

Economics of Charity in Islam: A Critical Review

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Abstract: This paper aims to theoretically investigate how Islamic charity addresses the issue of inequality and economic development in Muslim-majority nations. This paper, therefore, is a critical review of the literature on the subject, using content analysis and an inductive approach to achieve the aims. The evidence suggests that charity appears to be a viable Islamic integrated funding source that could assist several Muslim-majority nations with their economic development challenges. This paper has argued that, with the growing importance of the voluntary sector, there is still much work to be done in developing economic theories of charity.

Keywords: Charity, Islamic Economics, Islamic Finance, Moral Values, Economic Development, Muslim-Majority Nations.

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INTRODUCTION

The concept of charity is one of the greatest forces to unleash human energies and transform them into civilized actions, where this idea can unleash the energies of many connotations, meanings, and values and transform them into civilized actions that give rise to sustainable development functions and institutions. The charity aims to foster a certain level of social solidarity among society's citizens. Charity addresses the toughest and most selfish desires of human desires, which is the instinct for love of possession, and turns it into a sincere desire for unlimited giving, and by releasing this energy from which multiple civilizational events emerge, as money is the foundation upon which different civilizational activities are built and which continue through securing and ensuring its continuity. (Aref, 2008, pp. 20-21). The charity increases investment, which is the main reason for the economic development process through its role in creating an attractive environment for investment, stimulating internal and external trade, and developing human resources that increase productivity, providing infrastructure and public services, which reduces investment costs and attracts new investments. (Ammar, 2013)

The idea of charity has also managed to create the guarantor foundation for transforming ideas into continuous civilized actions, transforming dreams into civilizational institutions that benefit present and future generations, and keeping cultural endowment institutions in historical moments that were less prosperous (Aref, 2008, p. 21). No institution throughout history has been able to achieve this type of sustainability, continuity, and survival of values even if the economic and social conditions of its existence change except for the endowment foundation. (Aref, 2008, p. 23) The charity was also able to ensure that the condition of sufficiency in the duties of competencies is continuously fulfilled, that the basic functions of society are maintained, and that the highest values of the human community are achieved. The charity is the main supporter and main financier of civil society institutions and their dependence on the conduct of state affairs alongside government institutions, and this explains the strength, continuity, and progress of Islamic civilization in different eras.

The idea of charity managed to keep the cultural charity institutions in historical moments less prosperous. The charity has also been able to create a guaranteed basis for transforming ideas into civilized and continuous actions and turning dreams into civilizational institutions. Charity is a guide to civilization and the essence of the concept of civilized sustainability. Charity arises when society reaches the moments of civilization and the transition of humans from focusing on thinking about the necessary needs to caring for perfection and improvement. Charity has recently become a third economic sector and an important number in the economic equation, as it stimulates the economy and contributes to remedying some economic problems.



The focus of this research is a review of Islamic charity literature, with an emphasis on some of the fundamental issues concerning its application in the real world. The study attempts to highlight the role of charity in economic and social development through the ages, and the possibility of benefiting from this role in achieving economic development in several Muslim-majority nations, by studying the role of charity in treating some economic problems such as unemployment, poverty, the state's public budget deficit, and the redistribution of income and wealth for the benefit of the poor, in addition to studying the historical development of charity in Muslim-majority nations and the reasons for their prosperity and decline, and the factors affecting the charity movement, and identifying the most important problems and challenges facing the charity development in Muslim-majority nations, and ways to develop the charity to play its historical role and contribute to the process of economic development.

Charity is an important component of Islamic economics and plays a key role in economic development. Several Muslim-majority nations suffer from several economic and social problems, which hinder economic development efforts and their increasing cost, especially with the growing and persistent deficit in the public budget. This requires searching for alternatives to finance economic development efforts in it outside the state budget. Charity comes at the forefront of these alternatives, and then the study aims to identify how to use charity as a free, continuous, and renewable resource in treating some economic problems and contributing to achieving development.

This paper attempts to study the issue of charity as it represents an essential component of Islamic financing for setting up projects, providing bids, and preserving the Islamic identity. This study, therefore, set out to assess the effect of using charity as a tool for economic and social development and its role in treating some economic problems such as treating the problem of unemployment, poverty, and the deficit of the state's public budget.

The importance of the study is due to highlighting the role of charity (the charitable sector) as a third sector in the economy alongside the public and private sectors, which can contribute to achieving economic development, whether directly or indirectly, by referring to its historical and perceived role. In addition to shedding light on the Islamic endowment as it is an essential source of Islamic financing for charitable projects, civil society institutions, and public benefit. In addition to identifying problems of charity in Muslim-majority nations, and ways of developing charity to fulfill its perceived role in economic development.

