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CASH WAQF AS AN EFFECTIVE TOOL OF FINANCING MSMEs FOR SUSTAINABLE POVERTY ALLEVIATION: A NIGERIAN PERSPECTIVE

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ABSTRACT

Poverty is not only an impediment to any meaningful development but a grazing ground for numerous crimes and civil disobedience. Globally, micro, small and medium enterprises (MSMEs) are generally known to contribute immensely towards poverty alleviation through their employment-generating potentials. In Nigeria, as this paper reveals, these potentials of MSMEs are seriously constrained by a lack of access to finance for the commencement, expansion or modernization of entrepreneurial activities. With the current state of *waqf* institution in the predominantly Muslim states in the country, this paper presents an operational mechanism for financing MSMEs in a bid to reduce the rate of poverty to the lowest level. The management of cash *waqf* has numerous debt and equity Islamic financing techniques based on profit-and-loss-sharing (PLS) system that could be employed to achieve the desired objective. This paper is composed using a combination of literature review and exploratory approach in qualitative research method.

Keywords: cash *waqf*, poverty alleviation, MSMEs, Nigeria, financing technique

INTRODUCTION

In the previous centuries, especially during the rule of the Ottoman

Caliphate that began from the late 13th century up to 1922, *waqf* had been a prominent financial institution that successfully caters to not only the poor but the entire *Ummah* (Cizacka, 2011). However, the standing of this vital institution continues to dwindle across the entire Muslim World as poverty incidentally rises at an alarming rate. Recently, many Islamic scholars are working assiduously to develop feasible financing models that could be used effectively to resuscitate the functions of this Islamic financial institution in suppressing the peril of poverty in the Muslim communities (Shirazi, Obaidullah & Haneef, 2015).

Waqf, which literally means *confinement* or *restriction*, is legally referred to as non-negotiability of property ownership which is of employable value, and the direction of it benefits to a certain charitable purpose, once and for all (Abu Amr, 2003). Conceptually, the noble *Shari'ah* views it as a reward-seeking dedication of an asset and preventing its total consumption in order to allow repeated extraction of its proceeds for the fulfilment of a certain philanthropic goal (Ali, 2014).

Previously, classical scholars perceived *waqf* as immovable properties mostly comprising of buildings and lands (Iman & Sabit, 2014). This resulted in continued exclusion of many wealthy people and philanthropists from the enormous benefits of this meritorious endeavour due to lack of real assets. Fortunately, however, during the last thirty years, new understanding developed from the *ijtihad* of scholars that prioritizes the donation of raw cash and consumables as *waqf* in line with the permissibility of *ibdaal* and *istibdaal* measures of revitalizing dormant *waqf* properties (Khan & Jareen, 2015). Nowadays, cash *waqf* is rapidly gathering greater momentum because of its flexibility that allows for full exploitation of the enormous potentials of *waqf* for sustainable poverty alleviation (Alpay & Haneef, 2015).

Poverty is a complex term that scholars are never unanimous on its definition. This is because, as Jackson (2014) and Schmid (2017) posited, human beings require varieties of basic materials to attain decency of life and sustainable happiness. Variation of these basic materials has to do with differences in socio-cultural, economic and geographical background of people. Feasibility studies show a higher prevalence of poverty in rural areas than in urban areas where the chances of employment and income growth are relatively greater (Fields, 2014). Rural dwellers usually depend on agricultural activities for their livelihood and in the event of natural disasters, such as drought or flood; there will be apparent suffering from poverty of a seasonal nature. According to Alkire and Seth (2015), a lack of functional education and occupational skills are among the major features of poverty, as many economically active poor could not utilize their potentials in positive construction of their lives. Similarly, poverty prevails in the localities that have no essential facilities and basic infrastructure required for running small businesses and cottage industries (Rao & Sanyal, 2010).

Poverty incident that is currently facing the world is one of the key issues that is attracting global attention (UNDP Report, 2015). Therefore, as Davis and Winn (2015) revealed, in the contemporary Islamic world poverty alleviation remains the most important challenge facing policy makers. According to Okon and Edet (2016), poverty occurs in a country that is indirectly encouraging low productivity and promoting less entrepreneurial competitiveness due to financial exclusion of micro, small and medium enterprises (MSMEs).

ROLE OF MSMEs IN POVERTY ALLEVIATION

According to Adewale, Afolabi and Abumere (2015), MSMEs have multifarious definitions that emanate from their respective sectoral and operational diversities. The respective stakeholders give different definitions from the perspective of the sectors in which they operate. However, all the sectoral definitions are commonly based on certain criteria which include, *inter alia*, the following; annual sales turnover, number of employees, volume of profit, capital employed, means of continuous funding of the enterprise, market share, and relative size within the industry in which an enterprise operates (Adeleke, 2012).

