

Chapter 13

Using Blockchain and Smart Contracts for Waqf Institutions

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ABSTRACT

The institution of Waqf always played a pivotal role of sustainable economic development in a Muslim society throughout the history of Islam. However, recently, even with the introduction of the modern Islamic finance a few decades ago, the institution has been struggling to rejuvenate its past glory. The key issues are lack of availability of data and historical records, weak transparency and public disclosure, improper audit and compliance practices. The advent of the blockchain has offered a ray of hope for the revival of the Waqf institution. The blockchain has already proved itself as a game changing breakthrough. Similarly, the Waqf institution could be invigorated with the innovative and efficient use of the blockchain. Moreover, the use of smart contracts on blockchain could further enhance the performance and efficacy of the Waqf institution. It is strongly believed that with the firm Islamic jurisprudential foundations of the Waqf, blockchain, and smart contracts will ensure that the Waqf institution could partake in the economic development of the whole Muslim world.

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INTRODUCTION

Waqf is a voluntary charitable endowment characterized by perpetuity. Giving *sadaqah* (voluntary charity) is one of the noblest acts in Islam, for which the reward is immensely huge. The Messenger of Allah (ﷺ) is reported to have said:

When a man dies, his deeds come to an end except for three things: ceaseless charity (sadaqah jariyah); a knowledge which is beneficial, or a virtuous descendant who prays for him (for the deceased). (Muslim, 2000, Book 14, Hadith 1631)

The importance of charity is emphasized strongly as it is one of the five pillars of Islam. The essentials of giving alms is advocated in many verses of the Qur'an and quoted in many traditions of the Messenger of Allah (ﷺ) (*hadith*). In fact, *sadaqah* and *zakah* are mentioned in Qur'an on a total of 32 occasions separately; and on 82 occasions in combination with the other pillars of Islam (Al-Qaradawi, 1999). That is why, according to the Islamic believe, if utilization of wealth is according to the manner guided by Islam, it will be a way of receiving reward in the hereafter.

Additionally, the concept of *sadqah* is designed to re-circulate surplus wealth from the rich to the poor so as to advocate social justice. According to Bremer (2004): "Islamic societies have a rich heritage to philanthropic institutions, a heritage that reflects the central place of philanthropy within Islam". Islamic approach to reduce poverty and wealth disparity is unique through using plethora of instruments (Mohieldin et al., 2012). They are intended for just and fair distribution of wealth, creation, circulation and re-circulation of resources.

That is why, Islam encourages people to get involved in charity and altruistic acts, no matter big or small. And Shari'ah provides a complete eco-system for Islamic philanthropy to ensure that wealth does not revolve among only the rich of a society. One of the major pillars of that eco-system is *Waqf*. *Waqf* is a charitable unchangeable devotion of a share of one's wealth to Allah's sake. Once given, a *Waqf* corpus is not subject to receive as gift, inheritance, or sale, as it should always remain intact, because it belongs to Allah. In this way, *Waqf* has been institutionalized by Shari'ah, and became very popular from the early stage.

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