There may be some possible limitations in this study. lack of data was a major constraint; the charity sector in Muslim-majority nations suffers from the lack of a database or accurate statistics on the size and development of the charity. The second limitation concerns the role of charity in economic life. This role



is an indirect and multi-impact where it is not possible to identify specifically the economic effects of the development of the size of the charity or its revenue or a specific endowment project on economic life. Therefore, the research merely gave a brief analytical overview of the development of charity in Muslim-majority nations and the factors affecting them in light of available data and information on charity in Muslim-majority nations.

The main question of the study is what role can the charity play in treating some contemporary economic problems and achieving economic development in Muslim-majority nations? To answer this question, the study used a qualitative approach as part of exploratory studies to investigate a concept and phenomenon. The qualitative research approach relates to the gathering of data about phenomena, and events.

Given the various ways in which charity can contribute to addressing social issues and promoting economic growth, this study aims to propose a framework for revitalizing charitable efforts and leveraging them to tackle persistent problems. The proposed framework involves streamlining charitable procedures to remove barriers for potential donors and engaging Imams to encourage charitable giving. It is important to consistently raise awareness about the role of charity by highlighting the great reward that comes with charitable acts in the Hereafter. Collecting ongoing charitable donations will allow members of society to contribute to development projects, thereby increasing the charitable sector's impact and promoting a culture of charity. This, in turn, can help to address numerous economic and social challenges. By implementing these strategies, we can maximize the impact of charity in addressing pressing social issues. This study is anticipated to assist researchers interested in the Islamic economy by providing a critical review of what has been done in the charity sector. As a result, it opens new opportunities for researchers to create new innovative forms of the charitable sector to address socioeconomic issues in Muslim-majority nations.

1. CHARITY IN ISLAM

Charity is praised in the Quran and Hadith as the most honorable way to spend one's wealth for the sake of Allah. Despite its common usage, charity is used in different disciplines to mean different connotations. In the field of Islamic economy, charity is used not only for spiritual purification but also to build socioeconomic sustainability and social reforms that result in the well-being of an individual and society in this world and hereafter.

Charity is a voluntary work that carries out part of the income and wealth of the rich in favor of the poor classes today and in the future. Charity is a



productive wealth that is placed in an investment field in the manner of perpetuation (Kahf, 2001, p. 12). As it works to transfer money from consumption to investment, it provides financial resources to carry out service development projects that contribute to economic development.

Charity and altruism appear to be inextricably linked. Altruism can be identified by looking at purportedly “altruistic” behavior. A distinction must be made between the acts we observe and the internal state because an altruistic act can have multiple motivations. Being altruistic can create a desire to help others, but the decision to act is made after considering the agent’s constraints (Alchian, 1973).

The idea of charity is a multidimensional concept. It links a nation’s prosperity and continuity to competition, transparency, and morally responsible behavior for the sake of prosperity and economic progress. As previously stated, both the Quran and the Prophet Muhammad’s words (Hadith) contain encouragement to make charitable donations, including the following:

“Who believe in the unseen, establish prayer, and spend out of what We have provided for them, and who believe in what has been revealed to you, [O Muhammad], and what was revealed before you, and of the Hereafter, they are certain [in faith]. Al-Baqarah 2:3-4

“And spend [in the way of Allah from what We have provided you before death approaches one of you and he says, “My Lord if only You would delay me for a brief term so I would give Sadaqah from my wealth and be among the righteous”. Al-Munafiqun 63:10

“Never will you attain the good [reward] until you spend [in the way of Allah] from that which you love. And whatever you spend - indeed, Allah is Knowing of it” 63. Āl ‘Imrān 3:92

According to the Hadith of the Prophet Muhammad:

“When a man dies, his acts come to an end, but three, recurring charity, or knowledge (by which people) benefit, or a pious son, who prays for him (for the deceased)”. (Sahih Muslim, Number 1631).

Said bin Abu Burda reported on the authority of his grandfather that the Messenger of Allah said: “Giving of Sadaqa is essential for every Muslim. It was said (to him): What do you say of him who does not find (the means) to do so? He said: Let him work with both his hands, thus doing benefit to himself and giving Sadaqa. It was said to him: What about him who does not have (the means) to do so? He said: Then let him assist the needy, the aggrieved. It was said: What do you say of one who cannot even do this? He said: Then he should enjoin what is reputable or what is good. He said: What about him if



he cannot do that? He (the Holy Prophet) said: He should then abstain from evil, for verify that is Sadaqa on his behalf".

