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## **A Look to The Ottoman Cash Waqfs As Altruistic Finance Model**

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### ***ABSTRACT***

Although the waqfs have existed with the history of humanity and are useful in all societies, they had different role and place in Islamic societies. The waqfs have made institutionalized cooperation and solidarity among people. Especially in Islamic societies, great importance has been attached to waqfs. The waqfs that helped institutionalize the concept of infaq met many needs of the community. One of the Islamic states where the foundations are very active was the Ottoman Empire. The size of the waqf services in the Ottoman Empire expanded so much that, besides the human services, waqfs for injured birds and sick animals were established. The fact that the waqfs are so widespread in the state has made it possible to refer to the Ottoman Empire as a waqf civilization.

One of the waqf types operating in the Ottoman Empire was the cash waqfs (CWs) which were made up of cash in the capital. The CWs operated the cash that made up its capital with various Islamic finance methods. Revenues from the operating money were used in the direction of waqf purpose. The CWs provided the vital necessities of the society such as education and religion in the period they were active in the Ottoman Empire. Another function of these waqfs was to operate as a micro-credit mechanism. Through these waqfs, the surplus and the accumulated savings in the hands of the asset owners were made available to merchants, farmers, craftsmen, and artisans. Hence, these waqfs have served as resource transfer channels as well as functioning as a charity in the society.

The ultimate goal of CWs, which is the pioneer of modern interest-free financial institutions today, is different from these institutions. The CWs did not transfer the profits they got to the waqf founder or owner. The income obtained has been spent to fulfill the charitable services in the direction of the waqf purposes. Therefore, these institutions created Altruistic Finance Model operating within the borders of Islamic prohibitions and orders. In our study, the financial mentality of the Ottoman society in the context of the CWs and how this mentality shaped the CWs will be discussed.

***Keywords:*** Cash Waqfs, Ottoman Empire, Islamic Finance, Philanthropy, Altruistic Finance Model

***JEL classification:*** N20, G21, P45, Z12

## **1. INTRODUCTION**

The waqfs played a significant role in the fulfillment of educational, religious and infrastructure services in the Ottoman society. The Ottomans integrated the waqf system, a component of Islamic tradition, to the social, economic, cultural, and religious life successfully. The display of this success is the waqf that extends to the most remote villages. The waqfs had become widespread because they could meet the needs of society. The Ottomans institutionalized the waqfs. The economic and social aspects of institutionalized and widespread waqfs became more evident in the community. The fact that the waqfs were so broad has made it possible to define the Ottoman Empire as the civilization of waqfs.

Not just elites but ordinary Ottoman people established the waqfs. It did not have to be very wealthy to establish a waqf. The waqfs had done the services that the governments do today. So, the waqfs have alleviated the burden of the state. The waqfs financed waterways, sidewalks as an infrastructure service, madrasahs, schools, kulliyahs, libraries as an educational service, hospitals, clinics, patients as a health service, mosques, masjids, lodges as a religious service and hans, caravansaries, bazaars as a commercial service. Also, waqfs that helped the poor also had a philanthropic side. One of the waqfs with a wide range of services was the cash waqf (CW).

The main characteristic of the CWs was that the capital of the waqf was made up of cash. In general, the basic functioning of waqfs was real-estate-centered until the Ottoman period. The cash was devoted in the CWs while the devoted goods were shops, houses, vineyards, gardens. In this respect, the CWs could be considered as an innovation and contribution to the Islamic civilization by Ottomans. This study, we will examine CWs and financial mentality of Ottomans as altruistic finance model. As the backbone of the Ottoman financial system, and as the pioneer of contemporary Islamic finance practices, the role, and importance of the CWs will be more easily grasped.

In this study, the CWs were investigated through archival documents. The primary sources, waqfiyahs, were used for examination. The methods and purposes in these documents reveal the altruistic financial model. The basic principles of this system will be determined in the light of this information.

## **2. CWS AND DISCUSSIONS**

A CW is a type of waqf where all or part of the capital is made up of cash. Rental income in ordinary real estate waqf is used according to the purpose of the waqf. In the case of CWs, the cash obtained from the capital of waqf is spent in the direction of the purposes of the waqf after being operated by Islamic methods. The method of operating the cash in the CWs forms the basis of the methods that applied by today's Islamic finance institutions. For a long time, the CWs had been the source of financing for Ottoman entrepreneurs, traders, and artisans, and had been one of the determinants of the cost of borrowing in an altruistic financial system with the profit rates they had applied. On the other hand, Pamuk, who regards the CWs as interest-bearing financial institutions, interprets this as the fact that the Ottoman Empire was very flexible in practice and allowed some interest-bearing loans (2004, p. 231-233).

