waqf* assets and future cash inflow. However, if the management misuses the fund, then that may reduce *waqf* asset and future revenues. Kahf added that, this mode is known in certain countries as Leasehold, in which property is given for 99 years or so against payment of a lump sum price. Tahir Sabit, et.al. (2005), agree with the use of *hukr* as a mode of financing the development *waqf* property. According to them, the rental income if it is not abuse will provide sustainable income to *waqf* institution. In addition, if the lump sum amount received from sales of rights is used for developing *waqf* properties, the future income will increase and that will have positive impact on social welfare of Muslim

communities. They further suggest that the lease period can be reduced from 99 years to the economic life span of a development project. If the economic life span of a project is 30 years where the investor can get his capital plus reasonable profits then that limitation should be imposed on *hukr* too. According to Obaidullah, some jurists have opted for an extended *hukr* with a finite maturity (say fifty years) rather than the perpetual *hukr*. The extended *hukr* would be in operation over the maturity period, after which the asset automatically reverts back to *waqf* management.

Abidin (1997) a Hanifi jurist asserted that if the lessee in long lease contract refused to pay a rental based on the market rate, he will forfeit his right and he is required to remove his structure and the land will be leased to another person. Thus, it appears that the rental is adjusted to reflect the changing market value of the land. However, Sadique, (2008) stresses that in practice rentals in *hukr* remains unchanged for long periods despite increase in the market rates (Sadique, 2008). Aminah and Tahir Sabit (2013) echo similar views and they lament that under such arrangement, *waqf* property remains in possession of the lessee for centuries. Moreover, there is no provision for revision of rentals and therefore can be detrimental to the interest of *waqf* institutions and its beneficiaries. Indeed, Sadique warns that this method should only be used under exceptional circumstances when there are no other avenues to raise fund for the development of *waqf* properties. This is because *waqf* institution may have little control over the properties, once this right was sold to the lessee. But Kahf (1998) has different views and according to him, the criteria for acceptability of this mode do not depend on the amount of periodical rent, how small it may be, but on the fairness of the practice and the final utilization of the lump sum generated by selling exclusivity right.

Last but not least, *hukr* existed in the 12<sup>th</sup> century in Cairo and Syria. However, due to lack of proper *waqf* management and *waqf* properties were subject to long term contract; this has created a monitoring problem. Thus, it has given rise to the fraudulent act of tenant to sell the property outright or to claim the whole property as private property and abolished the *waqf* element in these properties. In view of the humongous problem it posed to the *waqf* properties, in 1952 Egyptian governed enacted article 7 of law no. 180 which abolished *hukr* on *Waqf Ahli* and in 1954 passed law no. 295 which banned application of *hukr* on *Waqf khayri* (public *waqf*). The same contract was also abolished in Iraq and Turkey (Baer, 1997). Indeed, *hukr* with indefinite right to lease *waqf* asset give legal justification to the tenant or his next of kin to expropriate *waqf* properties and in that respects it creates more problem to *waqf* institution than solving these problems.

#### **V. Al-Ijaratain (Lease with Dual Payment)**

*Al-Ijaratain* is a long lease contract in which the rent is consist of two parts, one big lump sum advance for the construction of *waqf* property and the second part is small periodic payment, say, annually for the period of the lease. This mode is very similar to *hukr* except that in *Ijaratain*, the advanced payment must be used for the construction of the leased property itself. It is obvious that in this contract the two parties (trustee and lessee) observed that the *waqf* property is rented after construction in accordance with specification determined in the contract (Kahf, 1998).

*Al-Ijaratain* mode emerged as a result of the destruction of the most of *waqf* properties by fire in Constantinople in 1020 A.H. and at that time, most of the social services depend on *waqf* institution (Al-Zarka, 1947). To solve this problem, *waqf* institution had to initiate the dual method to finance the reconstruction of damaged *waqf* properties. Under this arrangement a prospective lessee pay an amount of money that was sufficient for the reconstruction of the damaged buildings by way of advance rental, against his securing the right to occupy the structure on a permanent basis. In addition, the lessee also pays a periodic rental to the *waqf* institution. The right to use the *waqf* property can be transferred to another person, inherited and the contract of the lease is renewed annually (Anas Zarqa, 1994). Thus, this arrangement provided an alternative means to finance reconstruction, while avoiding violation of the prohibition on the sale of *waqf* properties (Sadique, 2008).

