

Potentials of a Waqf-Bank towards Poverty Alleviation in the Muslim communities of Nigeria

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Abstract

A Waqf creates and preserves long term assets that generate income flows, or indirectly helps the process of production and creation of wealth. A (Waqf) is one of the major financial hubs and source of finance of Muslim economy. Being it (Waqf) a bank however, can pave a way to reaching its maximum capacity utilization. Therefore, a Waqf when sophisticatedly structured as a bank offering micro-financing service could definitely help towards reducing poverty within Muslim communities in Nigeria. Hence, a cherished dream of Muslim ummah to have an interest-free economy became reality in Nigeria. Thus; a Waqf can be a bank. Remarkably then, a Waqf-bank will not only grow the Waqf fund, but equally uplift the entrepreneurial enthusiasm of the poor to income generation and consequently poverty reduction. This is clear as the poverty incident became part and parcel of Muslim communities, which trend is likely to continue unless an appropriate alternative measures such as Waqf are employed. Therefore, with the viable and veritable products and services offered by Islamic Micro-finance bank, a Waqf-bank as a similar institution could by appreciating and adopting the model, support the economy of the poor's, and effectively sustain the life of it. Notwithstanding, the paper is to explore the potentials for Wqf as a microfinance bank in Nigeria.

Key words: Waqf, bank, poverty, Nigeria

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1.0 Introduction

The importance and the socio-economic benefit of *Waqf* as a mechanism for ensuring social security for the citizens cannot be overemphasized. Today, the function of *Waqf* institution not only limited to religious rituals but also importance in the aspects of humanity to empower the potentials of public welfare (Rusydia & Al-Farisi, 2016). Historically speaking, the institution of *Waqf* had played a significant role throughout Islamic history, from the time of the Prophet (S.A.W.) to the beginning of the 19th century. It became one of the devices created by the Muslims to fulfill many services that are today financed by the state of the government; such as education, health care, food, shelter, basic infrastructure, and jobs for many people. Its role was like a network, which penetrates many services sectors (Magda & Abdel, 2012). *Waqf* in Islam is both charity and enterprise that could be self-sufficient organization.

Notwithstanding, literature on *Waqf* is numerous. However, recently little effort has been made by some researchers to examine its role as a financial institution towards poverty reduction. For example, Kahf (2000) in his book tried to discover new techniques for financing the development of *Waqf* by resorting to the private sector's sources. So that, in order to exterminate the poverty, depending on *Zakah* alone is not enough. *Waqf* can be an alternative in solving the socio-economic problem of the Ummah which covers the issues such as poverty, inequality and rising cost of living as well in promoting the social well-being in the society. Therefore, this paper is an attempt towards making a proposed *Waqf*-bank and its role towards poverty reduction in Nigeria.

2.0 Concept of *Waqf*

The word *Waqf* and its plural form '*Awqaf*' derived from the Arabic root verb *waqafa*, which means imprison, causing a thing to stop and stand still. Hence, it simply refers to pious (charitable) foundations endowed for a charitable purpose in perpetuity and the revenue generated is spent for that purpose (Cizakca, 1998). However, after following definitions in the accredited books, a plenty of definitions have been found close to each other, the most brief and clearest and most comprehensive is; imprison the origin of a property and make the outcome for the public (Taysir, 2014). Hence, in a conventional perspective, *Waqf* means endowment and or, grant. It is a trust established to manage wealth and apply its usufruct for the use of beneficiaries designed by the owner.

2.1 Origin of *Waqf*

Waqf was introduced by the Prophet Muhammad (S.A.W.) in 622 A.D. by given away seven orchards that have been given by a man called Mukairiq after his death to the Messenger of Allah (S.A.W.) for the purposed of Muslim society in Medina (Kahf, 2003). That is, the first *Waqf* started when the Prophet made is mosque in Medina a *Waqf*. Here *Waqf* started to be known as a continue *Sadaqa* (donation.). More also, in ahadith reported by Bukari (no 2/982) that the Prophet (S.A.W.) advice Umar bin Khattab to imprison the origin and makes its fruits a charity, concerning a lots of land he wanted to donate as *sadaqa*.