There is no record about the CWs before Ottomans. Hence the history of the CWs began with the Ottomans. There is no exact date for the first CW that was established. However, it is known that the first CW found in the records was founded by Yagci Haji Muslihuddin in 1423. Yagci Hadji Muslihuddin endowed 10,000 akches for this CW founded in Edirne (Mandaville, 1979, p. 290). The CWs became quite widespread after the fatwa of the Kanuni period Sheikh al-Islam, Ebussuud Efendi. The CWs spread in Europe and Anatolian regions of Ottoman Empire. It is understood that a few CWs founded even in the Arabian provinces where the society was sensitive and distant to CWs (Pamuk, 2012, p.90).

## **2.1 Religious Evidences of the CWs**

The CWs are the institutions that the Ottoman Empire contributed to Islamic civilization. The Ottomans were dependent on the Hanafi jurisprudence. Hence, the views of Hanafi mujtahid imams were critical for CWs. Despite the opposing views of Abu Hanifa, the founder of the Hanafi school, his students had allowed the establishment of waqfs and CWs. Therefore, the Ottoman ulema class took into consideration the tendencies, tradition and the views of the students of Abu Hanifa about the CWs. At this stage, the importance of historical practices in the formation of Islamic institutions is understood.

One of the most fundamental ways of understanding the views of the mujtahids and the Ottoman ulema is to examine their fatwas. An Ottoman scholar, Kemal Pasazade mentioned about the views of Hanafi mujtahids on CWs in this tractate. Imam Zufar, one of the students of Abu Hanifa, had claimed that cash, comestibles, measurable and weighable goods could be regarded as a waqf property. Moreover, Imam Muhammad, also a student of Abu Hanifa, said that if there are determined practices, the movables can be endowed. Likewise, Imam Abu Yusuf, another famous student of Abu Hanifa, also said that some of the movables could be accepted as waqf goods. As is seen from the views of mujtahids, Imam Zufar was the one who directly permitted the establishment of the CWs. Imam Zufar regarded the CWs as a need of the society. He claimed that if there is a need, it is appropriate to endow cash like wheat (Şimşek, 1986, p.216).

When we look at the views of the mujtahid imams related to the CWs, it is understood that the continuity (eternity) rule is taken in the forefront when the movables or immovable properties are endowed and that the continuity of a good as a kind can be regarded as a sufficient condition for the waqf. This situation can be expressed as follows: The continuation of the same gender of a good is considered to be the continuation of the original. The most significant obstacle related to the endowment of movables had been overcome with this view. Another evidence about the allowance of endowments of movables depends on the practices of the Prophet Muhammad (pubh) period. It is known that during the wars of Prophet (pubh) period, movables such as arms and horses were endowed. The fatwa of Abu Yusuf on the endowment of movables overlapped with this practice (Okur, 2005, p.45). As is also understood from the views of mujtahids, Ottoman ulema authorized the CWs in the direction of opinions of Imam Zufar, Abu Yusuf and Imam Muhammad.

## **2.2 Discussions of Ottoman Scholars on the CWs**

In Ottomans, the discussions on the legitimacy of the CWs started with establishment and functioning of the CWs. The views of the ulema class, which had important effects not only on the state administration but also on the social life, on the CWs had affected the role of the CWs in the society. The Ottoman society which paid utmost attention to the Islamic rules in their lives followed the views of the ulema class and the clergymen about the CWs. According to the written sources, Ibn Kemal was the first scholar to give an opinion on this subject from the Ottoman Empire. Ibn Kemal did not enter into the details of the legitimacy of the CWs. He only summarized the issue and reached a conclusion by naql. Although the date of the tractate cannot be fully determined, it can be said that Ibn Kemal is the pioneer in this issue because the debates and writings between other ulema class had been started after the death of Ibn Kemal. Ibn Kemal mentioned that there was a debate among the mujtahid imams about the establishment of the CWs. He wrote that although there were debates, the CWs had become widespread. Ibn Kemal explained that the discussions on the CWs were periodical. He also claimed that the imams who were opposed to the establishment of CWs would allow the CWs if they considered the changing conditions. Ibn Kemal took attention to the continuity condition. He said the real estate might be damaged or ruined, but this problem is not seen in the CWs (Özcan, 2000, p.32). The tractate of Ibn Kemal also affected the following ulema.

