

The Waqf System and Its Role in Economic Development

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Abstract:

The waqf system plays a fundamental and vital role in achieving sustainable economic development by serving as a financial and investment tool that combines saving and investing to provide permanent financial and in-kind resources supporting various vital economic sectors, such as agriculture, industry, trade, and services. Waqf contributes to mobilizing idle funds and transforming them into ongoing development projects that enhance productivity and expand the investment base, while also strengthening the social and economic infrastructure that supports comprehensive development. Additionally, waqf alleviates financial pressures on the state by funding many social and service projects and provides continuous support to the poor and needy, thereby reinforcing social solidarity and promoting economic and social stability. From this perspective, waqf is considered an important economic pillar that contributes to achieving sustainable development aimed at the welfare of the entire society and ensuring continuous and balanced economic growth.

Keywords: Economic investment, system, sustainable development, role, Waqf (Islamic endowment)

1. Introduction:

Waqf (endowment) is considered one of the ongoing forms of charity that Islam has greatly encouraged due to its role in promoting solidarity, cooperation, purifying and increasing the wealth of the rich, sustaining the

lives of needy Muslims, and protecting them from the humiliation of poverty and begging. This is supported by many texts from the Quran and Sunnah. Does the waqf system play a role in economic development?

This research explores the role of the waqf system in economic development from different perspectives, following this structure: Introduction, Preface, three sections, and a conclusion.

The Preface will define some key terms (waqf, economic development).

Section 1: The Evidence for the Legitimacy of Waqf and Its Basic Components.

Section 2: The Goals of Economic Development.

Section 3: Financing Mechanisms for Waqf.

Section 4: The Role of Waqf in Achieving Economic Development.

The **Conclusion** will summarize the findings of the research.

2. Preface:

2.1. Definition of Waqf:

- **Literally:** Waqf means "to halt" or "to stop." For instance, the Quran says: {وَقِفُوهُمْ إِنَّهُمْ مَسْئُولُونَ} **“But stop them; indeed, they are to be questioned.”**

[Surah As-Saffat, 37:24], meaning "stop them, for they will be questioned."

- **In Sharia:** Scholars have various expressions for defining waqf. But the most common definition is that given by the Shafi'i scholar al-Dimiri, in his explanation of *Al-Minhaj* by Al-Nawawi, saying: “Waqf is the act of holding or reserving property (owned by an individual), in a way that its benefits are directed towards charity, while the principal property itself remains intact and cannot be sold or disposed of.” The benefits of the property are dedicated to acts of goodness, done as a means of drawing closer to Allah.” (al-Damīrī, 2004)

- According to the Hanbali school of thought: "The principle (or asset) is held in trust, and its benefits are allocated." This is derived from the Hadith: "Hold its principal in trust and allow its fruit (or benefits) to be given away." (al-Albānī, 1985, p. (5/453))

- According to the Hanafi school: *Waqf is the retention of the asset under the ownership of the endower (waqif), while allowing its benefit to be used, even partially, in accordance with his directive.* (‘Abidīn, 2000, pp. (13/370 – 372))

- According to the Maliki school, as stated by Al-Dardir in *Al-Sharh al-Saghir*:

“Waqf is when the owner assigns the benefit of a property—whether freely owned or leased—to be used for its intrinsic

purpose, or dedicates its yield to a beneficiary (such as a poor person or a mosque), using a phrase that clearly indicates this intention, for a duration determined by the endower.” (al-Şāwī, 1952, p. 97)

2.2. Definition of Economic Development:

Economic development is the process aimed at promoting the growth of a country's economy by implementing various developmental plans that make it more advanced and progressive. This, in turn, positively impacts society through the execution of a set of successful economic strategies. (https://mawdoo3.com/%D9%85%D9%81%D9%87%D9%88%D9%85_%D8%A7%D9%84%D8%AA%D9%86%D9%85%D9%8A%D8%A9_%D8%A7%D9%84%D8%A7%D9%82%D8%AA%D8%B5%D8%A7%D8%AF%D9%8A%D8%A9)

3. Section one: Evidence for the Legitimacy of Waqf and Its Pillars

3.1. Evidence for the Legitimacy of Waqf

3.1.1. From the Qur'an:

1- The general meaning of Allah's statement: {لَنْ تَنَالُوا الْبِرَّ حَتَّى تُنْفِقُوا مِمَّا تُحِبُّونَ} [Surah Aal Imran, 3:92] "You will never attain righteousness until you spend [in the way of Allah] from that which you love."