Although, *Waqf* is not specifically mentioned therein, the concept of wealth re-distribution is strongly emphasized in the Quran, (Q2:215,264,270,280. Q3:7. Q111:92. Q58:12, and 13). Hence, there are definite Sunnah evidences that many great personalities of Islam ad endowed their properties for charitable purpose. A hadith narrated by Abu Huraira as most probably constituted the origin of this institution in the world of Islam:

Abu Huraira (R.A.), reported Messenger of Allah as saying: when a man dies, all his acts come to an end, unless for a one who planted a tree; recurring charity or knowledge (by which people benefit), or a pious offspring, who prays for him. [Muslim- Kitab al- Wasiyya].

2.2 Purpose of *Waqf*

As Muslim needed an institution that would enable them to attain a huge reward, that might continue to accrue even after death, *Waqf* institution indeed would assure that. Meanwhile, a *Waqf* institution usually serves the following objectives;

- Organizing the continue wage and reward in Muslim life and after death.
- Realizing the solidarity principle between the citizens and availing the balance element between the rich and the poor of the society.
- Guaranteeing wealth preserving and protection, and utilizing it to the longest possible period. Equally protecting wealth from misuse by who is not able to use it right.

2.3 Characteristics of *Waqf*

Monzer Kahf, as maintained these two elements as the major features of *Waqf*;

- i. Perpetuity: This means that, once a property often a real estate is dedicated as *Waqf* it remains *Waqf* forever.
- ii. Permanence of stipulations of the *Waqf* founder: That is, a *Waqf* as a voluntary act of benevolence, those conditions specified by the founder must be fulfilled as long as they do not contradict or violet the *Shari'ah* rulings.

2.4 Basic Principles of a *Waqf*

As a recommended act in Islam, *Waqf* operate through several conditions and process. These conditions are categorizes on the basic pillars of *Waqf*. According to Hanafi School of jurisprudence, *Waqf* as a single pillar, has is *Sigha* (Declaration). While the Maliki, Shafi'i and Hanbali schools of jurisprudence are of the opinion that the *Waqf* as four pillars as follows;

1. Declarati
on of founding (*as-Sigha*): This implies the offer of founding *Waqf* by the endower (*Waqif*). Usually a written document, accompanied by a verbal declaration. Or in some cases by committing an act.
2. The Endower (*Waqif*): This is one must be of the capacity to enter into a contract. Mean that an Endower shall be an adult, of sound mind, capable of handling financial affairs, not be under interdiction for bankruptcy and not be fatally ill.
3. The
Beneficiaries (*al- Mauquf lahum*): These can be a person or public utilities that the endower specified.
4. The
property (*al Mauquf alaihi*): The property also must be an object of a valid contract, benefitable, owned by the endower, free from somebody's right, originally permissible and should not already be in the public domain.

2.5 Economic dimension of a *Waqf*

Cizakca, (1998) considers relevance of the *Waqf* system for modern Islamic economics to the extent, where he asserted that, a *Waqf* system can significantly contribute towards massive reduction in government expenditure, which lead to a reduction in the budget deficit. It also leads to a reduction in the rate of interest as it helps in lowering government's borrowing. The *Waqf* lower the interest rate by providing the most essential social services without any cost to the government. This is however, a very important contribution of a *Waqf* system towards the gradual elimination of '*Riba*'. Therefore, the *Waqf* could fulfill these functions by voluntary donations made by well to do.

The *Waqf* system contributed significantly also to another major economic problem of employment as it consequently appears to have been a major source of employment.

2.6 Investing *Waqf* Properties

According to many contemporary Muslim scholars, investing in *Waqf* properties is allowed; since it is meant to ensure maintenance and sustainability of the original *Waqf* property and fair return as well (Adam, 2014). Contemporarily therefore, many channels of investment can be apply for *Waqf* to generate returns and increase value to it with safety assurance of the original property. These channels obviously includes the bank model, in which different kinds of viable contracts, appropriate, and *Shari'ah* compliant instruments can be adopt and use.