Debates on the CWs had intensified in the 16th century. In particular, two opposite views of the two-leading scholar, Ebussuud and Çivizade, are important for the understanding legitimacy of

the CWs under the Islamic fiqh. While Ebussuud looked at the CWs positively, Çivizade was very strict in this matter. Çivizade had enabled the CWs to be banned for 2-3 years with active opposition to the CWs and letter written to the Sultan. Çivizade claimed that the practices in these waqfs included interest/riba. Çivizade's views were very sharp when compared to the scholars of the time. He had been dismissed from the shaykh al-Islam task because his rejection on decisions that were agreed unanimously (Uzunçarşılı, 1988, p.155). The prohibition of a community-based institution like the CWs caused failures in charity works and wealth transfer mechanism. So many scholars objected to this ban.

One of the scholars who objected to the prohibition of the CWs was Bali Efendi. Bali Efendi witnessed troubles in the society because of the CW ban. The needs of mosques, masjids, madrasahs, schools were not met during the ban. Also, the confusion of philanthropists caused a disruption in charity works. The Bali Efendi expressed the negative influences of the ban in the letters he wrote. He wrote one of these letters to the Sultan of the time. The letters of Bali Efendi are important because of the understanding of the place of the CWs in society and the pieces of evidence and views that provide legality for the CWs. (Özcan, 1999, p.217). Ottoman scholars positively looked at CWs from past practices. Alongside all the positive sides, there were also scholars who strongly opposed the establishment and practices of the CWs like Birgivi. Birgivi mentioned that the CWs caused interest-bearing transactions. He also claimed that the provisions based on the mujtahids were weak (Şimşek, 1988, p.215). However, The general belief was that the CWs were a necessity for society. Past practices also played a role in allowing the CWs. The ulema who supported the practices of the CWs avoided the term of interest. They used the word of ribh (profit). Moreover, the state did not have any negative activity about the CWs except 2-3 years ban period. The CWs were supported by both the state and the people because they fulfilled the need of the society.

The permission given to the CWs is an indication of the Ottoman financial mentality. Moreover, this is the evidence that Islamic law has a flexible structure, not strictly unmodified, contrary to the claims. The priority of the CWs was charity. Thus, the Ottoman financial mentality was shaped by the charity framework. This motivation was one of the main pillars of the legitimacy of the CWs.

### **3. SAMPLES OF CWS**

The CWs were established like other real estate waqfs. But the capital of the CWs was cash. There is also no real estate rental income in the CWs. The income of the CWs came from the cash that was operated by Islamic methods. Information about the establishment of CWs can be found at waqfiyahs in archives and sharia court registers. The CWs that are examined in this study are read from the original form, Ottoman Turkish, in the primary sources. The resources, the waqfiyahs, to be examined in this part facilitate the understanding of the living conditions of the time. Because, the waqfiyahs draw a framework by the wage rates, profit ratio (borrowing cost), charity works, life standards of society.

#### **3.1 The Establishment Process of the CWs**

The philanthropist who wanted to establish a CWs prepared the settlement deed (waqfiyahs) firstly and registered it at the office of the qadi. The founder of the CW specified the name of the founder of the waqf, the name of the trustee of the waqf, the amount of the donation, the conditions under which the donated money will be lent, the ways in which the money will be operated, and the purpose of waqf in the waqfiyah.

The establishment process of a sample waqf is divided into 2 stage. The founder is active in the first stage. The process is like that:

- 1) The founder comes to presence of the qadi with this document.
- 2) The founder repeats the conditions that he wrote in the waqfiyah at the presence of the qadi.
- 3) The trustee also approves the statement of founder.
- 4) Then the waqf is founded.

The second stage is the legalization stage. At this stage, the establishment of the waqf is a matter of trial and the case is brought to court. The path to follow in this stage is like that:

- 1) The founder claims that establishing a CW is not in line with Islamic rules.
- 2) The founder requests the endowed cash, the fee of trustee back from the trustee.
- 3) The trustee objects to this request.
- 4) He also provides reasons for objection that he has done. He says that establishing a CWs is appropriate for Imam Zufar. He states that he has received the fee, which he has taken as a trustee, in accordance with the conditions in the waqfiyah.
- 5) Qadi takes into account the views of the Imam Zufar and other mujtahids and the benefits of the waqf for society. In the end, he approves the establishment of the waqf.