A notable example of charity, as a business with Allah, is the financing of health and education. In the past and recent years, the charity has played an important role in health and education spending in many countries. Muslims were racing to endow mosques, schools, universities, libraries, places for children's education, and copying books until the Islamic civilization became famous for huge libraries since ancient times (Saati, 1996 AD, p. 191) and the charity was not limited to only the construction and management of buildings, but it includes everything that students and teachers need of housing, food, clothing, pens, books, libraries, health care, etc., this is what made the charity is an important source of funding for education. (Malawi, 2009, p. 16). There is no doubt about the importance of education in the economic development process, as studies indicate that education stimulates individual income in a variety of cases and the size of the return from education varies according to the conditions of time and space, and it is difficult to achieve high rates of economic development considering illiteracy spread among the population. (United Nations, Summary Report, 2003, pp. 5-6).

This distinction is further exemplified in the financing of health. Investing in health is an investment in human and economic development, as healthy development increases productivity, productive life, and the ability of individuals to work, and therefore international institutions advise developing countries to invest at least 15% of their national budget in the health sector (United Nations, 2011, p. 1). The endowment has borne the burdens of health in the Islamic nation through different eras. As the endowments covered aspects of economic and social life. Considering what Muslim-majority nations and developing countries suffer from, the charity stands out to play its historical role in spending on health institutions, by spending on establishing hospitals and healthcare homes and providing free treatment to those in need, which was already achieved in the early ages of Islam (Malawi, 2009, p. 16).

The level of economic growth and performance is affected by the prevailing social, political, and cultural factors in society, as the economic activity takes place within the framework of these (Hussein, 1985, p. 185). The prevailing systems and cultural patterns of society exert an indirect influence on the economic factors that interact in determining the level of economic growth (Shafi'i, D.T., p. 48). Cultural and social factors may bear many obstacles to economic development, especially about the beliefs, customs, and traditions that are inherent in the rural personality and resist social change. (Hussein, 1985, pp. 161-172). Therefore, achieving economic development may require a change in the prevailing systems and cultural structure of society. (Shafi'i, D.T., p. 49). When examining the most important factors affecting the cultural and social level, we



find nothing but education. Hence, the role of charity in the positive influence on the cultural and social level and the diffusion of science and culture are highlighted through mosques, schools, libraries, and universities.

1.1. Value-Free Economics

A moral economy is an economy focused on morality, honesty, and justice as opposed to one where it is believed that the market is exempt from such concerns. (Thompson, Edward P, 1991). The issue of value-free economics has been a controversial and much-disputed subject within the field of economics. Most economists, however, would acknowledge that the claim of an economic theory free of values is critical in establishing the discipline's scientific nature. (Coddington 1972, Gordon 1977, Samuels 1977, Sugden 1981, Colander 1994). A positive, value-free economics is widely regarded as the ideal, in the sense that it does not rely on any set of value judgments or any philosophical or psychological framework. A moral issue is a challenge not only because the technical aspects are considered but also because moral principles are considered. Islamic financial institutions must foster a supportive atmosphere of strategic collaboration between Islamic charitable foundations and corporate entities to activate the corporate social responsibility of the business organizations.

Moving on now to consider political stability and social security. Political and social stability is one of the most important components of economic development, and the endowment works in many areas of interest to the poor and middle classes, which works to achieve political stability and social security through its role in redistributing income and wealth between the poor and the rich and among different generations, and achieving the principle of social solidarity, and achieving the principle of altruism, by providing many general social goods and services for all members of society such as education, health, security, housing ... etc., which has a direct impact on the segments of society. (Al-Banna, 2009, p. 663) which promotes a spirit of cooperation and love among citizens, reducing hatred and sedition, which arises as a result of the disparity in the distribution of incomes and wealth among classes of society, which reduces political turmoil resulting from a feeling of class inequality and societal injustice. (Arjaoui, 1997, p. 28).

As was pointed out in the introduction to this paper, the endowment historically represented the best compensation for the state's failure to provide the basic needs of society, which has often made it a protective shield from the revolution over political power. Some countries have attempted to replace the endowment system with Non-governmental organizations (NGOs), but they have not been able to compensate for the role the charity was playing (Al-Subaihi, 2012, p. 2).

