

# Role of Waqf (Endowment) Funds in Financing Small Projects

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## **Abstract**

**Purpose:** The purpose of this paper is to show the role of charity sector by enabling unemployed through Islamic endowments. One of the most important endowment kinds is cash waqf, which was authorized by Maliki position and others. This paper focuses on endowments fund as a type of cash waqf.

**Background:** Most of the important challenges, that face the Islamic nation, have been reflected in the economic side. Most importantly are: the decline in per capita in GNP, the widespread of poverty and the prevalence of the phenomenon of unemployment which represents a grave danger that increased among youth. The rate of unemployment requires necessary treatment or else it will be hotbeds for terrorism, corruption, and crimes. Global experience has shown that the most successful method for the treatment of unemployment is through microfinance. But these kinds of projects require funding which Islamic governments failed to provide. We need to search for new sources of financing.

**Design/ methodology/ approach:** The study reviews the extant literature relevant cases and provides some successful experiments in selected Islamic countries.

**Findings:** The paper adopted several methods of formatting endowment funds: at the case of keeping standing endowment funds or by establishment of new endowment funds, also in the case of funding the small entrepreneurs by the waqf owner himself.

**Research implications:** To activate endowment funds we suggest developing it to a financing instrument for microfinance.

**Keywords:** Cash waqf, endowment funds, small projects, microfinance

## **Introduction**

Our Islamic nation faces enormous challenges, and it's very difficult to numerate them all now. Economy is one of these affected fields, starting from the decline in per capita in GNP ,the widespread of poverty and the prevalence of the phenomenon of unemployment which represents a grave danger of being run rampant in youth .This situation requires urgent treatment, in order not to push naive people to be hotbeds of, corruption, crimes and ultimately terrorism.

### ***Problem Identification***

Most successful method to treat unemployment, according to Global experience, is through the rehabilitation of the unemployed by enabling them to carry out their small projects. These projects require funding which governments failed to do. For example, all efforts including government effort cover just about 10 percent of microfinance market in Pakistan in 2013 (Shirazi & Others, 2015). We need to search for new sources of financing. Unfortunately we always forget the hadith of our prophet, peace is upon him, (left you on the right path, its night clear as its day, and no one deviates it, only mortal). This path began with organizing the whole of human life, including the economic side of this life, half of Fiqh is the transactions, and enacted a lot of tools to treat the problem of poverty of Zakat and Wqaf, etc.

### ***Objectives of Research***

The purpose of this paper is to show the role of charity sector by enabling the unemployed through endowments. So, the research aims to shed light on the role of one of endowments (cash waqf) and its role in microfinance.

### ***Methodology and Structure of Research***

To achieve the purpose of this study, the researchers used inductive method to cover the issue and its aspects, as they will resort the deductive method to obtain the necessary rules with regard to the issues of cash waqf. There have been some researches tackled the relationship between waqf and microfinance (Amuda, & Others, 2016; Dakhli, 2016; Mohamed et al., 2015; Shabana, 2011; Shirazi et al., 2015). This research differs in suggesting the cash waqf as a fund. To achieve research goals, the research is divided into four sections, the first section deals with small enterprises in terms of the concept, the second one shows the opinions of Fiqeh (or rule) in cash waqf, the third section explains the role of waqf funds as a kind of cash waqf (financing), focusing on some successful experiments in selected Islamic countries. The last part provides suggested mechanisms to activate the role of Waqf in financing small projects. Cash endowment activation would contribute in microfinance, thus will cover the shortage from the inability of the private and public sectors in providing this funding, also contribute to the rehabilitation of the unemployed by providing them with the necessary funding.

## **Part One: Small and Medium Enterprises, Characteristics, Concept, Importance**

### ***The Concept of Small Projects***

There is no a specific definition of small and medium enterprises founded in economic literature. However, there are different criteria to define the most important: Number of Workers, standard of total capital employed or the total value, as well as sales, and what it could provide of additional value or volume of output as well as the amount of what can be provided in hard currency to the economy of the state (Al-Sinidi, 2006).

The more common standard in classification is the number of employees, especially in small industrial projects, and there is also a disagreement about the minimum and maximum number of the workers, Germany considered that the number should not exceed 49. In England, the number might reach up to 200 workers, while in Japan 300 workers.