As it is seen, the details in the establishment process is significant for legitimacy. One of the important things that motivates Muslim philanthropists to establish a CW is that these institutions are established and operated under the Islamic rules.

### **3.2 The Waqf of Ali Pasha b. Arslan Pasha<sup>1</sup>**

The Waqf of Ali Pasha b. Arslan Pasha was founded at Ionnina (*Yanya*) Sanjak in 1033 H. / 1623-1624 G. The founder, Ali Pasha, was the former Timișoara *Beylerbey*. Ali Pasha was at the task of the Ioannina *Mutasarrif* when he founded the waqf. Therefore, he was at the ruling class of Ottomans. He appointed Mustafa Agha as trustee. He endowed 2.000.000 akches (25.000 qurushes) as cash money for the waqf. In addition, he endowed many real estates: 52 shops, 1 coffee shop, 1 *bosa* shop, 1 grocery store.

The operating rate for cash was set at 15 percent with the phrase *ten to eleven and half* in the waqfiyah. In addition, the operating methods were listed as *istirbah* and *istiglal*. There are also conditions to ensure the continuity of the waqf in the waqfiyah. The characteristics of the debtor are listed in detail: The merchants who are reliable, honest, having an honored direction in religious/Islam, rich, powerful can take loan from the waqf. It is also understood from this condition that this waqf supported the merchants. In addition, it is desirable to avoid situations where there is a possibility that the loan money will not be repaid. This condition shows that the avoidance of risky loans also takes place in the waqfiyah. A strong guarantor and a worthwhile lien are also required to make sure that the money is returned.

The revenues, rental incomes and profits of the waqf were used for many charity works. These services and additional conditions are: (1) building a public soup-kitchen, storeroom and woodshed to cook for the poor, (2) building of an 8-room campus for poor students from the local community, (3) the allocation of one of these rooms to the class for the lessons, (4) building stores from remaining income, (5) renting these stores and adding this rental income to the cash money, (6)

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<sup>1</sup> The Archives of T.R. Prime Ministry Directorate General of Foundations (Register: 623, Page: 203, Serial: 195)

scholarships to students, provision of food for students, (7) paying Mevlana Süleyman Effendi b. Receb who educate here, (8) making 150 breads per day in the soup-kitchen, (9) the distribution of bread to poor and people in charge of the waqf, (10) buying and cooking a sheep every day, (11) cooking many different dishes every day, (12) making ashoura in Ashoura day of Muharram, (13) paying the wage of employees (at least 8 employees) in the waqf, (14) also giving food to all employees every day, (14) paying the wage of imam and preacher at the masjid that was built by the founder of waqf before, (15) paying the wage of teacher at the school that was located in near the masjid, (16) covering the lighting and other expenses of the masjid.

In addition, the founder of the waqf, who is also in charge of oversight, mentioned those who will carry out this duty after his death. The date of approving of the waqf is also written in the last part of the waqf.

### **3.3 The Waqf of Ayşe Kadın bt. Mahmud Pasha<sup>2</sup>**

The Waqf of Ayşe Kadın bt. Mahmud Pasha was founded by woman at Murad Çelebi Quarter, Belgrade in 6 Rajab 1090 H. / 13 August 1679 G. The founder of waqf was daughter of Mahmud Pasha, from ruling class. The waqf was established by way of proxy. She endowed 100.000 akches.

The operating rate for cash was 15 percent (*ten to eleven and half*). The operating method was not mentioned in the waqfiyah, but there is the term of *mu'âmele-i şer'iyye* that means methods appropriate to Islamic fiqh. Like the Waqf of Ali Pasha, this waqf supported the merchants. There are also conditions about people who would take loan from the waqf. Such as, he must be a reliable merchant who has an honored direction in religious/Islam. Moreover, a strong guarantor and a worthwhile lien are also required to make sure that the money is returned.

The revenue of the waqf were given generally to education services. These services are giving wage to the lecturer and scholarship for students in the classroom with a ten-room complex that was near the Hüseyin Pasha Mosque. There was also left a fee for the task of trustee. The verse 181 of Surat al-Baqarah, the date of acceptance of the foundation is the last chapter. The names of witnesses are written in the part of witnesses in proportion to the size of the waqf.