Charity reduces the economic cost of daily life for individuals within so-



ciety, which increases the real average wage of prevailing wages. This leads to a decrease in the degree of feeling of poverty and destitution and thus reduces the demand of workers to increase wages, which lowers production costs and enhances opportunities for competition and expansion of production capacity which is reflected in the form of increased demand for labor and reducing the problem of unemployment.

These experiments illustrate that charity has distinct functions in helping the poor meet their basic needs, especially the needs that maximize their ability and motivate them to participate in effective social participation based on themselves and their capabilities, which helps the poor to develop their capabilities and overcome the conditions that imposed on them the state of social marginalization (Al-Banna, 2009, pp. 670-671). Another example of this is the role of charity in caring for the poor and orphans and reducing the cost of independency: The high dependency ratio of poor families is one of the most important causes of poverty, as poverty is usually associated with families with large numbers of children and orphan families, and women-headed families (Pronk 1994, p.62). The endowment works to alleviate the suffering of these families either directly through redistribution of the endowed charity revenues allocated to spend on the poor, (Al-Banna, 2009, p. 671) or indirectly using public services and projects that endowments provide, such as health services and free education for their children in schools and universities established by endowments.

Overall, these cases support the view that charity opens the way for community members to choose projects that suit their needs and aspirations developmental. Public participation is a basic principle in planning for economic and social development, and there is no doubt that the development plans and programs are truly reflective of the aspirations and hopes of all segments of society (Al-Darsh, DT, p. 5) to achieve cooperation and harmony that helps the development process succeed. Regime shedding leads to a low rate of public participation in political and economic life, and a widespread lack of confidence among members of society in the development programs provided by the government, which negatively affects the success of the development process (Qanous, 1999, 158).

2. ECONOMICS OF WAQF: THE ENDOWMENT EFFECT

Historically, the concept of endowment existed before the advent of Islam. Similar ideas were found and worked on by previous systems and laws on Islam, even if it was not named by this name. And managing its affairs, just as the Grand Mosque and Al-Aqsa Mosque were standing before Islam on such an idea, and this can only be conceived as in the meaning of the endowment, as the Romans and Germanic knew similar ideas of the endowment, whether



in terms of idea or structure. (Imam, 1996, p. 144) However, Islam was the first to put it in an organized legislative framework, and the endowment in Islam was not limited to the temples and rituals but rather extended to the social, economic, military, and other aspects. The endowment acquires its legitimacy with the texts of evidence from the Quran and Sunnah, and the Companions and the scholars of the nation agreed that it is permissible. An endowment is a permissible contract that is not required by some jurists, it is necessary for others (Ibn Abidin, 2003, p. 520).

The singular Waqf and plural Awakaf in Arabic mean to stop, preserve, or contain. (Shukor, Anwar, Aziz, & Sabri, 2017a). Several definitions of endowment have been proposed. According to Sayid Sabiq, Waqf means to hold the property and give benefit in the way of Allah (Sabiq, 2006: 423). It comes in the sense of imprisonment, prevention, and reasoning, and each of these terms revolves around one basic concept which is that the endowment means to hold and imprison the property, not disposing of it, and benefiting from a specific class of its revenues over time in legitimate and organized ways (Al-Basuony, 2014, p. 28).

2.1. Implication of Endowment in the Society

Several motives for the endowment differ in their impact according to the conditions of time and place and according to the economic, social, and political conditions and the extent of religious and ideological commitment. Some resort to using the Waqf to achieve some economic gain, or to protect from the dangers of political volatility.

There are many factors affecting the size and development of endowments such as the level of religious and ideological commitment, the size of the population and the level of economic growth, the level of income and wealth and the forms of their distribution, the extent of trust of the endowment owners of the institutions based on the endowment, and the policy of the ruling authority towards the endowment is one of the most important factors affecting the size and development of endowments. In addition, the endowment's success depends to a large extent on the independence of its administration from the government, so that the endowment administrator can implement the conditions of the endowment to meet the interests of the endowment. And that the success of the endowment is at the forefront of the Islamic state, due to the conviction of the person who owned the endowment that what he spends on the endowment is a trade with God and seeking reward from God alone.