While there are countries decided to take into account the sum of Investment in determining small and medium industries, for example, medium projects in India were defined as those that did not exceed the investment costs (750) thousand dollars while small projects that did not exceed (65) thousand dollars. While we find that Egypt, for example, combined the number of employees with the value of fixed assets. According to the Egyptian Ministry of Industry, small businesses are defined as those that do not exceed 500 thousand Egyptian pounds and number of employee's ranges between 10 and 100. Based on the foregoing, we find that the standard

used from state to state, depends upon the definition of small projects varies depending on the case and the level of development of the prevailing economic system.

In this context it was agreed on the criteria for determining the size of small project according to the International Labor Organization's decision (ILO,1997,Paragraph C), which stipulates that Member States should recognize small and medium-sized enterprises on the basis of criteria such as the number of users, invested capital, the volume of sales and management structure, the level of technology, or any other criteria are appropriate and in accordance with national social and economic conditions. The Classification might differ within the framework of a single state, according to the type of industry (ILO, 1997).

On the other hand, at the beginning of this century, the concept of micro- projects appeared in economic literature which operates by one person. Back for the foregoing, many countries including Iraq, took the standard of the number of workers to determine small projects. In Iraq, the project with less than ten people is considered as a small project.

As for the organizational and personal characteristics of small businesses (Remand, 1983), it can be said that an individual or a group of owners manages it. The responsibility of decision-making rests with its Executive Director. As well as having direct relations between employees and senior management due to the lack of middle management levels in these projects.

It could be argued that the success of these projects depends on the management skills possessed by the leadership and risk-taking. It requires the availability of personal experience, knowledge, and skill in the context of behavioral characteristics in order to achieve maximum profits.

Colin Barrow, Head of the Enterprise Group at Greenfield School of Management in Britain, noted to the great importance created by small enterprises in the national economy with reference to the features that characterized the industry, and those identified by Colin (2011):

1. Respond to change,
2. Innovation and Renewal,
3. The creation of new jobs.

#### *The social and economic Importance of small and Medium Enterprises (SMEs)*

The characteristics of the small enterprises encouraged the governments of different countries to give more attention. The following can summarize these characteristics:

1. SMEs play an important role to increase the added value for the industrial production especially after the technological development of SMEs to produce high quality commodities. SMEs are able to change the production procedures easily, are more responsive to the changes of tastes, and do not need complex economic feasibility studies.
2. The spread of various and diverse SMEs in the economic activities, increases their role to contribute to the economic growth, support the big industries, and develop the trade and other industries.
3. SMEs are characterized by their simple organizational structure that does not require administrative complications, such as board of directors and other administrative regulations that have to be in the presence of large projects. The organizational structure helps SMEs to grow and succeed through the serious work, quick decision-making, more responsive to market-changes, a limited invested capital, and a simple used technology.
4. The low amount of capital required for the investment, SMEs are based on ownership of capital and individual's property. SMEs provide jobs opportunities fro the unemployed people to work in literal and home industries especially the youth who

graduated. As a result, the unemployment rate will decrease with a low cost comparing to the large industries, and thus ease the burden on the budgets of the developing countries. The United States has provided more than 15 Million jobs opportunities between 1992 and 1998 through small and medium enterprises. Small enterprises accommodate 70% of the total labor force in the United States and European Union. In the countries of East Asia and the Pacific, SMEs account for more than 95% of the total projects. SMEs take advantage of using the raw and local materials, as well as, SMEs have the ability to spread geographically, which can provide the economic environment for the regional development.

5. SMEs develop the abilities of talented people and patents' holders. The technological innovation in small projects can reach 39.8% in the United States, 38.1% in Britain, and 33.3% in France and Germany. Accordingly, the governments of the developed countries have attached special attention to support and finance small projects that are related to innovation, research, and development. Some supporting factors have contributed to the government's support including the following factors:
  - a. The possibility to invest in the areas where the large projects have no interest on such as the field of scientific research.
  - b. The ability of the small projects to improve the discoveries, innovations, and devices.