2.7 Cash *Waqf*

With the recent revival of some of the Islamic institutions in the 21st century, the *Waqf* institution took a new approach through the creation of Cash—*Waqf* (Magda & Abdel, 2014). This was a special type of endowment which differed from the ordinary real estate *Waqf*. In Cash –*Waqf*, the capital (corpus) consisted purely or partially of cash. The earliest origin of the cash-*Waqf* may be traced back to 8th century, when Imam Zufar was asked how such *awqaf* should function. He replied that, the corpus of the *awqaf* should be entrusted to the entrepreneurs in the form of *mudabah* (Cizakca, 1998).Cash *Awqaf* were established by well to do individuals who allocated a certain amount of money for pious purpose. However, the amount endowed had to be privately owned, and the capital of the *Waqf* was “transfers” to the borrowers (usually small consumers) who after certain period returned to the *Waqf* the principal and a certain extra amount, which was then spent for all sort of pious or social purposes. Due to this problem however, a cash-*Waqf* has to be redesigned to an organized banking system. Nonetheless, modern Islamic Economists opined that, redesigning cash-*Waqf* should not contribute to capital redistribution, but also to capital accumulation. However, unless seriously organize, the banking system may not suit tis task.

2.8 Permissibility of a Cash- *Waqf*

After consulting some of the Hanafite sources (an Indian jurist-scholar) Suharwardy, reaches a conclusion that cash-*Waqf* are considered to be lea subject to the existence of custom (Cizakca, 1998). Hence, majority of Muslim jurists recognize the validity of immovable property as the subject matter of Islamic charity due to its nature which is perpetual. While, a view in Maliki School, the majority of Shafiite, and a view of Imam Ibn Hanbal consider cash-*Waqf* not a valid object of *Waqf*. On the other and Imam al-Zuhri and Imam Zufar permitted cash-*Waqf*. Also, majority of later Maliki jurists, late pre-modern Hanafi jurist allowed cash-*Waqf*. Similarly, in Hanbali School, ibn Taymiyya considers cash-*Waqf* permissible. It is only Shafii School less inclined to allow cash-*Waqf* (Moussa, Mustafa and Shabana, 2014).

2.9 From Cash-*Waqf* to *Waqf*-Bank

The permissibility of cash-*Waqf* can be extended to *Waqf*-bank for several reasons. Because, almost all *Waqf* issues are rational (*ijtihadi*).therefor, being *Waqf* a systematic Microfinance bank can be allowed, if it could be for the benefit of *Waqf*, it beneficiaries, and is in the interest of public. Hence in an analogical sense, a *Waqf*-bank is not aaist the Sharia principles. There is no sprimary text in Islamic law prohibiting it. Importantly also, *Waqf*-bank can protect cas-*Waqf*fromm losses and misappropriation. In brief however, a *Waqf*-bank can be permitted based on the permissibility of cash-*Waqf* and its uses.

3.0 *Waqf* in Nigeria

3.1 Brief of *Waqf* Institution In Nigeria

Islamic law was widely practiced in Nigeria particularly in the Northern part of the country, under the two prominent Islamic Empires (Sokoto Caliphate and Kenem Bornu Empire), both in civil and criminal aspects. However, Oseni, (2011) argued that there is no *Waqf* legislation in Nigeria today. All what is available in the constitution of the Federal Republic of Nigeria 1999, is the reference to issues pertaining to *Waqf* which fall under the jurisdiction of the *Shari'ah* Court of Appeal, in section 272 (2c) which provides:

For the purpose of subsection (1) of this section, the Shari'ah Court of Appeal shall be competent to decide-

*(c) Any question of Islamic personal law regarding a *Waqf*, gift, will or succession where the endower, donor, testator or deceased person is a Muslim.*

Nevertheless, many states of Northern Nigeria (such as Bauchi ,Zamfara, Niger, and Sokoto states) enacted some laws as regard to *Zakah* and *Waqf*. Notwithstanding, there were records of several successes in the utilization of *Waqf* properties in the states that established Boards for *Zakah* and *Waqf* (Adam, 2014).

3.2 *Waqf*-Bank and Poverty Alleviation in Nigeria

Poverty, inequality and wellbeing are related issues that have become a global phenomenon from developed and developing countries especially among the Muslim nations. This issue has been a debate topic amongst society, scholar, and economist and has become a part of government's goal all over the world, especially in alleviating poverty. In Islam, issues related to poverty and inequality in the wheat distribution, have always been arise by Allah (S.W.T.) in the Quran such as the verses below:

(And in their wealth [there are portion determined to be given] to the poor who be, and the poor yet who reform [from being]) Q51:19.