In Nigeria, MSMEs contribute to foreign exchange earnings, export promotion, economic development, use of science and technology, mobilization and utilization of domestic savings (Adewale *et al*., 2015). Thus, as Adeleke (2012) rightly pointed out, all tiers of government benefit tremendously from MSMEs as catalysts of domestic revenue generation. Apparently, with the development of MSMEs there will be less pressure on governments to provide employment to the teeming youth and, consequently, there will be less security challenges because of adequate engagement in one productive activity or the other (Georgiadis & Pitelis, 2016).

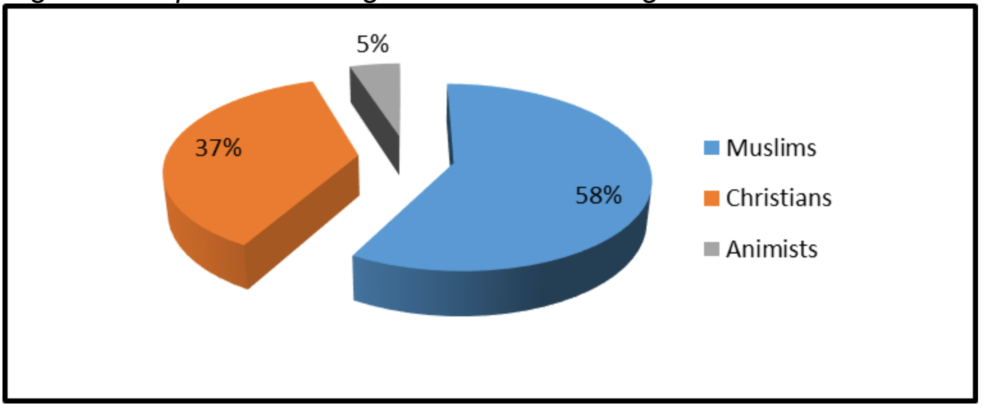
The MSMEs are the most effective preventive measure against rural-urban migration which, in most cases, breeds a lot of nuisance and criminal activities in the cities, in addition to putting excessive pressure on urban infrastructure (Abbas, 2016). Unfortunately, in spite of the enormous benefits derived from active MSMEs, a lot of obstacles are curtailing their development in Nigeria, particularly acute inability of attracting external funds from financial institutions (Adeleke, 2012; Abbas, 2016; Taiwo & Agwu, 2016). Therefore, with the cash *waqf* financing mechanisms in full operation, this obstacle will be squarely encountered because the low-income earners will be its principal clients (Alias, 2012).

Implicitly, the cash *waqf* will employ the diverse profit-and-loss-sharing (PLS) financing techniques to support the MSMEs. This is because, apart from the maintenance of distributive justice, the PLS financing system embraces allocative efficiency as debt financing usually goes only to the most productive and potentially profitable enterprise (Zul Khibri, 2016). Similarly, PLS guarantees effective disbursement of interest-free loans which reduces inflation because credit creation will be proportionate to investment activities.

SOCIO-ECONOMIC BACKGROUND OF NIGERIA

Situated in the Western part of Africa, Nigeria has an area covering 924,000 square kilometres with an estimated population of 170 million (based on the last National Census, 2006). It is, therefore, the eighth most populous country in the world (Udu, 2013). Nigeria is a country where more than 200 ethnic groups are harmoniously living and more than 500 languages are spoken with Hausa (North), Yoruba (South-West) and Igbo (South-East) as the most predominant. As illustrated in Figure 3.1, about 58% of the Nigerian population are Muslims who are mainly Hausa (98%) and Yoruba (55%), while 37% are Christians who are mainly Igbos (90%) and the remaining 5 percent follow traditional religions (*Encyclopaedia Britannica*, Nigeria, 2015 Edition).

Figure 1: *Population of Nigeria Based on Religious Belief*



Source: *Adapted from Encyclopaedia Britannica, Nigeria, 2015 Edition*

According to Emeka (2007) and Adekunle (2010), agriculture is the dominant economic activity in terms of employment with 70% of the population being actively engaged in farming. Roughly, 75% of Nigeria's land is arable of which only 40% is cultivated (National Planning Commission, NEEDS II, 2011). The United Nations Food and Agriculture Organization rated the productivity of Nigeria's farmland as low to medium, but with medium to good productivity if properly managed (UNFAO, 2012 *Annual Report*).