SMEs (small and medium-sized enterprises) account for 60 to 70 percent of jobs in most OECD countries, with a particularly large share in Italy and Japan, and a relatively smaller share in the United States. Throughout they also account for a disproportionately large share of new jobs, especially in those countries, which have displayed a strong employment record, including the United States and the Netherlands. Some evidence points also to the importance of age, rather than size, in job creation: young firms generate more than their share of employment. However, less than one-half of start-ups survive for more than five years and only a fraction develop into the high-growth firms which make important contributions to job creation. High job turnover poses problems for employment security; and small establishments are often exempt from giving notice to their employees. Small firms also tend to invest less in training and rely relatively more on external recruitment for raising competence. The demand for reliable, relevant and internationally comparable data on SMEs is on the rise, and statistical offices have started to expand their collection and publication of data (OECD, 2010)

For (Social Utility) provided by SMEs industrial projects, it can be said that it helps to alleviate poverty to a large extent with the possibility of raising the standards of living of the poorest groups in society either by providing employment opportunities for unskilled labor or by creating a project commensurate with their economic and social abilities, especially in poor, rural areas, and that of regional development.

The most prominent example of this is the establishment of projects in Bangladesh program, which was based on the provision of funding for the poor, which has achieved unprecedented success in providing jobs and raise the standard of living of the population. And thus achieve the kind of balance and social stability as well as the employment of women, which could help in the generation of generating sources of income in what is known as human development and the possibility of operating labor surplus in the agricultural sector under the (plant and animal) complementary agricultural production in the context of - agro-industrial complexes.

### ***Why Do We Need this Kind of Projects?***

1. Diversity of lifestyles in this era, and so the services needed by the community, requires thinking in endowment projects to meet these diverse services.
2. Most People of the different communities are middle-income class or less, and they cannot contribute –by large amount- to the endowments in the community. And opening the way for the general public and the majority of those people, to contribute to the endowment beneficial projects with contributing a fraction by what they can, opens up a very large segment of society to contribute to these projects.
3. Putting endowment projects to the public for the subscribe purpose will open prospects for the establishment of a large endowment projects which will contribute to satisfy needs of society.
4. In this kind of projects and similar, a reviving to the Sunnah of Waqf with contemporary methods which are acceptable by the people and are able to contribute.
5. Different countries opened the way for the private sectors to contribute in a lot of different areas of services such as electricity, telecommunications, education and health. As the private sector - mostly - looking for profit and not all segments of society can pay fees of these services. If there is an establishment of an endowment projects by the facilitator subscription for each one, easy to carry out these services to poor people.
6. Organizing various small donations has a clear impact in different areas of charity.
7. The establishment of these projects prevents corruption in Waqfs because shareholders assigned the Waqf Council, and no doubt that the collective outlook is not like the individual one.

### ***Challenges that SMEs Face (Murad, 2008)***

There are several challenges facing the expansion of small projects; at the technical and administrative level, funding hand, as well as the availability of the appropriate economic environment for the necessary support and protection.

For the technical and administrative level stands out there multiple challenges; including the challenges that the person responsible for the investment process face to prepare the workforce, or the challenges to find the required equipment. The point here is the lack of incubators and services that provide the necessary information needed by the investor for the nature of the manpower required by the project. The challenges of providing machinery that needed in these projects can be represented by the complexity of administrative red tape and government, especially in the developing countries. Also, the difficulty in obtaining import's licenses that increases with the growing of corruption rampant in most of these countries. Because of the investment process is done by individuals, this will result in most often to import old machinery and techniques eventually lead to several more difficulties in the future.

The SMEs usually collide funding crisis, where should be provided especially in the absence of government support. Also, the lack of experience in this field, which could push the small investor to make a low estimate of the capital required for the project, which leads to problems in the provision of funding in the actual implementation of the project.

At the administrative level, the nature of SMEs usually devolves management to the owner of the project, and this could lead to the emergence of problems in terms of lack of experience in the organization. Which means there is no accurate understanding of the organizational structure of the administration and that contribute to overcome a lot of difficulties faced by these projects?

Add to that the low efficiency of marketing and experience of accounting regulations and lack of knowledge of the requirements and regulations of legal and other problems lead to the failure

or to the occurrence of losses. Finally, the absence of the government support represents one of the most constraints faced by the industry, which means no protection from any foreign competition.

## **Part Two: Islamic Ruling in Cash Waqf**

### ***The Concept of Waqf and Its Rule***

Scholars represented endowment with its various definitions, and the reason for that is the different sects in the endowment, in terms of its rule (being necessary or not), conditions, or belonging and even in terms of its formation. Waqf was defined by Imam al-Nawawi that it is “the imprisonment of money that can make use of it with the survival of origin, and the disposal of its benefits to Allah subhanah” (Al-Kubaisi, 2001)

The economical definition of endowment can be described, by transferring of funds from consumption to investment in productive capital assets, to produce revenues and benefits that can be used in the future, collectively or individually. Therefore the endowment combines the savings and investment process together. Endowment consists of truncated funds that were supposed to be consumed either directly or after converting to consumer - for immediate consumption, and the same time converted to investment aims to increase the productivity of wealth in society (Kuhif, 2000).