This inspired Abu Talhah to endow his garden, Bayruha, which was one of his most beloved possessions. Also, Allah says:

{وَأَفْعَلُوا} [Surah Al-Hajj, 22:77] "And do good so that you may be successful."

3.1.2. From the Sunnah :

1. The Prophet (peace be upon him) said: "When a person dies, all their deeds come to an end except for three: ongoing charity (sadaqah jariyah), knowledge from which others benefit, or a righteous child who prays for them." Ongoing charity (sadaqah jariyah) is generally understood by scholars to refer to waqf (endowment).

2. More explicit evidence is found in the two authentic collections (Sahihayn): When Umar ibn al-Khattab (may Allah be pleased with him) acquired a piece of land in Khaybar, the Prophet (peace be upon him) said to him: "If you wish, you can hold the principal (of the land) in trust and give its benefits in charity." Umar then donated the land on the condition that its principal could neither be sold, inherited, nor gifted. (al-Bukhārī A. '., 1993,

p. (2/982)). It is widely known that this was the first waqf (endowment) established in Islam.

3. Ibn Majah narrated that the Messenger of Allah (peace be upon him) said: *"Among the deeds and good deeds that continue to benefit a believer after their death are: knowledge they spread, a righteous child they leave behind, a Qur'an they bequeath, a mosque they build, a house they build for a wayfarer, a river they dig, or charity they give from their wealth while healthy and alive, which continues to benefit them after their death."* (Ibn Mājah, 2009, p. (1/163))

4. Anas (may Allah be pleased with him) reported: When the Messenger of Allah (peace be upon him) arrived in Medina and ordered the construction of the mosque, he asked, *"O sons of Najjar, will you give me the price of this wall?"* They replied, *"By Allah, we will only ask Allah for its price."* So, he took it and built his mosque.

5. The rightly guided Caliph Uthman ibn Affan (may Allah be pleased with him) reported that the Messenger of Allah (peace be upon him) said: *"Whoever digs the well of Roma will have Paradise."* Uthman said: *"I dug it."* (al-Dāraqutnī, 2004, p. (5/355))

6. The Prophet ﷺ said:

"Whoever keeps a horse (for use) in the cause of Allah, out of faith in Allah and belief in His promise, then its feeding, drinking, dung, and urine will all be counted in his scale (of good deeds) on the Day of Resurrection." (al-Bukhārī A. A., 1422 AH, p. (4/28))

Al-Hafiz, in *Fath al-Bari*, narrated from Al-Muhallab and others that this hadith indicates the permissibility of endowing horses for the defense of Muslims. From this, it can also be inferred that it is permissible to endow other movable assets, and all the more so, immovable assets. (al-'Asqalānī, 1380–1390 AH, p. (6/57))

7. The Messenger of Allah (peace be upon him) said:

"As for Khalid, he has held back his armor and weapons in the cause of Allah." (al-Bayhaqi, 1989, p. (2/336))

8. Narrated by 'Uthmān ibn 'Affān (May Allah be pleased with him):

I heard the Messenger of Allah ﷺ say : "Whoever builds a mosque for Allah's sake — even if it is as small as a bird's nest — Allah will build for him a house in Paradise." (ibn Hibbān, 2012, p. (1/147))

9 Sa'd ibn Ubadah (may Allah be pleased with him) said: *"O Messenger of Allah, my mother has passed away. What form of charity is best?"* The Prophet (peace be upon him) replied: *"The best charity is water."* So, Sa'd

dug a well and said: "*This is for the sake of my mother, Sa'd.*".(al-Mundhirī, p. (2/42))

10. Anas (may Allah be pleased with him) reported: Abu Talhah was the wealthiest of the Ansar in Medina, and the most beloved of his properties to him was **Bayruha'**, a date orchard located next to the Prophet's Mosque. The Prophet (peace be upon him) used to visit it and drink from its fresh, pure water.