The problem of insufficient funding for development and the weak rates of capital accumulation are among the most prominent obstacles to economic development in several developing countries. The development process needs to achieve high rates of capital accumulation in addition to the most efficient



use of available savings (Al Kafri, 2018). The endowment increases the capital accumulation and preserves the existing capital assets by increasing the accumulation of productive capital allocated to charitable work in society, by creating new endowments and preserving and maintaining existing endowment funds from converting to any other use (Abul Hassan, 2010, p312). The endowment works to preserve the existing capital assets and prevent the transfer of the suspended capital to another non-productive activity and allocate part of the endowment's revenue for its maintenance or increase in its origin, whether that was required or not required (Kahf, 2001, p. 13). The Islamic endowment contributes to addressing many economic problems, including the problem of unemployment, poverty, and the treatment of the state's public budget deficit, and this can be explained as follows:

2.1.1 Financing of Poverty Alleviation Programs

The various forms of charity contribute to treating the problem of poverty through their role in treating its causes and working to change the economic and social characteristics of the poor. The endowment works to combat poverty in several aspects, the most important are the following:

- The role of the endowment in the treatment of the unemployment problem: thus, part of the unemployed poor get out of poverty once and for all by turning them from unproductive individuals suffering from poverty and unemployment into productive individuals who add to the national product and provides a permanent source of income for them instead of being recipient subsidies. The importance of this role is because it works to exploit the most important production resource available to all members of society (Youssef, 2010, p. 102).

- The role of the endowment in improving the ability of the poor to earn, through the following points:

- Ensure the burden of education for poor families, as the prevalence of ignorance, illiteracy, and limited culture is one of the most important causes of poor efficiency and low productivity and income.

- Improving the health status of the poor, as poor people suffer from the spread of diseases and epidemics, low health levels, and lack of food and medicine, which leads to the spread of poverty and low productivity and reduces the number of working hours, which is a waste of human resources and a reduction in the role of human capital in the production process (Hamed Abdullah, 1993 AD, p. 254). The endowment contributes to reducing poverty through its role in spending on the health sector, and tackling undernutrition through the endowment for the establishment of hospices and wells (Farhat, 2009, pp. 308-309)



- **Facilitating access to credit:** One of the most important obstacles facing the poor in their endeavor to get rid of poverty is the difficulty in obtaining credit, whether from a formal or informal institution (Abu Al-Anin, 2004, p. 116). Many obstacles in the case of financing projects for the poor are either due to inadequate conditions for lending, or because of their poor financial collateral and high level of risk, so that they lend to them at high-interest rates, or because financial institutions prefer financing large businessmen with large projects and strong collateral (Al-Beltagy, DT, pp. 141-144). Here, the endowment's role in progress stands out this service is carried out in cooperation with other Islamic financial instruments and spending on the bank of debtors, which reduces the degree of risk so institutions accept to lend to them and finance their projects, or to create endowments whose returns are used to supply the poor with the tools of the profession that they are good at or to provide good loans and assistance to small entrepreneurs.

- **Reducing risks and increasing the capital accumulation of the poor;** one of the economic characteristics of the poor is avoiding taking risks and rejecting everything new. The poor prefer to work in the government sector even if it is less income, in addition to simulation in their consumption behavior, (Youssef, D., p. 15). It leads to a lower marginal propensity to save for poor families and lowers their share of capital accumulation and fixed assets. An endowment is a tool of social solidarity for members of society, and its mechanism to secure the poor against the dangers of the purchasing power parity of their income, and a major component of the Islamic strategy to reduce poverty.

- **The role of the endowment in raising technical and skill efficiency:** The phenomenon of poverty in developing countries is closely related to the problem of low productivity (Pronk, 1994, p. 65) as the productivity of workers in poor countries is low compared to rich countries due to the low quality of labor in terms of level education, health, and food (Hamdi Abdel-Azim, 2000, pp. 96-98) where the productivity of the worker in the OECD countries (high income) in 2006 was four times the productivity in developing countries, and about 18 times the productivity in the least developed countries, measured in fixed dollars and adjusted with purchasing power parity of International Labour. The importance of the endowment here is meeting these needs. The endowment can contribute to the establishment of training centers for different professions, or support and establishment of industrial and agricultural technical education schools, which increases the efficiency of workers and increases job opportunities and reduces poverty.