It can be inferred from this definition (Al-Ani, 2002) that:

1. Deduction a part of consumption and turn it into a secure savings (positive), orientation towards investment directly
2. Endowments lead to increase the service side and utilitarian for specific categories of the community and thus payback to society indirectly.
3. Endowments provide investment opportunities to increase the productivity of wealth in society.
4. Endowments lead to ensure the sustainable development through the production of benefits and provide revenue to be consumed in the future.
5. The possibility of developing waqf individually at the level of individuals or by society in college depending on the type and nature of the endowment project while ensuring the right of each hand separately.

Scholars- mercy of God upon them- differed in the legality of waqf on three opinions, some of them authorized it at all, some of them prevented it at all, and there are those who authorized or prevented depending on the situation. Likely, it is permissible by the majority of the scholars starting from Sahafiya (Alshafii,n.d.) , Maaliks (Alkurashi,n.d.) , Hanbali (Ibn-Qudaama , 1996), the Hanafiya (Al-Sharkhashi,1986) - but a say from Abu Hanifa and Zufer-mercy of Allah upon them- , Zahiri (Ibn-Hazim,n.d.) , Zaidi (Al-Murtaza, n.d.), and Jaafari (Al-Muhakik Al hili,1419H) permissible in the role and territory, including of building and planting in slaves, weapons and the Koran and others.

### ***The Ruling of Cash Waqf***

Provisions of scholars Varied to cash waqf on three opinions:

The first view is that the endowment of dirham and dinars is not true at all. This view has said by old scholars of hanafiya, a say in Maliks, said by most of Shafi'i and Hanbali, the apparent at Imamiya. Imam Abu Hanifa, God's mercy on him,said: (Endowment is not allowed for any kind of transfused. Al Sahiban said: endowment of transfused can be allowed if it was a part of a property, or mentioned by a text such as weapons. Imam Muhammad ibn al-Hasan (God's

mercy on him) excluded what people were used to endow like axes and saw, because the measurement leaves the handling of money and portables (Al-Mirghinani, 1995).

The second view – the endowment (Waqf) for Dinars and Dirhams is hateful, is the view of the Maalik, which is attributed to Ibn Rushd. It came in the crown and diadem, quoting Ibn Rushd (and either of dinars and dirhams and does not know a particular assign waqf hated (Baidawi, n.d.).

The third view is the possibility of the endowment/ waqf of dinars and dirhams for the purpose of loan, or for trading out and exchange profits for the benefits of those who have been on them endowment, and this is adopted by the Maliki, and a say in Alhanafy, a say in Shafi'i and a say in Hanbali, favored by Shaykh al-Islam Ibn Taymiyyah.

Narrated by Imam Al-Bukhari from Imam Mohammed bin Shihab Alzuhari God's mercy on them, (those who said Mark thousand dinars for the sake of God and paid to someone to trade with it and make profit charity for the poor and the closest, Can a man eat of the profit of the money which he endowment for the poor? he said, a man does not have the right to eat them) (Albukhari, n.d.). Al-Haafiz ibn Hajar explained the words of Alzuhari (Alzuhari opinion means that it is possible) (Ibn-Hagar, n.d.).

Some Hanafi said, led by Mohammed bin Abdullah al-Ansari, - who was a companion to Zufer - about the legality of waqf dirhams or dinars or food or what weighted, Is it acceptable? He said: Yes, and how? He said: pay dirhams (Mudaraba) speculation and contribute the revenue to the beneficiaries of waqf. And about who measured or weighed, shall be sold and pay the price speculatively, then the revenue distributed to beneficiaries) (Ibn- Alhammam, n.d.) Some Hanafi decided according to Muhammad bin Hassan that it's true to waqf what people have used to.

The legality of money waqf is approved by the Maaliki, on the basis of legitimacy of what transferred (Al-Disooqi, n.d.), came in the Mudawana (I said to the Malik: If a man put a hundred dinars as waqf to lend it to people and return it back, Do you see Zakat should be paid? Malik said yes I see it should be paid (Malik, n.d.).