### **3.4 The Waqf of Mehmed Pasha<sup>3</sup>**

The Waqf of Mehmed Pasha from Kaçanik was founded at Katib Şahin Quarter, Skopje (Üsküp) District in 10 Shaban 1017 H. / 19 November 1608 G. The founder, Kaçanikli Mehmed Pasha was at ruling class of Ottomans. There is a long entrance section on the waqfiyah. In general, this section includes prayers for the Prophet Muhammad (pubh), goodness of the foster/*infak*. Mehmed Pasha endowed (1) 1.200.000 akches (10.000 gold coins), (2) a house with courtyard, kitchen, storeroom, tower, warehouse and many rooms, (3) a barn, (4) gardens, (5) 35 silver swords, (6) a pair of copper stirrups, (7) a pair of silver stirrups, (8) a third of his property, (9) a farm in Izlukun Village with fields, tower, rooms, oven, three warehouse, storeroom, two barns, cattles and black cattles, (10) twenty-eight mills, (11) twenty room-shops, (12) vineyards, (13) bridge and fountain, (14) four *hans*, (15) a coffee shop, (16) eight stores, (17) an oven. Mehmed Pasha appointed his brother Ahmed Cavus as trustee.

The operating rate for cash was set at 10 percent with the phrase *ten to eleven* in the waqfiyah. In addition, the operating methods were listed as *istirbah* and *istiglal*. There are also conditions to ensure the continuity of the waqf by return of debt in the waqfiyah. The condition that money must be given to talented merchants, not to people who could not pay the debt and state officials, is one of them. The other condition about risks is that a strong guarantor and a worthwhile lien are also

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<sup>2</sup> The Archives of T.R. Prime Ministry Directorate General of Foundations (Register: 623, Page: 272, Serial: 292)

<sup>3</sup> The Archives of T.R. Prime Ministry Directorate General of Foundations (Register: 633, Page: 021-024, Serial: 011)

required to make sure that the money is returned. Moreover, all other real estates are given to the rent and the rental income is distributed for charity works. Like previous waqf, identification people who could use debt shows that the Waqf of Mehmed Pasha also supported the merchants. For this example, not giving loan to state officials, fixed income people, shows that the financing of the CWs was not consumption based, but production-based and trade-based.

The revenues, rental incomes and profits of waqf are distributed to many charity works. The conditions and purposes of the waqf: (1) paying various fees to people for Qur'an recitation at the mosque that was built by the founder before, (2) paying the wage of imams preachers, teachers and other people (total 21 people) in charge of charity institutions: mosque, school, lodge etc. (3) repairing constructions such as mosques, schools, mills, fountains, hans and bridges, (4) paying *avariz* tax of the Katib Şahin Quarter in that the founder resided, (5) sending one person to the Hajj every year, (6) cooking and distributing food, (7) building a lodge near the mosque that was built in Skopje and covering the expenses of the lodge, (8) and other charity works.

After the founder had passed away, the person who would direct the waqf is written in the waqfiyah. In addition, some of income had been separated for services such as praying and Qur'an recitation for the soul of the founders after his death. The founder of the waqf had also left many books for the lodge. The views of the mujtahids on the establishment of the CWs are located in the waqfiyah. Especially the Hanafi fiqh were emphasized. The verse 181 of Surat al-Baqarah, the date of acceptance of the foundation is the last chapter. The names of witnesses are written in the part of witnesses in proportion to the size of the waqf.

**Table 1: The Samples of the CWs**

	<b>The Waqf of Ali Pasha b. Arslan Pasha</b>	<b>The Waqf of Ayşe Kadın bt. Mahmud Pasha</b>	<b>The Waqf of Mehmed Pasha</b>
<b>Founder</b>	Ali Pasha b. Arslan Pasha	Ayşe Kadın bt. Mahmud Pasha	Kaçanikli Mehmed Pasha
<b>Gender of the founder</b>	Man	Woman	Man
<b>Class of founder</b>	Ruling class	Daughter of a ruler	Ruling class
<b>Location of the waqf</b>	Ionnina ( <i>Yanya</i> ) Sanjak (now in the Greece)	Belgrade (now in the Serbia)	Skopje (now in the Macadonia)
<b>Date of establishment</b>	1623-1624	13 August 1679	19 November 1608
<b>Endowed cash</b>	2.000.000 akches	100.000 akches	1.200.000 akches
<b>Endowed other things</b>	52 shops, 1 coffee shop, 1 bosa shop, 1 grocery store	-	a house with courtyard, kitchen, storeroom, tower, warehouse and many rooms, a barn, gardens, 35 silver swords, a pair of copper stirrups, a pair of silver stirrups, a third of his property, a farm in Izlukan Village with fields, tower, rooms, oven, three warehouse, storeroom, two barns, cattles and black cattles,