2.1.2. Financing of Employment Programs

The great task of Islamic political economy is to devise a production mechanism that not only is efficient and addresses issues of unemployment and inflation, but also addresses the problem of distribution. The problem of



unemployment in Egypt, for example, is due to many internal and external factors, and the endowment contributes to treating it either directly or indirectly through what the endowment provides for job opportunities for those in charge of the endowment institution and the institutions that the endowment is creating (Mansour, D.T. 2015, p. 115), or indirectly through the impact of endowment on economic life, as the endowment stimulates the economic climate, and increases aggregate demand (consumer and investment expenditure), as the spread of endowments increases the consumer demand by redistributing income and wealth for the benefit of the poor classes. When the wealthy endow some of their money in favor of the poor classes, whether directly, such as endowment for the poor and the needy, or indirectly, such as endowment for the institutions that serve the poor classes, such as health, educational and other institutions which leads to a reduction in the burdens of living conditions of the poor classes, and provides them with a portion of the financial resources available to them, directing them to consumer activity, as it is known that the marginal propensity to consume of poor classes is greater than the marginal propensity to consume wealthy classes (Naguib, 2001, p. 137). In addition to the spread of endowments and their coverage of a large number of aspects of economic and social life, alleviates the pressure on the state's public budget, and reduces the financial needs of the state, which works to provide a portion of its financial revenues that could be directed to the benefit of the poor classes in the form of support or additional services, or reducing taxes and fees for citizens, and this leads to an increase in consumer demand and overall demand in general, (Mansour, D.2015. P. 116), which leads to the revitalization of the production system, the increase in the demand for labor, the increase in incomes, and the increase in aggregate demand again.

The endowment also increases the accumulation of productive capital allocated to charitable work in society, the expansion of productive capacity through the constant call to establish new endowments, and the preservation and maintenance of existing endowment funds from switching to any other use (Kahf, 1998, p8). The endowment is a productive wealth that is placed in an investment field as a matter of perpetuity. It is forbidden to sell or stop it from working. It must be invested, maintained, and preserved in its productive capacity. It is a cumulative investment that is increasing day by day that includes the endowments created by previous generations. In addition to the endowments that will be created by the present and future generations, (Kahf, 2001, p. 12). This works to increase the demand for labor and provide many job opportunities.

The endowment can also contribute to reducing unemployment through its role in supporting small entrepreneurs, by establishing endowments aimed at supporting them, whether by providing tools for the profession or trade, or good loans. The endowment also worked to reduce unemployment through



its role in stimulating internal and external trade, by providing many services that encourage trade, such as building roads, bridges, and wells, and providing many free services to traders, which encouraged them to carry out their activities and create new markets. (Mansour DT 2015, p. 122). This has worked to provide job opportunities, either directly by increasing the number of workers in the commercial field, or indirectly by providing some advantages for producers, which encourages them to increase their activity and absorb new numbers of workers, such as the expansion of markets in front of their products, obtaining production requirements at the lowest cost, and taking advantage of specialization and division of labor in improving quality and reducing production costs.

On the other hand, one of the most important contributions of the Islamic Endowment in treating the problem of unemployment is the endowment provided by institutions and activities that work to raise the efficiency of the human element and improve the quality of the workforce in society (Al-Zawawi, 2004, p. 164) through its role in establishing schools, institutes, and universities, Libraries, books, and the care of science students and their affiliates, which improves the quality of the workforce in society and increases its capacity for production, innovation, and creativity (Saati 1996, p. 191)

The endowment can also play an auxiliary role in economic policies to treat the problem of unemployment, as there is no conflict between their goals, which makes the endowment valuable contributions that work to implement and achieve the goals of economic policies interested in treating unemployment, which qualifies the endowment to play an important role in this area, especially since the endowment has a great role throughout history in Islamic civilization, and it has recently become an important figure in the economic equation, which proves its ability to finance activities that contribute to addressing some economic problems, including unemployment, poverty, and the budget deficit.

2.1.3. Financing of the Budget Deficit

The endowment has many contributions to reducing the state's public budget deficit through its role in treating the causes of the deficit, its role in reducing public expenditures, providing public goods and services to citizens, and limiting government activities and expenditures to producing the necessary goods, in addition to its role In increasing public revenues through its role in stimulating economic activity, the role of the endowment in treating the budget deficit can be identified through the following:

The endowment is one of the resources of a special nature that distinguishes it from the rest of public revenues, as it is a form of voluntary and sustainable grants (financial spending) for the public benefit, which is based on the complete freedom of the endowment and the extent of his conviction to endow part



of his property in favor of a specific category (Al-Mutairi, 2008, P. 45). This explains the indirect relationship between the endowment and the public budget, as it is not the authority of governments to reduce the budget deficit by directly exploiting the endowment resources, but this is done indirectly without being planned by the financial authorities. (Hassouna, 2006, p. 12). The relationship between the endowment and the public budget is an integration relationship and not contradictory. To the extent that the endowment contributes to the various activities, that bear its burdens on the public budget, the public budget deficit decreases, as a result of the fulfillment of basic needs that were burdening the public budget. (Hassouna, 2006, p. 15)

One of the most important causes of the public budget deficit in any country is the growing growth in its public expenditures and the inability to reduce it, and the widening gap between public expenditures and revenues, especially since most of these expenditures are focused on consumer aspects. The role of the endowment in reducing public spending can be identified as follows:

- Restricting the government's activities and expenditures to produce the necessary public goods as far as their expected resources allow: This forms the root of the Islamic economic system, as endowment institutions throughout history have produced quite a few commodities currently produced by the public sector in many countries, which has alleviated relying on the public budget, (Hassouna, 2006, p. 27).