Despite two major rivers that cut across the country; the Niger and the Benue, and their numerous tributaries that spread evenly in all parts of the country, agriculture largely depends on annual rainfall (Essien, 2015; Adekunle, 2010). Blessed with all sorts of land and climatic topology; rainforest, savanna and sub-Saharan desert, with highest, middle and low rates of annual rainfall; there is no grain, cereal, fruit or vegetable existing in the world that cannot be grown in Nigeria (Adeleke, 2012). The large varieties of fauna and flora create a very rich source of biodiversity in the country that breeds millions of cattle, sheep and goats (Rubatzky & Yamaguchi, 2012).

Nigeria is ranked the sixth largest producer of petroleum in the OPEC with an estimated proven oil reserve of 32 billion barrels which is sufficient to last about 37 years at the current rate of daily production of 2 million barrels (NPC, NEEDS, 2005). Moreover, its proven natural gas reserves estimated at 174 trillion cubic feet will last for 110 years at the current production level (NPC, NEEDS, 2015). This is the commodity that dominates the Nigerian economy since the early 1970. Presently, the revenue accrued from crude oil accounts for 40% of GDP and 95% of the country's foreign exchange earnings and 75% of the Federal Government revenue source (Chinedu, Titus and Thaddeus, 2010; Oriakhi, 2016; Watts, 2016). Among the numerous solid mineral resources Nigeria is blessed with are gold, uranium, gemstones, marble, coal, gypsum, kaolin, tin ore, columbite, graphite, barites, tantalite, sulphur, soda and salt (Adeleke, 2012; Agboola, 2012).

Nigeria boasts a highly educated labor force produced by its federal, state and private universities (totalling more than one hundred), in addition to similar number of polytechnics and colleges of education spread throughout the country (NPC, NEEDS, 2005). The current literacy rate in the country is 80%, considering both Western and Islamic systems of education (Adewuni, 2014).

Poverty in Nigeria

The one alarming phenomenon in Nigeria today is the rising rate of poverty especially among the Muslims despite their ability to create a sustainable mechanism of curbing it with their mobilized surpluses through *waqf*, as it is the case elsewhere in the Muslim World (Abbas, 2016; Affandi & Nufus, 2010). It is revealed that from the world's 1 billion *extremely* poor people, 60% are living in just five countries in 2011 which include India, Nigeria, Democratic Republic of Congo, Bangladesh and China (United Nations MDGs Report, 2015). About 54.4% of Nigeria's population is living under $1.25 a day, out of which 68% are living in the Muslim-dominated North (Muhammad, 2016; Okpi, 2013). The latest HDI report shows that Nigeria is ranked 156 out of 187 countries with a value of 0.459 (UNDP *HDI Report on Nigeria*, 2015). Thus, Nigeria has a low level of human development, lagging behind many poor countries of Africa (Taiwo & Agwu, 2016).

So far, for the past thirty-five years, successive military and civilian governments have had 37 different poverty alleviation programs (Muhammad, 2016). Even though none of these programs was completely without merit, none of them had a significant, lasting or sustainable, positive effect. Their failures, as many analysts (Oyeranti & Oloyiwola, 2005; Arogundade *et al.,* 2011; Abbas; 2016; Muhammad, 2016; Taiwo & Agwu, 2016) discovered, are largely attributed to a number of factors which include;

i. Misplacement of benefits from the poor to the well-to-do who have direct or indirect connection with the program;
ii. Unsustainable operational mechanisms used in executing the programs and projects;
iii. Absence of a comprehensive policy framework that can effectively guide implementation of the program;
iv. Poor coordination of the program;
v. Unnecessary government interference in the execution of the program;
vi. Lack of clear separation of functions among the diverse government agencies which usually exposes the program to institutional rivalry and conflicts;
vii. Superfluity of programs that causes failure to accomplish projects due to gross underfunding; and
viii. Sidelining of target beneficiaries in designing, implementation, monitoring, and evaluation of poverty-reduction projects.

Policy Measures for Financial Inclusion in Nigeria

One of the major factors that retard economic growth and development in any nation is inaccessibility of economically-active poor to adequate financial services. For this problem to be effectively solved, there must be total removal of all barriers to the required financial inclusion that have direct bearing to education, gender, age, income, geographical location and government policies (Abbas, 2016). The role played by government policies in this situation is of immense significance. Good policies alone cannot solve the problem without strong, committed and focused leadership that could ensure their efficient implementation.