When the following verse was revealed:

{لَنْ تَنَالُوا الْبِرَّ حَتَّى تُنْفِقُوا مِمَّا تُحِبُّونَ}[Surah Aal 'Imran, 3:92]

"You will never attain righteousness until you give [in charity] from that which you love."

Abu Talhah immediately went to the Messenger of Allah (peace be upon him) and said: "*O Messenger of Allah, Allah says in His Book: 'You will never attain righteousness until you spend from that which you love,' and the most beloved of my wealth to me is Bayruha'. I give it as charity for the sake of Allah, hoping for its reward and treasure with Allah. So, O Messenger of Allah, dispose of it wherever you see fit.*"

The Messenger of Allah (peace be upon him) replied: "*Well done! Well done! That is a profitable investment. That is a profitable investment. I have heard what you said, and I think you should give it to your relatives.*"

So, Abu Talhah distributed it among his relatives and cousins. (Imām Mālik, 1968, p. (2/995))

3.1.3. What was Reported from the Companions:

It became well-known that the Companions of the Prophet (peace be upon him) unanimously agreed on the practice of *waqf* (endowment) both in word and deed. Among those who made endowments were: Umar, Uthman, Zayd ibn Thabit, Abdullah ibn Umar, Anas, Fatimah, Al-Zubayr ibn al-Awwam, Hakim ibn Hizam, Al-Arqam, Al-Miswar ibn Makhramah, Jubayr ibn Mut'im, Amr ibn al-As, and over eighty others. All of them made charitable endowments (*waqf*).

Al-Shafi'i said: "*Most of the houses in Mecca were endowments.*" Ali (may Allah be pleased with him) endowed **Al-Bughaybighah**, a piece of land in Medina, to the family of Ja'far, as stated by Ibn Sīda. Al-Bakri mentioned that it was in **Yanbu'**.¹

¹ ينع: تقع على البحر الأحمر وهي ميناء المدينة.

3.2. Pillars of Waqf

According to the **Hanafi** school, waqf has only **one essential pillar**, which is the **contractual formula** (*sighah*), consisting of the **offer and acceptance**, as is the case in all contracts.

However, according to the majority of scholars — the **Malikis, Shafi'is, and Hanbalis** — waqf is based on **four fundamental pillars**, one of which is also the **contractual formula**.

These **four pillars** are:

- 1) **The Endower** (*al-Waqif*)
- 2) **The Endowed Property** (*al-Mawqūf*)
- 3) **The Beneficiary** (*al-Mawqūf 'alayh*)
- 4) **The Waqf Formula** (*Sīghat al-Waqf*)

4. Section Two: Objectives of Economic Development

Economic development aims to achieve a variety of key objectives, which include the following:

- **Increase in National Income:** This is the primary and most important goal of economic development. It contributes to improving the standard of living of individuals and enhances the structural composition of trade and industry, which helps address issues resulting from a weak local economy.
- **Investment in Natural Resources:** This objective seeks to boost the presence of both local and international investments in the natural resources available in a country. This is achieved by supporting public infrastructure and providing the appropriate means to support production and public services.
- **Supporting Capital:** This goal focuses on providing adequate support for public capital, which may be weak or deficient due to low savings tied to financial reserves in central banks or commercial banks, including money in its ordinary form or various financial instruments like bonds.
- **Focus on Trade Exchange:** This objective pertains to the development of trade, focusing on monitoring exports and imports based on enhancing trade between developing countries and other nations. It particularly involves countries that buy exports at acceptable prices, helping provide support for the basic needs of their populations.
- **Addressing Administrative Corruption:** This involves putting in place laws and regulations to limit the spread of administrative corruption, which affects the stability of the economic sector and exploits its resources. This helps in developing and promoting the growth of the local economy across all fields.
- **Managing External Debt:** This objective is linked to the need for monitoring the financial liabilities of developing countries'

governments and ensuring the creation of appropriate means and methods to repay these debts. This contributes to economic growth and increases spending on production.