- The contributions that the endowment can make in the field of education and health, social solidarity, and military expenditure. The endowment throughout history bears the burdens of education and health in Islamic civilization until the beginning of the modern era, it also had a prominent role in achieving social solidarity among members of society, in addition to its role in military expenditure through endowments for building forts, endowments for weapons, orchards, and equip armies. (Al-Sadhan, 2006, p. 27)

- The role of the endowment in limiting the increase in payments of wages and salaries. Endowments work to achieve a kind of social solidarity between members of society, by meeting many of the basic needs of disadvantaged groups, (Al-Saad, 2005, p. 138) and redistributing income and wealth in favor of the poor classes. , (Tufail, 1420 AH, p. 1216) and providing many public goods and free services to workers in different institutions (Al-Sadhan, 2006, pp. 37-38) This works to reduce the economic cost of daily life for individuals, which leads to raising real wages, and then reducing the degree of feeling of poverty and destitution, which works to reduce the increase in wages and salaries item for government workers and the public sector and reduce the budget deficit.

The endowment indirectly contributes to increasing the public revenues of the state through the impact of the endowment on economic life, and this can



be identified as follows:

- Increasing tax revenue by increasing employment for the workforce: where the endowment creates new job opportunities, either directly by providing many job opportunities for those in charge of the endowment system, the institutions that the endowment creates, or indirectly through the impact of the endowment on economic life, which stimulate the economic climate, increase investment spending, increase capital accumulation, and expand production capacity which increases the income tax revenue.

- Increasing the proceeds of taxes on profits: As the endowments indirectly increase the consumer demand of the society as a result of redistributing income in favor of the poor, which increases the demand for the products of the investment sector, in addition to the facilities and services provided to the investment sector, which works to increase investment expenditure, capital accumulation, expansion of investment projects, increase profits, and thus increase the tax revenue on capital gains.

- Increasing the proceeds of customs taxes: The Waqf indirectly stimulates internal and external trade (Al-Husseini Ammar, 2013), which leads to an increase in trade exchange between different countries and regions, which increases the revenue from customs taxes.

- Increase the profits of the public sector: As the public sector, like all sectors in society, benefits from the services provided by the endowment, whether directly or indirectly, as a result of the free endowment services that benefit workers in this sector such as education, health, etc., which increases their level of efficiency professional and their real wages rates, which is reflected in reducing production costs to increase profits or reduce losses, and as the public sector belongs to the state, this reduces expenditures or increases revenue in the budget, thus reducing the budget deficit.

2.1.4. Financing of Economic Development

The endowment has many contributions to overcoming the obstacles and problems of economic development. Endowment contributes to meeting basic needs and remedying the deviation of productive structures, as the endowment redistributes income for the benefit of the poor classes, and this is what drives the productive structures towards the production of goods that meet the basic needs of most members of society. Endowments also contribute through free services and infrastructure projects. This results in reducing the production costs of local products (Al-Farran, 2009, p. 121). This enhances competitiveness, reduces imports, and supports exports of different commodities, which diversifies the export basket and reduces fluctuations in export earnings and foreign exchange, and achieves economic stability. in addition, to eliminating technical



dependency, as developing countries, including Egypt, suffer from the intransigence of developed countries and their obstruction to transferring new technology to developing countries. The technology produced in developed countries does not reflect the real needs of developing countries as it was designed to conform to the needs of developed countries, which makes them very expensive for poor countries, reduces their benefit and creates a state of economic and technical dependency (Al-Shukairy, 1408 AH, P. 24). Therefore, the importance of using the endowment in financing research and training operations and discovering the new technology that is appropriate to the circumstances and needs of developing countries, and works to move the wheel of development, and get rid of the economic and technical dependence of the West, and the endowment had previously made significant contributions to spending on science and scientists in their discoveries, research and trips Scientific, where the endowment was a source of funding for scientific research by providing decent living for scientists and researchers of different directions, and providing salaries and financial allocations for spending on them and bearing the cost of the housing, clothing, food and drink they need (Saleh, 1997, p. 10).