Over the years, the Federal Government of Nigeria has demonstrated strong commitment to the provision of financial services and economic empowerment of the poor and low-income groups (Abbas, 2016; Ering, Osonwa & Nweke, 2016). To this effect, in 2007 the government initiated the Financial System Strategy (FSS) 2020. This initiative was part of the ambitious National Vision that was set towards transforming Nigeria into one of the 20 largest economies of the world by the year 2020 (Magolu, 2010). As part of its previous intervention in poverty alleviation, the government established the National Poverty Eradication Programme (NAPEP) in 2002 for the purpose of dispensing financial support to the active poor (Abbas, 2016).

Subsequently, the National Directorate of Employment (NDE) was established to provide vocational training and entrepreneurial skills to the teeming unemployed school leavers. This was further augmented by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), established primarily to promote the development of Micro, Small and Medium Enterprises (MSMEs) from the grassroots (Ering *et al*., 2016).

Over this long period of combating the menace of poverty in Nigeria by the Federal, State and Local Governments, the Central Bank of Nigeria also created its own complementary schemes that include the following (Mogalu, 2010):

- Agricultural Credit Guarantee Scheme, established in 1977 with current capital base of N5.0 billion.
- Agricultural Credit Support Scheme, established in 2006 with N50.0 billion.
- Commercial and Agricultural Credit Scheme, established in 2009 with capital of N200.0 billion.
- Small and Medium Enterprises Credit Guarantee Scheme, established in 2010 with N200.0 billion
- Refinancing and Restructuring Facilities for SMEs, established in 2010 with N200.0 billion.

Ironically, despite all the efforts demonstrated in these programs, initiatives, interventions and schemes over a long time, a large majority of Nigerian active poor are still excluded from financial services (Taiwo & Agwu, 2016). Therefore, consequent upon this failure, poverty is persistently spreading in the country.

POVERTY ALLEVIATION BY FINANCING MSMEs WITH CASH WAQF FUNDS

There is no economic policy that can eradicate poverty completely.

This is because economic disparity between individuals is a divine decree, Allah the Almighty says:

...And We raise some of them above others in ranks, so that some may command work from others... (*al-Zukhruf* 43: 32).

Allah has raised some of you above others in richness, and those raised cannot transfer their richness on their servants as to become equal; are they denying the decreed bounties of Allah? (*al-Nahl* 16: 71).

However, under the Islamic economic system, poverty should be alleviated to the level that the basic needs of everybody are adequately provided in order to ensure a balanced and healthy society, as the Almighty commands:

Whatsoever Allah may restore unto His Messenger from the people of the cities is for Allah and for the Messenger; and for the next of kin, the orphans, the needy and the wayfarer, so that it will not be confined to the rich among you. And whatever the Messenger gives you, accept it; and whatever he forbids you from, refrain from it. And fear Allah; verily, Allah is stern in punishment (*al-Hashr* 59: 7).

Against this background, therefore, cash *waqf* funds can be effectively channeled towards financing MSMEs in order to achieve sustainable poverty alleviation in the Muslim-dominated areas of Nigeria. As a charitable undertaking, *waqf* is always practiced by Muslims in Nigeria (Muhammad, 2016). However, it is only after the emergence of the current civilian administration in 1999 that waqf acquired official recognition as a public financial sub-sector in many States in Northern Nigeria. This was followed by the establishment of State Endowment Boards vested with the responsibility of mobilizing and administering *waqf* properties in accordance with the *Shari'ah* injunctions.

Conceptually, cash *waqf* is a philanthropic fund created with special cash donations by individuals, organizations, corporate bodies and governments to support humanitarian services for the sake of Allah (Ali, 2014). It is a process of mobilizing funds from donors based on perpetuity and investing them in productive and profitable ventures in order to generate greater usufruct for beneficiaries and more revenues for future consumption. Cash *waqf* is practically proven to be an effective source of funds for micro credit and micro financing (Shirazi, Obaidullah & Haneef, 2015).

In Nigeria, despite the plethora of schemes, programs, initiatives and institutions, the challenge of securing financial inclusion for the poor continues to be daunting and formidable (Taiwo and Agwu, 2016). A recent survey (2015) by the Enhancing Financial Innovation and Access (EFInA) revealed that 40.5 million Nigerian adults representing 45.2% of the population were excluded from basic financial services. Therefore, with efficient management of cash *waqf,* there will be significant improvement in this direction with remarkable performance of industries through the financial assistance provided to MSMEs (Zulkhibri, 2016). This will go a long way in creating more business opportunities with more employment available for the active poor, which in turn, contribute immensely in the overall economic growth of Nigeria (Ering, Osonwa & Nweke, 2016).