5. Section Three: Methods of Financing Waqf

Islam encourages doing good, offering kindness, and showing compassion to all the weak and needy—whether human, animal, bird, or any living creature—with the intention of seeking Allah's pleasure, reward in the Hereafter, and dignity in this world. Allah (SWT) says:

{يَا أَيُّهَا الَّذِينَ آمَنُوا ارْكَعُوا وَاسْجُدُوا وَاعْبُدُوا رَبَّكُمْ وَافْعَلُوا الْخَيْرَ لَعَلَّكُمْ تُفْلِحُونَ} [Surah Al-Hajj, 22:77]: **"O you who have believed, bow and prostrate and worship your Lord and do good that you may succeed."**

The Duty of Encouraging to Feed the Poor:

While some people may not be able to feed the poor due to their own poverty and need, everyone is capable of encouraging others to feed the poor, even by a simple word. Allah (SWT) says: {أَرَأَيْتَ الَّذِي يُكَذِّبُ بِالدِّينِ فَذَلِكَ الَّذِي يَدُعُّ الْيَتِيمَ * وَلَا يَحِضُّ عَلَىٰ طَعَامِ الْمِسْكِينِ} [Surah Al-Ma'un, 107:1-3], **"Have you seen the one who denies the Recompense? For that is the one who drives away the orphan and does not encourage the feeding of the poor."** This is the state of the disbeliever, who denies belief in the meeting with Allah and the accountability in the Hereafter. The Quran also criticizes the harsh, self-centered society, saying: {كَلَّا بَلْ لَا تَكْرُمُونَ * وَالْيَتِيمَ * وَلَا تَحَاضُونَ عَلَىٰ طَعَامِ الْمِسْكِينِ} [Surah Al-Fajr, 89:17-18] **"No! But you do not honor the orphan, nor do you encourage the feeding of the poor."**

5.1. The Pillar of Zakat:

Zakat is one of the greatest forms of charity, and it is one of the five pillars of Islam. It is the third pillar in Islam and is frequently mentioned alongside prayer in the Quran (28 times). Islam has placed three guards over it:

- 1) **The Guardian of Faith:** This is the inner conscience of the Muslim.
- 2) **The Guardian of Society:** This refers to the one who enjoins good and forbids evil.
- 3) **The Guardian of the State:** This is the state. It is responsible for collecting zakat from the rich and redistributing it to the poor, through those appointed by the state (workers who collect zakat and distribute it to the deserving). If someone does not pay it willingly, it is taken from them forcibly.

5.2. Sadaqat al-Fitr (Charity of Breaking the Fast):

This is the charity that is obligatory upon the fasting person at the end of Ramadan, in celebration of Eid al-Fitr. It was prescribed by the Prophet Muhammad (peace be upon him).

The phrase (as-Sijjānī, 2009, p. (3/54)) " **طهرة للصائم من اللغو والرفث، وطعمة للمساكين**" has two key meanings:

- 1) **Purification for the fasting person from foolish talk and inappropriate speech:** This means that **Zakat al-Fitr** purifies the fast by removing any inappropriate speech or behavior that may occur during the fasting period. It serves as a way to cleanse the fast from any mistakes or negative actions in one's behavior or speech.
- 2) **Nourishment for the poor:** This refers to the fact that **Zakat al-Fitr** is a means of **helping those in need** on the day of Eid by providing them with food. It ensures that the poor are able to share in the joy of the Eid celebrations, just as those who are more fortunate do.
- 3) In essence, **Zakat al-Fitr** acts as a **social aid on Eid day**, ensuring that everyone, whether rich or poor, can partake in the festive spirit of Eid.

