

Research Article

Revitalization of Waqf: Historical Legacy and Potential in Addressing Muslim Socio Economic Disparities in India

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Abstract. Waqf constitutes the economic foundation of Islamic civilization, as noted by historian Marshall Hodgson. This paper examines waqf's untapped potential in India's contemporary economy, where 38% of Muslims live in poverty despite the presence of waqf properties valued at 1.2 trillion Indian Rupees according to the Sachar Committee Report. The inefficiencies in waqf administration originated during colonial rule when imperial powers, viewing these endowments financially lucrative, appointed supervisors based primarily on language proficiency rather than expertise. Post-colonial governments perpetuated this interventionist approach through legislative amendments that enhanced state control, despite recommendations from various inquiry committees. Administrative inconsistencies have undermined waqf's effectiveness, exemplified by the Central Waqf Council's chairperson simultaneously serving as the portfolio minister-creating a problematic governance structure where 1% of annual returns fund this self-referential advisory mechanism. Such

administrative disorders significantly contribute to the continued socioeconomic vulnerability of India's Muslim community. Historical analysis reveals waqf's profound impact on social welfare systems across civilizations, influencing European philanthropic models as evidenced by the Franciscan Friars theory and the University of Oxford's endowment principles through the concept of Usés. Contemporary, waqf models demonstrate potential returns averaging 31% annually. Cash awqaf, incorporated through the Musalman Waqf Validity Act IV of 1913, represents a particularly promising avenue. This research addresses jurisprudential divergences by examining Ottoman Isthighlal practices and proposes implementing Imam Zufar's waqf chain model in collaboration with the Islamic Development Bank and Islamic Research and Training Institute, adapted to the Indian context. Drawing from successful examples like Turkey's Vehbi Koç Foundation and Malaysia's Finterna Waqf blockchain initiative, this paper advocates for democratization and decentralization of waqf administration in India and extending the Public Premises Act of 1958 to waqf properties to streamline recovery of encroached assets. The proposed venture philanthropy framework aims to enhance socio- religious confidence among Indian Muslims while addressing critical economic vulnerabilities through institutional reform that acknowledges both historical legacies and contemporary realities.

Keywords: Waqf, socioeconomic development, Muslim minorities, venture philanthropy, Franciscan Friars theory, Political economy

INTRODUCTION

Waqf is derived from the Arabic word Waqāfa, which means to halt or stop. Legally, it is the withholding of property whose benefit can be derived, by preventing the disposal of its ownership while allowing its use in a lawful manner.¹ It is made for the benefit of living beings, along with the stipulations made by the endower in line with Sharia guidelines. Traces of waqf can be found in every period of Islamic history. The waqf made by the second Caliph, Omar bin Khattab, in Khaybar is an example. From that period onward, almost every Muslim dynasty contributed to waqf, as it was highly encouraged. Examples of such awqaf made by the Mamluks, Ayyubids, and Ottomans can still be seen today. Even in India, there exists a great number of awqaf made by the Mughals and earlier dynasties, whose incomes account for a major portion of contributions to the Waqf Council and its respective boards all over India.

Subjects of awqaf included gardens, farms, agricultural lands, even entire villages, houses, apartment buildings, hotels, shops, warehouses, mills, bakeries, paper works, soap works, stables—apart from mosques, educational institutions, books, and hospitals, etc.² Being a subject of debate, cash waqf was also introduced and later promoted, reaching the peak of exchange during the Ottoman era. The introduction of these endowments can be traced back to the Mamluk dynasty. Vindhya introduced grainships for pilgrims in Egypt, Palestine, and Syria. With those endowments of movables then, waqf today includes assets like intellectual property, stocks, and bonds, etc.

Waqf is a necessary pillar of the social, economic, political, religious, scientific, and cultural life of Muslim society, helping to achieve sustainable development through its historical applications.³ It is for this reason that we find 64 waqf endowments in Jerusalem during the first century of Islam itself, the majority of which have survived for over a millennium.⁴ In 1928 CE, almost three-quarters of lands in Turkey were waqf endowments; in 19th-century Algeria, half the lands; one-third in Tunisia in 1883 CE; in Greece during the Turkish period (before 1829); one out of every seven in 1935 in Egypt; and 15% of lands in Iran.⁵

Overview of Waqf in India

As of March 2025, India has approximately 8.72 lakh (872,000) registered Waqf properties, making it the country with the largest number of Waqf holdings globally. These properties span over 38 lakh (3.8 million) acres of land, positioning Waqf as one of India's largest landowners—second only to the Indian Railways and the armed forces. According to the Sachar Committee report, the market value of these properties is estimated at 1.2 trillion Indian Rupees. With its true potential unlocked, Waqf could ensure a return of 28–34% annually, averaging at 31%.

However, its current return stands at only 2.7%. Despite this immense potential, Waqf in India has faced persistent challenges, especially since the advent of British colonialism. The British, and other colonial powers, assumed control over Waqf properties, exempting them from Ottoman oversight. Interestingly, similar policies were once proposed by the Mamluks, but strong opposition from the Ulama forced them to retract. Unlike the British, the Ottomans maintained strict control over both profitable and non-profitable market exchanges—imposing profit ceilings, excessive taxation, and regulating the factors of production. For this reason, many economists refer to the Ottoman Empire as a pseudo-socialist system, which ultimately succumbed to the more efficient Western capitalist model. This historical contrast provides valuable lessons—both positive and negative.