The Shafi'i, have two opinions to cash waqf, one of them is permissible, and the other is the prevention, Shirazi said God's mercy on him, (our companions differed in dirhams and dinars, who passed lending it passed its endowment, and vice versa (Alshirazi, 1996). As well as Al-Nawawi said, God's mercy on him, (the endowment/ waqf of dirhams and dinars has two opinions, who passed it leasehold passed its waqf and vice versa) (Nanavi, 1991).

The trueness of cash waqf, narrated from Imam Ahmad, God's mercy on him, favored by Shaykh al-Islam Ibn Taymiyyah, God's mercy on him,: Narrated Ismail Bin Saeed said: I asked Ahmed for endowment? He said, it is true in everything (Alshaibani, n.d.)

International Islamic Fiqh Academy also passed in its fifteenth session in Muscat (Oman) in 14-19 mahram / 1425, cash money as stated in the Second paragraph: cash money is legally permissible, because the legitimate purpose of the moratorium, which lock up the original and give benefit verifier, because the money No appointment had to be replaced, but the substitute.

According to the opinions, which we have discussed, we can conclude from the foregoing that the cash waqf is true.

### **Part Three: Endowment Funds (Formation and Goals)**

#### ***The Concept of Endowment Funds***

Dr. Mohammed Zuheily defined endowment funds, as a compilation of cash from a number of people through donation and stocks. According to the definition, the endowment funds will be invested, and then spend the yield on public interest for individuals and society. The goals are to revive the Sunnah of Waqf, to achieve charitable goals that bring benefits to the nation society and individuals and to form a managerial body to be responsible for the fund, maintain and

oversee the investment of assets and distribute the profits according to a plan (Alzuhaila, 1427H.).

The "Waqf Funds" are considered as a regulatory body, with a national quality, which enjoys the feature of auto-management. This framework takes part in the advancement of Waqf development by amplifying calls for the Waqf concept and which takes upon itself the developmental activities through an integrated vision that observes the needs and priorities of the society. This is all conducted under consideration of the projects taken over by the official and popular bodies. For that reason, the Chairman and Members of the Board of the Funds and the Waqf projects are considered as partners in their strategic responsibility.

The "Waqf Funds" aim at participating in the intended efforts to serve the revival of the Waqf practice and tradition by putting forward developmental projects in Islamic forms to meet the needs and requirements of the society. Requesting the people to endow and grant cash as waqf accomplishes this. In addition they are required to observe the proper spending of the "Waqf Funds" to meet the social as well as developmental needs. Such work programs that help achieving the highest return and help achieving the interconnection among the Waqf projects. This is conducted between them and other projects undertaken by Government Agencies and Associations of Public Benefit (Kuwait Awqaf, 2009).

### ***Patterns of Endowment Funds***

The practice of endowment funds in Islamic world started recently. So authors will try to show some of successful experiments which started in 1990.

#### *Endowment funds operating in Kuwait Awqaf Public Foundation*

- a. Endowment Fund of the Holy Qur'an
- b. Endowment Fund for Scientific and Social Development
- c. Endowment Fund for Health Development
- d. Endowment Fund for Da'wa and Relief

Through its interest and concern with regards to the Waqf, and through urging its role and highlighting its importance in serving society and developing it in various domains; Kuwait Awqaf Public Foundation emphasizes its keenness to give the opportunity to the public, the donors and contributors to gain reward from God Almighty and to double their good things. Given that the Waqf is considered as "Ongoing Charity" and its good remains always continually and unceasingly till the Day of Judgment, as stated in the Prophet's Hadith "When the son of Adam dies, his work would be interrupted except from three things: ongoing charity, or beneficial knowledge or a righteous son who prays for him", narrated by Muslim.

The following is an outline of the Waqf Banks:

- a. All Good Things Bank
- b. The "All Good Things Bank" is divided into two sections:
- c. First: Public Charitable Waqf,
- d. Second: Kuwait Charitable Waqf
- e. All Mosques Bank
- f. Bank of Individuals
- g. Bank of Looking after the Holy Quran
- h. Bank of Sponsoring Science & Innovators
- i. Bank of Sponsoring the Disabled and Handicaps
- j. Community Development Bank (Kuwait Awqaf, 2009)



*Endowment funds in Sharjah*

Amiri Decree No. 2 of 1996 issued by His Highness the governor of Sharjah, in the establishment of the Secretariat of Awqaf in Sharjah, to public awareness in endowment and do everything related to its affairs, and revive the Sunnah of Waqf, and activating its role in the development of society in accordance with the constants legitimacy and data present, and future requirements, through endowment. Decree called funds, banks. (Awqaf Sharija, 2010). Massjed Bank, Holy Quran Bank, Infirmary Bank, Welfare of the Disabled, etc.