5.3. Atonements (Kaffarat):

Islam has prescribed various types of atonements for specific situations. For example, someone who breaks an oath must feed ten needy people. If someone eats, drinks, or has marital relations during the daytime in Ramadan without a valid excuse, or practices *zihār* (a form of harmful speech towards one's wife), then the atonement may include fasting two consecutive months, or if unable, feeding sixty needy people. These forms of atonement serve as both spiritual purification and social support.

5.4. Voluntary Charity (Sadaqah):

There is also the category of **voluntary charity**, which is open-ended and not tied to specific times or events. The Qur'an and Sunnah strongly encourage it, pushing believers toward generosity in times of ease and hardship alike. This form of giving is described as "a good loan to Allah," promising reward in both this life and the next.

5.5. Altruism (Īthār):

Altruism is a quality for which Allah has praised its practitioners, saying:

{وَيُؤْتِرُونَ عَلَىٰ أَنفُسِهِمْ وَلَوْ كَانَ بِهِمْ خَصَاصَةٌ وَمَنْ يُوقِ شَحْنًا لِنَفْسِهِ فَاُولَٰئِكَ هُمُ الْمُفْلِحُونَ} [Surah Al-Hashr, 59:9] "**And they give preference to others over themselves, even though they are in need. And whoever is protected from the stinginess of their soul—it is they who are the successful.**"

These are the individuals who generously give, even when they are in need themselves. Allah also describes the righteous, saying:

{وَأَتَىٰ الْمَالَ عَلَىٰ حُبِّهِ ذَوِي الْقُرْبَىٰ وَالْيَتَامَىٰ وَالْمَسَاكِينَ وَابْنَ السَّبِيلِ وَالسَّائِلِينَ وَفِي الرِّقَابِ} [Surah Al-Baqarah, 2:177]

"**And give the money, despite your love for it, to those who are near of kin, and to the orphans, and to the needy, and to the wayfarer, and to those who ask [for help], and for freeing slaves.**"

Furthermore, Allah praises the pious ones, saying: وَيُطْعَمُونَ الطَّعَامَ عَلَى حُبِّهِ مِسْكِينًا وَيَتِيمًا وَأَسِيرًا * إِنَّمَا نُطْعِمُكُمْ لِوَجْهِ اللَّهِ لَا نُرِيدُ مِنْكُمْ جَزَاءً وَلَا شُكْرًا [Surah Al-Insan, 76:8-9] "And they give food in spite of love for it to the needy, the orphan, and the captive. Indeed, we feed you only for the countenance of Allah. We wish not from you reward or gratitude."

5.6. Bequeathing Wealth to Parents and Relatives in a Just Manner:

Among the many forms and avenues of doing good that Islam has prescribed is the act of writing a will for one's parents and close relatives, when one leaves behind considerable wealth. In fact, Allah has ordained it as a duty upon the righteous, as stated in the verse:

كُتِبَ عَلَيْكُمْ إِذَا حَضَرَ أَحَدَكُمُ الْمَوْتُ إِنْ تَرَكَ خَيْرًا الْوَصِيَّةَ لِلْأَقْرَبِينَ بِالْمَعْرُوفِ حَقًّا عَلَى الْمُتَّقِينَ [Surah Al-Baqarah, 2:180] "It is prescribed for you, when death approaches any of you, if he leaves wealth, that he makes a bequest to parents and close relatives according to what is acceptable—a duty upon the righteous." The use of the word "kutiba" (it is prescribed) in the Qur'an indicates a firm and binding obligation—just as it does in other verses such as:

{كُتِبَ عَلَيْكُمُ الصِّيَامُ}[Surah Al-Baqarah, 2:183] "Fasting has been prescribed for you."

Allah says: {كُتِبَ عَلَيْكُمُ الْقِصَاصُ فِي الْقَتْلَى}[Surah Al-Baqarah, 2:178] "Prescribed for you is legal retribution for those who are killed."