The effectiveness of the endowment technique has been exemplified in the financing of infrastructure. The historical role of the Waqf stands out as an effective system in setting up such projects, as endowments have spread throughout the ages to mosques, schools, hospitals, and universities, to construct roads, bridges, arches, wells, and establish and operate a beacon to guide ships. (Farran, 2009, p. 121). This is what qualifies the endowment to do the job in the event of revitalization.

CONCLUSIONS AND POLICY IMPLICATIONS

The research aimed to identify the role that the charity can play in treating some economic problems and achieving economic development. The research reached results and recommendations, the most important are the following:

Conclusions

Several issues have arisen as a result of governments in majority-Muslims countries controlling the majority of the charitable sectors, including the abolition of civil endowments, administrative corruption, lack of a database or accurate statistics, and weak protection over endowment properties, a large number of disputes and attacks on them, the lack of proportionality between the nature of the current government administration and the feature of independence and decentralization of the endowments, and the high costs of endowment and the low ability of the community to endow, the absence of a database or accurate



statistics on the size and development of endowments, the subjection of endowments to serve the objectives of the ruling authority, the non-economic management of endowment assets.

Charity throughout history contributed to the treatment of many economic problems such as unemployment, poverty, and the deficit of the state budget through the positive effects of the endowment on economic and social life. The endowment has a positive role in treating the problems facing economic development and providing the preconditions and basic requirements for it, and this is what qualifies it to play a role in this field, especially with its zero cost.

Charity plays an indirect role in alleviating the financial burdens imposed on the state by contributing to spending on satisfying public needs such as building schools, hospitals, places of worship, social solidarity... etc. Spending on these projects provides a portion of the state's financial resources for use in spending on other development projects.

The subordination of endowments to serve the objectives of the ruling authority weakened the endowment system, so endowments must be freed from the control of the ruling authority, by providing for the fortification and endowment in the constitution.

Policy Implications

The findings of my paper have considerable managerial implications, including the following:

Attention must be paid to studying the charity sector in Muslim-majority nations, how it is used and its impact on economic and social life, and its vital role in treating some contemporary economic problems and achieving economic development.

Recovering all the endowments that have been confiscated by the government, and the responsibility for this is the Ministry of Endowments, which must be the first to demand the restoration of their properties, in addition to adequate compensation for the proceeds of these endowments in the previous period.

Reconsidering the law prohibiting civil endowments and trying to reform its system by what is decided by Islamic law, the responsibility for this is the parliament.

Combating corruption, weak protection, and frequent attacks on endowment assets, and this can be done by removing the endowments from the government bureaucracy department by opening the way for individual and collective administration supported by judicial supervision, in addition to issuing



laws to fortify the properties of endowments and criminalizing all the attacks that occur.

The problem of inconsistency between the nature of the current charity management with the feature of independence and decentralization that characterized the endowments can be overcome by allowing the emergence of multiple forms of endowment management systems instead of being limited to the central government style. Patterns of endowment management should be reconsidered and supported by judicial supervision, government administration, and endowment management through the boards of directors of some NGOs, and it is suggested that the field be left to the Waqf to choose the management style that obtains its confidence and achieves the goal of the endowment.

It is also possible to overcome the problem of the high costs of endowment projects and the low ability of members of the community to endow by finding new ways of financing endowments that depend on the permissibility of a collective or joint endowment by collecting ongoing charities and converting them into a large endowment. Examples include the idea of endowment funds and endowment instruments which includes endowment stocks, and endowment bonds such as endowment participation bonds, in addition to the great role that charities can play in this field.

Civil society organizations can contribute to the civil revival of the endowment through their role in rebuilding trust in the endowment system, providing those who wish to endow with full information about the different needs and priorities of society, and informing public opinion about the role the endowment plays in society, and it can also play an important role in distributing endowment rents to targeted groups like the poor.

The non-economic management of charity assets is one of the problems of the endowment in Muslim-majority nations. Therefore, it is necessary to separate the economic and the social aspect of the endowments, even though the social aspect may be the goal of the endowment.

Addressing the causes of the decline in the processes of charity in several Muslim-majority nations in the modern era by working to correct the distorted mental image of most of society about the endowment, such as its decline in some activities such as mosques and correcting the mental image of the state's role in economic and social life. In addition, carrying out awareness campaigns aimed at raising the level of charity culture, and facilitating procedures for establishing and documenting charity.



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