			twenty-eight mills, twenty room-shops, vineyards, bridge and fountain, four hans, a coffee shop, eight stores, an oven
<b>Operation rate</b>	15%	15%	10%
<b>Operation Methods</b>	istirbah	and mu'âmele-i	istirbah and istiglal
<b>Debtor</b>	istiglal	şer'iyye	
<b>Purposes</b>	Merchants	Merchants	Merchants
	Various	Educational	Various

#### 4. CWS AS ALTRUISTIC FINANCE INSTITUTIONS

In the Ottoman Empire, there is no *state-supported capitalism* in economic terms, unlike Europe in the same period. A kind of economic liberation in the Ottoman financial system had been provided from the moral point of view. For example, the CWs were shaped by charity activities rather than by profit. The CWs covered the salaries of the employees of mosques, masjids, madrasahs, lodges and other expenses of these institutions. Many of the services provided by today's modern states were fulfilled at the time by CWs.

The hadith *When a human being dies, all of his deeds are terminated except for three types: an ongoing sadaqah, a knowledge (of Islam) from which others benefit, and a righteous child who makes du'a for him*, contained in the waqfiyah shows the overall purpose of the waqf. Because, the waqf institutions was the best definition of ongoing sadaqah. Therefore, this hadith is shown as the basic permission reason of waqf institution (Akgündüz, 1996, p.64). Moreover, it is a sign of the influence of the Islamic religion on the founding of waqfs according to the testaments of founders after the founders have died.

As can be seen from the examples, women also established CWs. In addition, there was no obligation to be rich or elite to establish a CW. Even those who had very small amounts of cash established CWs. There were also common waqfs that people came together to build.

The CWs had completely created a financial model that was specific to the needs of society. In addition to basic needs, very specific/detail needs can be financed from this financial system. The basic principles of altruistic finance system are: (1) Islamic and ethical (2) Microcredit mechanism, (3) Regional and (4) Needs-oriented.

##### 4.1 Islamic/Ethical Methods

The methods used in the CWs are pioneers the methods used in today's Islamic/participation banks. These methods had been defined within the framework of Islamic borders. The criticism of the CWs by the important scholars of the period like Imam Birgivi, was that there is a risk of interest in the money transfers made in these waqfs. However, the founders added the phrase *avoidance of interest-bearing transactions* as a condition for loans in many waqfiyahs<sup>4</sup>. Moreover, if the ulema class did not have any approval for the establishment of the CWs, they could not be so general and founded even in smallest villages.

In addition, as seen from the waqfiyahs, the debtors were generally entrepreneurs like merchants, tradesmen, artisans etc. This situation shows that the CWs financed not only consumption but also trade and production. The foundations made these financing operations with methods similar to modern Islamic finance instruments. The methods used by the CWs can be generalized with the methods (1) Bida'a, (2) Buying a real estate for renting it, (3) Istiglal, buying

<sup>4</sup> The Waqf of Mehlika bt. Abdullah - Rodoscuk Sharia Court Register 08453.00016) v.44/b

the real estate of debtor and rent it to him again, (4) Mudarabah, (5) Murabahah, (6) Qard / beautiful loan, (7) Operations in different governmental institutions.

The borrowing cost rate at CWs was generally between %10-%15. The fixed rate of borrowing cost can be considered as an impediment to the existence of usurers in the market. These rates were also fixed by the fatwas of the ulema. Later, the waqf law was brought a legal ground for the borrowing cost rate. Both the borrower and the lender were protected with legitimacy of rates. The trust and respect to the waqf institution was also an important factor in the payment of debts. This was an important motivation for debtors to pay their debts. The waqfs prevented the needer/poor from borrowing in the market with profit or interest by the qard method.

The income of the waqfs was not given to founders but the purposes of the waqf. Because, the founder did not have any right on the cash that he devoted before. This shows the ethical process of a CWs.

#### **4.2 Operated as Microcredit Mechanism**

As can be seen from the waqfiyahs, credit was generally given to professionals such as merchants, tradesmen and craftsmen. These entrepreneurs did not use big amount of money as loan. Thus, these institutions worked like micro-credit institutions. The CWs had financed the economic and trade market for a long period.