And as He also says: {كُتِبَ عَلَيْكُمُ الْقِتَالُ وَهُوَ كُرْهٌ لَكُمْ}[Surah Al-Baqarah, 2:216] "Fighting has been enjoined upon you while it is hateful to you."

Thus, this verse makes it clear that a person who is nearing death and leaves behind substantial wealth is religiously obligated to include in their will some provision for parents and relatives **who are not entitled to inherit** under Islamic inheritance laws. This may include parents or relatives who are not Muslim, or other family members who are excluded from inheritance for various reasons.

For example, **grandchildren whose father has died during the lifetime of their grandfather** do not inherit from the grandfather directly, under the standard rules of inheritance. However, justice and compassion dictate that they should receive a share through a **mandatory will**, as ordained by Allah. These grandchildren are, after all, among the closest of kin who are, otherwise, left out of the estate.

5.7. Ongoing Charity (Sadaqah Jariyah):

One of the means of doing good is **ongoing charity**, which refers to charitable acts whose benefits and rewards continue to benefit a person even after their death. It is one of the ways through which a person's good deeds live on beyond their limited earthly life, extending their legacy and rewards

into the hereafter. This concept is supported by the authentic hadith of the Prophet Muhammad ﷺ:

“When a person dies, their deeds come to an end except for three: ongoing charity, beneficial knowledge, or a righteous child who prays for them.” (al-Albānī M. N.-D., 2000, p. (1/143))

Waqf (Endowment) for Charity:

People have long known about religious endowments on places of worship. The Pharaohs knew it, the Romans knew it, and even the Arabs before Islam practiced it on the Kaaba, the Sacred House. All followers of religions sought to draw closer to their gods through various offerings. The Qur'an mentions the polytheists of Arabia:

وَجَعَلُوا لِلَّهِ مِمَّا ذَرَأَ مِنَ الْحَرْثِ وَالْأَنْعَامِ نَصِيبًا فَقَالُوا هَذَا لِلَّهِ بِرِغْمِهِمْ وَهَذَا لِشُرَكَائِنَا (أَيِ الْأَصْنَامِ) {فَمَا كَانَ لِشُرَكَائِهِمْ فَلَا يَصِلُ إِلَى اللَّهِ وَمَا كَانَ لِلَّهِ فَهُوَ يَصِلُ إِلَى شُرَكَائِهِمْ سَاءَ مَا يَحْكُمُونَ} [Surah Al-An'am, 6:136]

"And they assign to Allah from the crops and livestock a share and say, 'This is for Allah,' according to their claim, 'and this is for our partners [associated with Him].' But what is for their partners does not reach Allah, while what is for Allah — this reaches their partners. Evil is that which they rule."

There was also the concept of family or hereditary endowment among some nations like the Romans. However, the waqf that Islam innovated and uniquely developed—and which Muslims have practiced throughout their history with exemplary models—is the **charitable waqf**. This type of endowment encompasses all forms of goodness: humanitarian, educational, health-related, social, economic, and psychological. It is not limited to humans but also extends to animals.

6. New Forms of Financing Endowments (Waqf):

The new methods for financing Islamic endowments (Waqf) do not deviate from the principles upon which Islamic banking financing methods have been based since their inception. Among these methods are (al-Qaradawi):

6.1. Murabaha:

The Murabaha financing method is also known as "Murabaha to the purchaser." In this method, the custodian (Nazir) requests the financing institution to purchase the required materials and equipment. The custodian then promises to buy them from the financing institution after it has acquired them from the original seller, through a new sale contract executed in fulfillment of the promise. The price in this second contract is deferred or paid in installments and is higher than the original purchase price by a predetermined agreed-upon amount.