Colonial interests and the results

Focusing back on India, the colonial administration brought development to a halt and enforced stagnation. British-appointed officers, lacking knowledge of Islamic law but fluent in English and trained in colonial legal frameworks, administered Waqf affairs. This flawed system stemmed from their binary perception of property as either private or public, leaving no room for semi-autonomous institutions like Waqf. The Zamindari Act of 1793 was one such turning point. Post-independence, the Indian government also viewed Waqf as an economic opportunity rather than a religious or social institution. Over time, six major legislative interventions (1954, 1964, 1969, 1984, 1995, and 2013) were introduced, but most remained confined to paper.⁶

The latest bill proposed by the present government offers little improvement.

Illogicality and inefficiency dominate these legal frameworks. For instance, all amendments have consistently reduced the Indian Waqf Council to a mere statutory advisory body under the concerned ministry. Ironically, the Chairperson of the Waqf Council is the very minister to whom the council is meant to provide advice. This structural flaw results in a situation where only 1% of the income from such high-value Waqf properties is used to fund a council that, in effect, advises itself. This has led to widespread dissatisfaction among Indian Muslims, who see this as a dilution of the Waqf institution's purpose and autonomy.

Systemic Challenges in the Governance of Waqf Properties

The crisis surrounding Waqf properties in India can be broadly categorized into several pressing issues. The foremost among them is encroachment—by both private individuals and the government. A recent report highlighted that the Uttar Pradesh government alone has encroached upon 58 acres of Waqf land.⁷ According to the Sachar Committee Report, nearly 1.3 lakh acres—or 21% of total Waqf land—have been encroached upon by government entities. K. Rahman Khan, the former Minister of Minority Affairs, noted in 2013 that as much as 50% of Waqf land had been encroached. These cases largely remain unresolved due to the prohibitive cost of litigation. A potential remedy could be the extension of the Public Premises (Eviction of Unauthorised Occupants) Act, 1958 to cover Waqf properties, or alternatively, amending Section 51A of the Waqf Act, 1995 to address such violations more effectively.

The second major issue is the absence of democratization in Waqf administration. Here, democratization does not merely imply equal opportunity for all regardless of background to occupy administrative positions. Rather, it refers to reforming the current inefficient and exclusionary structure. Justice V.R. Krishna Iyer aptly observed, "Law is largely the formalized and enforceable expression of a community's cultural norms, and the soul of a culture cannot be fully understood by an alien mind." The detachment of Waqf governance from community realities has significantly weakened Muslim confidence and engagement in the system. This can be addressed by introducing multi-tiered administrative reforms, ensuring participation from Ulema, NGOs, community leaders, legal professionals, and civil society at large.

Thirdly, there is a need for an overall paradigm shift in Waqf management. One potential model is a return to the traditional system where the Onus, Qazi, and Imam played active roles—bringing ground-level awareness and religious legitimacy into administrative decisions. Such a model may reestablish trust and functional coherence within the system.

Finally, political interference poses a significant obstacle. The Waqf Act, 1995, grants sweeping powers to governments over Waqf affairs. For instance, Sections 1(3), 9, 12, 96, 102, and 106 allow the government to regulate secular aspects of

Waqf activities. Additionally, Sections 4, 13, 20, 24, 47(1)(c), 66, 75, 77, 78, 80, 81, 83, 98, 99, 103, and 109 vest excessive authority in state governments. This concentration of control must be critically reassessed to safeguard the autonomy and religious character of Waqf institutions.

Harnessing Blockchain for Waqf Development: The Finterra Waqf Chain Model

Looking forward, it is imperative to explore innovative models that can unlock the immense potential of Waqf properties in India. One such promising initiative is the Finterra Waqf Chain, which was introduced by Sayed Khalid Rashidi and showcased at the International Waqf and Blockchain Forum. This model integrates blockchain technology and Islamic finance to optimize Waqf asset development and management on a global scale.

The Finterra Waqf Chain proposes a systematic process as follows:

1. Identification of Assets: The Waqf Board identifies land assets that are viable for development.
2. Development Project Proposal: A comprehensive project paper is prepared that includes land title, feasibility studies, architectural design, construction plans, funding strategies, projected profit and loss, and recommended Islamic financial instruments.
3. Independent Audit: The proposal undergoes review by an independent auditor to ensure transparency and viability.
4. ICO Launch: A licensed fund manager launches an Initial Coin Offering (ICO) by selling crypto tokens to pre-qualified global investors.
5. Token Sale and Capital Raising: Finterra Waqf Chain releases tokens equivalent to the required capital for the project.
6. Investor Options: Investors purchasing the tokens are given the option to choose their preferred Islamic financing instrument:
 - a. Cash Waqf
 - b. Islamic Loan (Qard Hasan) c. Mudarabah (Profit-sharing partnership) d. Sukūk (Islamic bonds)
7. Execution and Management: Once the required capital is secured, a construction company is appointed. An asset manager is then approved to operate and maintain the developed property.