There were also CWs founded by people had small accumulations such as the waqfs founded by wealthy people. However, the loans given by the CWs were generally not large. Therefore, it can be thought that the CWs appealed to today's SMEs. The CWs established in the most remote villages are an indication that the amount used per loan is small. The CWs institutionalized credit transactions in the Ottoman Empire. Thus, the credit supply increased in the market. In addition, an institutional infrastructure had been created by the CWs for those who want to use credit.

#### **4.3 Regional Institutions**

The CWs were influential in the region they were founded in. The CWs had acted to meet the needs of a certain region. Moreover, the debtors also were from the same region in where the waqf operated. The CWs operated in the sense of both finance and services in regional development. As seen in the examples of waqfiyahs, the CWs were usually located in the area where the builder resided. The people who would work for the waqf and the masjids, mosques, madrasahs, schools funded by the waqf were also chosen among the people of the same region. As a result, the CWs also affected the regional labor market.

In particular, large CWs employed many people. For example, the Waqf of Mehmed Pasha employed 21 people in its region, Skopje. The CWs had been one of the determinants of the regional financial, labor, trade market for 500 years in economic terms. The Ottoman Empire, which had a strong central authority, was so flexible in addressing regional needs and evaluated the regions according to their own characteristics. The CWs moved very fast in responding to regional needs by their rapid establishment process and operating.

#### **4.4 Focused on Needs of Society**

Educational, religious, infrastructural needs of society were covered by the income of the waqfs, and the CWs. The waqfs played an important role in making investments for social purposes and financing the charity services. As can be seen from the examples, the CWs that fulfilled many services had significantly reduced the burden of the state.

The CWs financed the wages of employees and other expenses of madrasahs, schools as educational needs; lodges, masjids, mosques, zawiyahs, Qur'an courses and recitation, caring the shrines as religious needs; caravanserais, hans, inns, guesthouses as trade/economic needs; fountains, sidewalks, waterways as infrastructural needs; almshouses, hospices, hospitals, soup

houses as social needs (Bulut&Korkut, 2016, p. 28). Like all other waqfs, The CWs had targeted and addressed the needs of society. During the period when the CWs were forbidden, it was understood that these waqfs responded to the needs to a significant extent. During this ban, religious services and education services funded by the CWs had stopped. People could not find enough resources for these services.

The aim of financing people who needed cash, which was the secondary aim of the CWs, is again the indication that these waqfs are need-oriented. The CWs, which managed to cover needs of two sides with a single transaction, were important contributions of the Ottomans to the Islamic civilization.

## **5. CONCLUSION**

The CWs are one of the important institutions that the Ottomans contribute to the Islamic civilization. The CWs, whose primary priority was charity services, provided the financial system of the market to be shaped within the purposes of the waqf. The CWs used by Muslim entrepreneurs, merchants, craftsmen as a solution to their financing needs with their worldviews and beliefs by compliance with Islam had emerged as institutions that respond extensively to this need from the 1400s to the beginning of the 20th century. The solutions that the Ottomans found to the problems the society had encountered are indicative of the flexibility in Ottoman law, finance and religious systems. The CWs are the solution of Ottomans in the financial and economic system. The CWs that met both basic needs of the society and respond to the cash need in the financial system were unique in this regard. The CWs were more flexible and faster functioning than real estate waqfs.

The CWs that prioritized the charity works formed the basis of the altruistic financial mind in the Ottoman society. The basic principles of this mind are understood in terms of the waqfs established and their functioning. Giving loan to people without interest is one of the fundamental prohibitions of Islam. In addition, the emphasis on the *merchant* in the waqfiyah is an indication that these waqfs did not provide consumer loans but trade/production loans. The loans granted by the waqf were not high. Smaller amounts of loans show that the CWs can be regarded as micro-credit mechanisms. Moreover, the purposes of the foundation are more regional and need-based. As a result, the CWs are a reflection of the Ottoman financial mentality. This mentality aims to meet human needs and increase the prosperity of the society. The fact that the CWs had survived for 500 years is a sign of the success of this system and mentality. The examining of system and mentality is possible with the understanding of the Ottoman world view in general.