6.2. Istisna' Contract:

This method requires two contracts: an Istisna' contract between the financier and the custodian of the Waqf, and another Istisna' contract between the financier and the contractor who carries out the actual construction. The construction process is funded in cash, while the custodian defers payment until the returns from the Waqf project are collected. This creates a debt obligation on the Waqf towards the financier, similar to Murabaha. This covers all construction-related costs. (Kahf, p. (154_255))

6.3. Ijarah (Leasing):

This refers to leasing the authorized construction on Waqf land. The custodian allows the financier to build on the land without an immediate apparent financial consideration. The custodian then leases the building for use in line with the Waqf purpose, such as a hospital or orphanage on Waqf-designated land. The lease agreement can be structured to end with ownership transfer through sale, gift, or simple relinquishment, since the land is owned by the Waqf. The lease installments compensate the financier for the invested capital plus a desirable profit margin. The custodian pays these installments from the Waqf's revenues, whether from investment returns or directly from the income of the Waqf institution (school, hospital, etc.)(Kahf, p. 257)

6.4. Mudharabah with Ready Cash (Liquid Capital):

The custodian (Nazir) acts as the entrepreneur (Mudharib) on behalf of the Waqf, announcing himself to accept cash capital from the financing institution as a partner, with a mutually agreed share of the net profit. The custodian then undertakes the construction and invests it for the partnership account. The contract does not specify that the Mudharib contributes the Waqf land as capital, but this is reflected in determining his profit share, which is set higher to compensate for the land contribution. Afterwards, the custodian gradually or fully purchases the building for the benefit of the Waqf, under known Shariah conditions, using the profit revenues either wholly or partially.(Kahf, p. (258))

6.5. Financing Methods via Public Subscription:

This involves stating in the announcement and subsequent contract of the subscription invitation that the Waqf custodian is authorized to manage the project. The issuance offer and subscription contract should specify two authorizations (agencies):

- One from the buyers of the financial securities to the Waqf custodian, empowering him to use their funds in the construction process.

- Another from the buyers acknowledging and accepting the custodian's management of the Waqf project financed by the funds of shareholders, stockholders, or bondholders.
- There are five types of financial securities suitable for public subscription offerings, which are:

6.5.1. Production Shares:

These are securities of equal value issued by the custodian to the financiers, representing ownership shares in the investment enterprise established by the custodian on the Waqf land, using funds obtained from the production share holders and their agency. These shares are tradable after the project begins operations, or when most of the corresponding debts convert into tangible assets, rights, and benefits. These shares entitle their holders to a share of the total production of the project, which consists of the land and the buildings on it together. Whenever the Waqf wishes to own the building constructed on its land, it can purchase production shares from the market using its surplus share of the total returns.

6.5.2. Waqf Participation Shares:

These are ordinary participation shares of equal value similar to shares in joint-stock companies. They are issued by the Waqf or its custodian and include an issuance prospectus authorizing the Waqf to use the proceeds for construction on the Waqf land. Shareholders own the building in proportion to their shares, while the Waqf custodian acts as the project manager for a fixed fee, which includes a premium as compensation for the use of the land. Net profits from the project are distributed to shareholders after deducting operational expenses and other costs, just like in joint-stock companies.

6.5.3. Leased Asset Bonds:

These are certificates or securities representing equal parts of ownership in a leased building issued and sold by the custodian to the public. The bond includes authorization from the Waqf to the bondholders for the construction, and grants the bondholder an agency to the custodian for building on the Waqf land on behalf of bondholders. The bond also includes an agreement with the Waqf to lease the completed building at a specified rent, with agreed payment schedules. Unlike other shares or bonds where distributions are net profits (which vary and are only distributed after realization), the rent is a fixed obligation for the lessee and may have a different payment schedule than the benefit period.

6.5.4. Ijarah Shares (Lease Shares):

These shares represent equal ownership shares in a building constructed on Waqf land leased under a long-term Ijarah (lease) contract with a fixed rent for the entire lease term. The custodian manages the project as an agent on behalf of the owners and distributes net profits to them. These shares resemble leased asset bonds as they represent equal shares of ownership in a

building subject to a lease contract for the investment period, but resemble participation shares because their returns represent net profit, which is not fixed in advance unlike rent returns.