The approaches in Islam for the poverty alleviation are multidimensional and comprehensive (Sadeq, 2002). Relying on *Zakah* alone is not enough in order to solve the issues of poverty. Therefore, Islam has put charity one of the five pillars of faith and obligatory for Muslims. Its role is to solve the purpose of narrowing the social distance and reduce inequality in the society (Alam, 2010). And one of the charities that have always been a purpose in Islam is *Waqf*. Thus, the institution of *Waqf* must be retrieved back by the government of Nigeria due to its potentials and its role as a socio-economic enhancer.

Meanwhile, with its viable and veritable contracts *Waqf*-bank when complies with *Shari'ah* rulings can adequately, effectively and efficiently serves as one engine towards poverty alleviation in the Muslim societies in Nigeria.

4.0 *Waqf*-Bank Model

Waqf as a bank has several modes developed recently. It is a new propose model base on cash-*Waqf* instrument. A Turkish Vakif Bank though interest based, but a Muslim charitable foundation, is a model example for a *Waqf*-bank. There is also exist an Islamic social bank in Bangladesh, however also operate in a conventional manner. But only collect and manage cash-*Waqf* for the beneficiaries. Similarly this type of *Waqf* bank has been recently practice in Indonesia (Magda and Abdel, 2012).

4.1 Banking System

A conventional bank earns by collecting deposits, granting loans, providing liquidity, and transferring funds and payment system, selling insurance and investment products, and stock broking, care transaction fees on financial or overdraft services, and earn interest on lending. Equally therefore, Islamic bank do earn the same but avoid usury, uncertainty, gambling, and investment in prohibited businesses. This means that, a *Waqf*-bank would follow the same pat but shall be *Shari'ah* compliant.

4.2 Proposed Operational Mode for a *Waqf*-Bank

As an Islamic bank, the *Waqf*-bank for the first instance has to follow the rules of Islamic commercial law. As a manager also, a *Waqf* fund would have to invest according to the special characteristics of *Waqf* properties and in line with duties of trustees which is to safeguard *Waqf* capital and likely increases its income. Therefore, the main objective of a *Waqf*-bank is the accumulation of capital through fund rising from the different categories of people and in different amount, in order to provide them with services needed in their society.

The process of this scheme started as follows:

1. A founder buys *Waqf*-shares for a specific project to the beneficiaries such as building Mosques, Schools, etc.
2. The founder then receives a *Waqf* certificate as evidence that he/she has purchased *Waqf*-shares with a specific amount of money for a specified project.
3. These *Waqf* shares will then be endowed to the *Waqf*-bank as an institution acting as a trustee to manage and invest the collected funds to that specified projects.
4. The revenue generated from the investment will be channel directly to the specified projects.
5. The founders are not entitled to receive any form of dividends or profits.

5.0 Conclusion

The idea of having a *Waqf*-bank in Nigeria is very attractive, especially how it would help vast poor majority Muslim communities to be in less severe poverty level. A *Waqf*-bank can make liquid assets available for financing the socio-economic needs of the poor people. Indeed, through the institution of *Waqf*-bank, the basic societal hardship would be addressed, especially the issue of poverty. Meanwhile, not to overemphasize, the *Waqf*-bank has great potentials in Nigerian Muslim Communities as it may consequently serve as an avenue for the micro consumers and micro latent entrepreneurs to have easy access for financing.

Therefore, In conclusion, the paper is recommending that;

1. Establishing a *Waqf*-bank in Nigeria is a welcome initiative that would address our major social security need (poverty). This is because through this institution of *Waqf*-bank the members of the society can enjoy and satisfied their financing needs in the shape and size and at the minimum cost.
2. More channels for micro-credit and social reforms strategies towards poverty alleviation should be given more consideration.
3. There is a great needfor awareness campaign in Nigeria against the inactiveness of our wealthiest towards endowments.
4. *Waqf* agencies should have to be establishing throughout the Muslim majority states in Nigeria, as this will promote the *Waqf* fund.

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