However, Al-Zarka (1947) views that *Ijaratain* mode of financing is even worse than the long lease because it contains more sacrifice on the part of *waqf* institution than in *Hukr*, especially, since this mode requires that the immediate cash payment should be used for the reconstruction of that particular *waqf* property. While in the *hukr* the lump sum from the sale of the right to lease can be used for any other investment outside the rented *waqf* property. Tahir Sabit, et.al (2005) argues that under *ijaratain*, the *waqf* beneficiaries may not substantially benefit from either the rental income or the advanced amount. This is due to the fact that the annual rental is fixed and small and the lump sum obtained from selling the lease right is spent on the reconstruction of the *waqf* premises that will be occupied and benefits the lessee. Considering the life span of the constructed building and the amount paid by the lease-holder this mode of finance does not look attractive. Additionally, the rental income may not be sufficient to construct other *waqf* properties or finance socio-economic development. Furthermore, there is a fear that the premise may be rented below the market price, as the rental is fixed before the construction. Nevertheless, if the rental is fixed after the construction, *waqf* institution may receive reasonable rental income as it will be rented at the current market rate. Moreover, the lessee acquired the right of

long term lease which can be transferred and bequeathed. This deprived the *waqf* institution from developing the land for other investment projects that may generate high income for socio-economic development as the right of the lessee is attached the *waqf* land (Sadique, 2008).

#### **VI. Al-Mursad (loan)**

This is a loan given to the *waqf* management by a lender to develop a *waqf* asset. After the legal approval is obtained, the asset is given on lease to the lender for a period deemed long enough to assure the lender of the definite possibility of the repayment of the loan (Obaidullah, 2012a). In other words, the lessee is being requested to finance the construction of *waqf* property and the amount spent remains a debt on the *waqf* institution which can be settled through the periodic rentals. The construction remained in the ownership of the *waqf* institution and the lessee is given the right to occupy the property permanently (Kahf, 1998). According to Obaidullah (2012a), long lease may be tempting and this can encourage the financier to advance a substantial amount of money as loan. By holding the asset as lease, the financier also has in possession valuable collateral. Once the loan is repaid, the lease comes to an end.

In that aspect, Hanafi scholars have ruled that if the *waqf* management raised any funds or generate income from the developed *waqf* property, the priority would be first towards meeting the *Murassad* loan and hence, the rental rate should be set based on prevalent market rates. However, when the rental had risen as a result of the development of the property through the *Murassad* arrangement; the lessee will not be required to pay the excess rental (Hassan, 1989).

The *murssad* as in case of *hukr* is transferable to a third party through sale and can be bequeathed. Indeed, jurists generally, disapproved on the extraordinary long lease period, which may not be in the best interest of the *waqf* institution. In a long lease, neither the lessee takes proper care of the property nor does the *waqf* institution. The *waqf* property suffers due to this dual apathy. Hence, *murssad* loan should be avoided as far as possible, as it tends to favours the lender more at the expense of the *waqf* institution (Obaidullah, 2012a). Kahf (1998) views that settling the loan is considered to be of more importance than supporting the beneficiaries of the *waqf*. This defeats the purposes as the assets will not contribute to socio-economic development.

#### **VII. Conclusion**

The practice of giving charity for improving social welfare of others is greatly encouraged in Islam. Over centuries, *waqf* as a social institution has played a significant role on improving the social welfare of the Muslim societies and communities at large. It also opens a door for wealthier Muslims to be generous and utilize their wealth in a way to seek Allah's pleasure and perpetual rewards. Despite years of neglect, of recent, many attempts have been made to revive *waqf* institutions. Contemporary scholars encourage the use of both the traditional and new methods of financing to develop *waqf* properties for socio-economic development. Some of the traditional methods such as *istibdal* and *hukr* to some extent are successfully implemented in Malaysia and Singapore in developing *waqf* properties as these countries have effective *waqf* management and proper legislations. Nevertheless, these traditional methods of financing may not be suitable in developing *waqf* properties in most of the low income Muslim countries. *Waqf* managements in these countries are inefficient, corrupt and dishonest and lack managerial skills. There is lack of good governance and *waqf* managements in most cases are not transparent and accountable to *waqf* stakeholders. Moreover, by encouraging the use of these traditional methods for developing *waqf* properties, it will give them legal justification to further expropriate and abuse *waqf* assets in the name of development. Nevertheless, with efficient management teams that practices good governance and effective legislations; cash *waqf*, *waqf* shares scheme and corporate *waqf* can be easy, cheaper and convenient means to raise fund for socio-economic development. Aminah and Tahir Sabit (2011) opine that cash *waqf* is the best capital of Islamic trusts, as it can be used for many purposes such as developing *waqf* assets, use for social and welfare activities such as helping the poor and the needy. It can also be invested in any *Shari'ah* compliant businesses that can generate high returns for socio-economic development. Zulkifli and Muhammad (2008) suggest use of *waqf* share scheme as easy way to raise fund, where Islamic Religious Council sells *waqf* shares to individual or organization with the minimum value. Then the purchased *waqf* shares will be dedicated in perpetuity for the purpose of improving the social welfare of the people.

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