*Waqf Funds in Qatar (Alani, 2010)*

Qatar has followed Kuwait in the establishment of endowment funds, under the name of endowment banks, and established multiple banks in this area. One of them: for scientific and culture development. The second: to serve the Qur'an and Sunnah, the third for Health care, the fourth: for righteousness and piety. Fifth: to take care of mosques. The sixth to take care of family and childhood. Targets and means have been set for each bank to revive the Sunnah of Waqf and community development.

*Waqf Funds of the Government of Ajman*

Governor of Ajman, has issued a decree No. 1/96 by establishing endowment fund, based on its Board of Trustees composed of five members appointed by the governor every three years. The Fund has made its mission to achieve the following:

- a. Revive the Sunnah of Waqf in a way that promotes the individual's conviction to do charity.
- b. Development of the proceeds of Awqaf by focusing on mosques and Quranic centers, processing of dead Muslims, and the financing of scientific training courses.
- c. Strengthening the link with Waqf owners and provide them with information and detailed data on asset-endowed and the sources of the proceeds.
- d. The development of the proceeds of money to establish a new endowment and endowment projects.
- e. Enlighten and facilitate the participation of philanthropists in modern temporary or permanent Awqaf.
- f. It must be pointed out that the main source as planned; the composition of these funds is the endowment shares.

*The Waqf Fund in Bahrain (www.cbb.gov, 2016)*

The Waqf Fund was established in November 2006 under the auspices of the Central Bank of Bahrain (CBB) in partnership with Islamic Financial Institutions (IFIs) in Bahrain. The member institutions made one-time contributions to the Waqf Fund's corpus which is invested in Islamic money market instruments and the return is used to finance the Fund's initiatives. These initiatives are executed through partner organizations such are BIBF. A brief write-up on these initiatives is as follows: ( Graduate Sponsorship Program, Shari'a Reviewer Development Program, Advance Diploma in Islamic Commercial Jurisprudence, Roundtable Discussions, Development of a course on Business Ethics for Islamic Bankers, Upgrade of the Advance Diploma in Islamic Finance curriculum, Assisted and sponsored University of Bahrain in developing and launching a 4-year Bachelor of Arts in Shari'a for Banking & Finance program, Shari'a scholar sessions, Corporate Governance workshops for CEOs and Directors of IFIs, Sponsoring AAOIFI in revamping its CIPA qualification).

***Waqf Shares***

This method (the idea of division endowment into shares and offer it for public subscription) suggested by some of contemporary researchers, as Dr. (Monzer Kahf) as a mean to finance the capital, Dr. (Mohamed Abdel Halim Omar) as means to create new endowments, as well as put forward by Dr. (Abdullah Ammar).

Shareholders intended to buy the stock endowment, subscribe to halt the stock at specific endowment project milestones. As the idea of the stock endowment through the IPO (Alani U, 2009) can be represented by the following:

1. To adopt the idea of establishing an endowment, private or public charitable project, by a charity or government department such as the Ministry of Awqaf, or even a particular individual. The goal is to serve the community in any kind of charitable services.
2. Preparation of economic and social feasibility study for the project, and then determine the capital required for this project (endowment), and take the necessary authorization for establishing it.
3. Issuing endowment shares like the shares in joint-stock companies equal to the capital needed for the project, so the shares will be equal.
4. Announce this project through various media, and publish the Prospectus including an explanation of the nature of the project and its objectives, its banks, the way its administration and the way in which the subscription version, and determine the concerned authority to receive the IPO.... etc.
5. The involved party begins to receive public contributions, and give them receipts as much as their shares.
6. Calling the shareholders to a meeting to choose the Board of Directors, and the appointment of Director General of the endowment fund for this project by (election). Then, elect the necessary jobs, Deputy Director or President, Secretary of the Board, and representatives of financially ... etc. And then the Board of Directors and its president will take the task of establishing the project and invest it, and the distribution of returns according to its banks. Based on this, the shareholders authorize the board of directors in charity waqf, but the relationship can be established based on speculation (mudaraba) among endowment overseer who is the Chairman of the Board and any institution or person which invests the endowment or part of it, if the waqf is from investment type proceeds intended for distribution its banks to beneficiaries.
7. After the implementation of the project, we start make use of it in its specified banks. If the project was supposed to have a direct benefit, so it will be direct to beneficiaries, and if it was for invest in Leasing (Ejara) or others, as identified in the prospectus either by the Board of Directors, or by distributing the return to the shareholders by the shares.