Revenue generated is distributed to investors based on their contribution and the selected financing model.

This model not only ensures transparency, accountability, and sustainability, but also attracts global Islamic investors to participate in the socio-economic upliftment of Waqf assets, thereby reviving their original charitable purpose.

Reviving Cash Awqaf in India: Bridging Classical Jurisprudence with Modern Finance

Traditional Waqf models can indeed be reimagined for contemporary use, but the true untapped potential lies in Cash Awqaf—a concept long debated in India due to jurisprudential differences within the Hanafi School of Thought, followed by the majority of Indian Muslims. Historically, Cash Awqaf faced scholarly contention, particularly concerning the permissibility of endowing movable properties.

A significant resolution was offered by Suhrawardi, who conducted an extensive study and consultation with renowned Hanafi scholars in the Ottoman Empire. He found that: Imam Muhammad, one of the two leading Hanafi jurists, approved the validity of Waqf of movables without requiring the existence of customary practice. Imam Abu Yusuf, however, conditioned its permissibility on the presence of custom, and recommended the use of Mudarabah, as advocated by Imam Zufar. The eventual acceptance of Imam Muhammad's opinion led to the flourishing of cash Waqf and grain ships to holy sites, laying the foundation for financial Waqf models.

Coinciding with Suhrawardi's findings, the Mussalman Waqf Validating Act of 1913 was enacted by the colonial government, permitting Waqf of cash and movable assets. This legislative move ushered in a surge of stocks, bonds, and financial instruments being endowed, but their full potential remains largely unrecognized in modern policy frameworks and untouched by successive Waqf-related reforms.

A significant obstacle lies in the erosion of trust and confidence among religiously motivated Muslims, discouraging them from endowing properties. This philanthropic gap, now stark between Muslim and Christian communities, can be historically traced back to Islamic Waqf influencing Christian trusts. The Franciscan-Friars theory argues that Christian trusts evolved from Islamic Waqf, introduced to the West during the Crusades, which also shaped institutions like the University of Oxford.

Application of Cash Waqf in Modern Finance

Cash Awqaf can be effectively operationalized through four major Islamic financial instruments:

1. Mudarabah – Profit and loss sharing.
2. Musharaka – Equity-based partnership.
3. Musharaka Muthanaqasa – Diminishing partnership.
4. Sukūk – Islamic bonds or certificates.

These models can be scaled using blockchain-enabled ICOs (Initial Coin Offerings) to pool funds from global investors. Islamic banks would play a central role, though a shift from commonly used Murabahah (cost-plus sale) to Mudarabah is essential for interest-free compliance. This transition demands close institutional cooperation, which is currently lacking.

Hence, institutions like the Islamic Development Bank (IDB) and the Islamic Research and Training Institute (IRTI) must take the lead in formulating enabling policies. A pragmatic solution to management inefficiencies is to create autonomous Mudarabah companies or specialized associated companies, which manage Waqf-based investments independently. To further secure performance and mitigate risk, Takaful (Islamic insurance) mechanisms should be developed in parallel.

CONCLUSION

History, once again, serves as a guiding framework. As highlighted earlier, the Ottoman Empire provides a remarkable precedent, where 81% of Cash Waqf in Bursa sustained for over a century.¹² This longevity stemmed from effective capital pooling strategies on both the supply and demand sides. However, challenges persisted. The Ottoman practice often disguised *riba* (interest) under alternative terms like *Istighlal*, and a more critical issue was the lack of capital accumulation. Many modern economists assert that Ottoman-era Cash Waqf functioned more as a mechanism for redistributing wealth than for generating sustained capital growth.

Drawing on these lessons, modern economies such as India's must approach the development of Cash Waqf with enhanced financial and regulatory foresight. The key is to institutionalize Mudarabah as the foundational contract, supported by policy frameworks from IDB and IRTI. By doing so, even a modern secular state like India could achieve what a powerful Islamic empire could not fully realize: a Waqf-based model that balances social welfare with financial sustainability.

Successful contemporary examples reinforce this possibility. The Vehbi Koç Foundation in Türkiye¹³ and Tabung Haji in Malaysia¹⁴ demonstrate how modern institutions can integrate Islamic finance principles for long-term impact. Such models, if adapted and scaled in India, could revolutionize national economic planning.

Assuming appropriate reforms are undertaken, a revitalized Waqf system could significantly address one of the most pressing concerns of modern economies: the budget deficit. By reducing government dependence on borrowing, it would help mitigate the crowding-out effect, lower interest rates, and stimulate private investment and growth. Moreover, Waqf would fulfill its Islamic economic purpose—providing essential public services without state expenditure, ultimately helping the government control interest burdens.

It is for these reasons that Waqf is revered as the bedrock of Muslim civilization, celebrated by historians, economists, and political scientists alike. Today, interdisciplinary research by political economists and scholars is crucial to unlock its enormous potential. The revival and reform of Waqf in India may well serve as a transformative model for the Muslim world and beyond.

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