6.5.5. Mudarabah Bonds:

These bonds are based on the Mudarabah (profit-sharing) contract, similar to investment deposits in Islamic banks. Mudarabah bonds have equal nominal value, representing capital invested in partnership with the Waqf. Holders are entitled to profits from the Waqf project as per agreement and share losses according to their capital shares. The custodian uses these funds for a specific investment agreed upon with the bondholders. (Kahf, pp. (268 – 276))

Waqf Funds:

Among the new methods introduced by those interested in renewing Waqf and its funding sources—and striving to find new forms consistent with the objectives of Islamic law (Maqasid al-Sharia) and jurisprudential principles, rather than sticking to traditional forms—are **Waqf Funds**. These funds have been established in some countries, including Kuwait. They continue to develop and improve, enriched by experience, and aim to establish their presence and achieve their goals. (az-Zuḥaylī, pp. (13-22))

Waqf Funds in Kuwait

Waqf Banks in Sharjah

7. Section four: The Role of Waqf in Achieving Economic Development

Waqf is a process that combines both saving and investment. Establishing a Waqf is much like founding an economic institution with a permanent existence. It is an investment for the future and a means to build productive wealth for coming generations. Waqf plays a vital and important role in achieving economic development through the following:

7.1. Financing Development:

Waqf plays an influential role in financing development by helping to combat hoarding, which is the failure of some wealth and productive assets to participate in economic activity, leaving them idle. Waqf, as a voluntary charity alongside obligatory Zakat, helps to free up tangible and monetary capital—whether forcibly or voluntarily—from the natural attachment of their owners. It encourages them to invest these assets in community development, seeking blessings, growth, and divine reward in the Hereafter.

7.2. Developing Economic Sectors:

Waqf actively supports various sectors—agriculture, industry, commerce, and services—pushing them forward to achieve comprehensive development.

- **Agricultural Sector:**

Especially in agricultural countries, cultivated lands are dedicated as Waqf, with their revenues spent on various charitable causes. A portion of the produce is reserved for maintaining and expanding the Waqf land, which contributes to the growth of this important sector.

- **Industrial Sector**

Waqf has contributed to the development of various industries through endowments whose proceeds are allocated for essential industries, providing raw materials and training workers in technical and artisanal skills.

- **Commercial Sector**

Waqf has played a role in providing internal and external markets, which are suitable places for distributing products and understanding buyers' needs and producers' capabilities. It has established shops for merchants of all kinds, built water pools for their pack animals that carry goods, and provided public water fountains along trade routes free of charge. These efforts significantly boosted industrial activity along these routes.

- **Service Sector**

Many Waqf endowments were created to establish infrastructure such as roads, bridges, water channels, and inns (khans) to shelter travelers—whether poor or merchants—during their journeys across various regions of the Islamic world.-(*Ṣalāh*)

7.3. Economists' Interest in Waqf:

First: The concept of Waqf investment has become an economic concept that is widely spreading in Islamic societies. It is well received by researchers in Islamic economics and those specializing in Waqf affairs, as well as development banks and funds worldwide.

Second: The permanence of Waqf is its most distinguishing feature as a lasting investment asset, thus achieving the concept of sustainable development.

Third: Waqf is considered an economic pillar and a real safeguard for the poor, orphans, and needy who are vulnerable to economic fluctuations.(Al-Romani, 2017).

8. Conclusion:

Waqf, especially charitable Waqf, is one of the greatest and most rewarding acts of worship. It is a continuous charity whose benefits remain even after the death of the donor. Waqf covers all humanitarian fields that contribute to building human civilization and shaping righteous individuals in Muslim society. Waqf has contributed to economic development in all its

fields. Waqf can help reduce pressure on contemporary state finances through its diverse investments. The Waqf institution has contributed to financing economic infrastructure across all sectors. Waqf has had significant effects in economic, social, and educational fields and continues to have the potential to elevate the level of Muslim societies in these areas. Islamic financing and investment methods can be utilized to establish innovative Waqf projects.

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