***Ruling of Waqf Shares through IPO***

1. Contributing to the endowment through the IPO are legitimate because it is right to endow the commons in a common origin, and according to that we know the trueness of participating in one waqf by several persons.
2. Waqf Shares in contributing companies is permissible based on the legalization of common shares waqf in the common origin, and that applies to the shares in the joint-stock companies.
3. The creation of an endowment projects through the IPO to open up new areas of contemporary halt.

4. Allowance this type of Awqaf create the opportunity for low-income people to contribute to the endowments.

#### **Part Four: Proposed Mechanisms for Financing Small Projects through the Endowment Funds**

Authors suggests a number of techniques to finance small projects through endowment funds, they are as follows:

##### ***At the Case of Keeping Standing Endowment Funds***

If we want to keep the status of the existing funds unchanged, it requires some modifications, so that the objectives of funds are Suitable with financing small projects, it can be done by steps as follows:

1. Modifying targets.
2. Establishing a specialized division in the fund to supervise the project.
3. Organizing the relationship with the competent ministries, employment offices, or non-governmental organizations to coordinate among themselves, through providing the fund with:
  - a. The required statistics about the number of unemployed.
  - b. The investment map which consist of all kinds of small projects available.
  - c. The Scientific or technological techniques required for the development of these projects.
  - d. The legal framework for such projects.
4. Inviting unemployed or entrepreneurs of small projects to submit their proposals and ideas about projects to be built, and supplemented with the initial feasibility studies.
5. Determining the financing style through the available cash in the Fund. Both muqharada (lending), and give the borrower an agreed period to pay back the loan. Or fund enters as a partner, and follows up the project through the provision of financial reports periodically.
6. Standing projects that require scientific development can ask for the aid of funds through the proposals to develop it.

##### ***Establishment of a New Endowment Funds***

The formation of new specialized funds to finance small projects gives the importance to assign a specialist in this field, this matter requires the following:

1. Create a legal framework that includes the enactment of legislation to set up a specialist fund to finance small projects, shall determine the terms and beneficiaries and targets set for the fund.
2. According to the legal framework of the Fund's relationship with partner's civil society organizations, employment offices or ministries to determine the role of each party in this project and providing the Fund with the necessary information.
3. After providing the legal framework and administrative structure necessary to implement the objectives of the project. Fund invites public to buy shares, supplemented with the IPO bulletin.
4. The person will not receive a grant funding unless his idea supplemented with the initial feasibility study of the small project.
5. The Fund analysis the studies and chooses the best ones, and identifies the desirable parties to contract with them.

6. Fund determines the nature and status of the contract with the beneficiaries either through a loan or by Qardh Hassan.

### ***Funding the Small Entrepreneurs by the Waqf Owner Himself***

The second paragraph explained that some scholars permitted to endow speculative (mudaraba) money, and they endorse the form of a loan Hassan or not. So the waqf owner can choose the style and the appropriate person to help him to establish his small project. But this approach requires extensive awareness campaign to convince those who want to endow on the importance of endowment their money in such a project. On the other hand, the scope of this style probably will narrow its scope or will be limited, as only the relative's beneficiaries. So it should be educated on the importance of endowment as well as accuracy in the selection of the right person to give him a loan or participation.

### **Conclusion**

The global experience showed the effect of microfinance in the alleviation of unemployment. Microfinance market in Islamic world suffers from shortage in financing due to different reasons. Endowment funds as a type of cash waqf can provide the shortage of microfinance. The study showed that Maliki position is clear: the endowment of movables is approved, i.e. cash waqf is approved. Later scholars of Hanafi agreed with the position of Maliki. The study also showed some individual opinions in other Madhabs (schools) about approving cash waf. Three mechanisms are proposed for financing small projects through the endowment funds:

1. Keeping standing endowment funds
2. Establishing a new endowment funds
3. Funding the small entrepreneurs by the waqf owner

This kind of waqf is unfamiliar for Islamic people, so we have to direct an educational and promotional campaign to strengthen establishing waqf funds. On the other side we should provide the necessary legal and administrative framework to ensure success of these funds.

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