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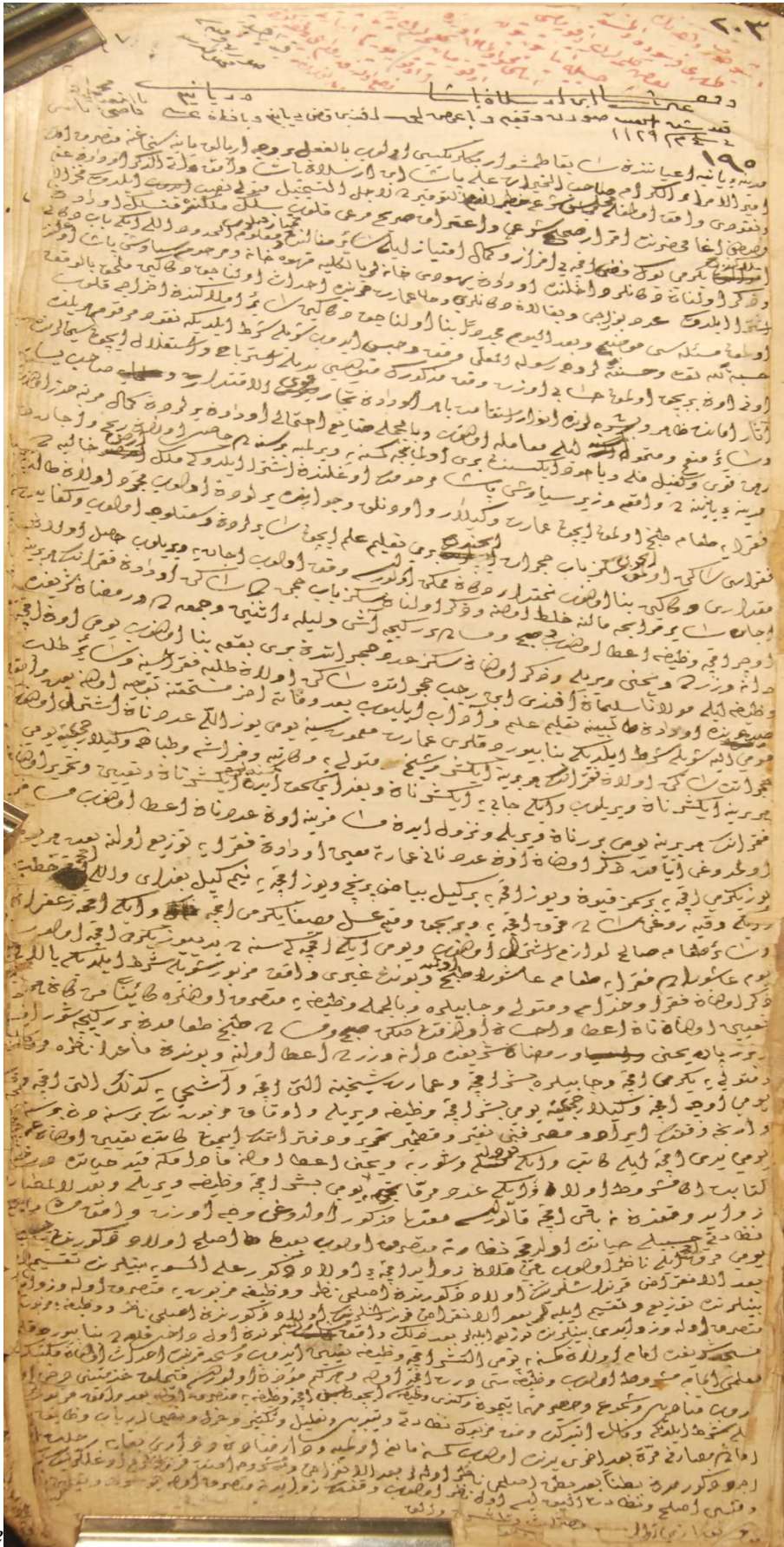
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Appendix (The Waqfiyahs)

The waqfiyah of the Waqf of Ali Pasha b. Arslan Pasha



Handwritten Ottoman Turkish text in a dense, cursive script (Rika script). The text is written on aged, slightly yellowed paper. At the top, there is a header line with the date and location: "Şerh-i İsmailîye... 23 Mayıs 1028...". The main body of the text is a detailed legal document, likely a waqfiyah (charitable deed), discussing the establishment and management of a charitable institution. It mentions various details such as the names of the donor and beneficiaries, the purpose of the endowment, and the rules governing its operations. The script is highly legible despite its density.