Criteria for Venture Financing

Among the numerous avenues that cash *waqf* can employ its funds are diverse enterprises in the fields of agriculture, commerce and manufacturing (Usman and Tasmin, 2016). However, a thorough search for the desirable elements of the criteria for evaluating and appraising the enterprises to be financed will have to be made in the primary sources of the *Shari'ah*. Guidance from the Glorious Qur'an and the *Sunnah* should be sought for in devising a general framework and deciding priorities (Ismail and Zali, 2014). The juridical (*fiqh*) and historical sources are also to be consulted to understand the basis for various inferences by early jurists (*mutaqaddimoon*). Based on all these considerations, the following nine points could be generally adopted as the elements of criteria for business evaluation (Khan, 2012):

i. Statement and scope of the investment should be *Sharī'ah* - compliant.
ii. Observation of variation of investment scope in order to diversify business risks, procuring guarantees, documentation of the contracts, and conducting feasibility study for the

intended investment projects.

iii. Selection of the safest modes of investment and keeping away from the high risk investment modes.

iv. Investment of *waqf* properties should be in accordance with the *Sharīʻah* -compliant modes suitable to those properties which serve and protect the *waqf* and beneficiary rights. Therefore, if the *waqf* properties are tangible assets the investment should not lead to the termination of their ownership, and if they are in the form of cash they can be invested in any *Sharīʻah* -compliant mode of investment, such as *muḍārabah*, *murābaḥah* , *istiṣnāʻ* , etc.

v. There must be an annual disclosure on the investment activities and the information be made available to the persons involved.

Business evaluation should always keep in view the general and specific objectives of the *Shariʻah* such as justice and equity. Any criterion adopted for project evaluation has to be tailor-made according to the socio-economic conditions of each community (Khan & Jareen, 2015).

Investing Cash Waqf Funds

Waqf of any type; either asset or cash, should not be subjected to instant total consumption. Therefore, unlike *zakkah* and *sadaqah*, perpetual utilization is one of the fundamental features of *waqf* which must be maintained (Ali, 2014). In this case, the most appropriate avenue for utilizing the funds of cash *waqf* is investment. As Haneef *et al*. (2015) clarified, the economically active poor will be the principal clients when it comes to investing the funds in diverse micro, small and medium enterprises (MSMEs).

There are effective Islamic financing techniques that can be adopted by the cash *waqf* to create dependable jobs for the poor which will eventually reduce the level of poverty to the lowest level (Mohammad and Hassan, 2009; Hamad, 2012; Walters, 2012; Rochman, 2013; Obaidullah & Shirazi, 2014, Haneef *et al.,* 2014, 2015). These techniques can be divided into two major categories: Direct (Debt-creating) and Indirect (Non Debt-creating) financing techniques (Alias, 2012; Gatawa, 2013; Ahmad, 2013; Abubakar, 2013; Ali, 2014;

Hammoud, 2014; Usman & Tasmim, 2016).

Cash Waqf in Direct Financing

As far as the operation of cash *waqf* is concerned, the most prominent techniques of direct financing are *Salam, Bai‘ al-Mu‘ajjal, Ijárah* and *Istisna*‘. These debt-creating modes of financing were developed and operated in the period of the first Islamic State in which the Holy Prophet (S.A.W) and many of his companions actively participated (Ibn Kathir, 2015, and *Sahih Muslim*, Vol.3, No.1220).

Bai‘ Salam

Salam signifies the Sale of Advance Payment (Jaziri, 2010). The *salam* contract is legalized by the Qurānic verse where Allah, the Most High says:

O you who believe! When you deal with each other in debt transactions involving future obligation, reduce it to writing ….. (*al-Baqarah* 2: 282)

According to ‘Abdullah bin ‘Abbas*,* the debt mentioned in this verse refers to the advance payment of price in s*alam* sale (Ibn Kathir, 2015). Other scholars generalized the meaning to consist of all kinds of debt (Jaziri, 2010). Also, the Holy Prophet (S.A.W) made a declaration prohibiting any one from the sale of what is not in his possession, but authorized the *salam* sale. He said:

Whosoever enters into a salam sale with you let him stipulate a determinate weight and measurement, and a determinate period of delivery. (*Sahih Muslim*, Vol. 3:1220)

Salam is an important technique that can be used by the cash *waqf* in financing the economically-active poor to engage in trade, agriculture and manufacturing (Walters, 2012; Rochman, 2013; Usman and Tasmim, 2016). Under this contract, the cash *waqf* management assumes the status of a purchaser with the financed client being a seller of a fully specified commodity to be delivered by him or her at a certain future date. This commodity can be farm produce, finished goods, or imported merchandise; depending on what the financed party engages in.

In *Salam* contract, as Alias, (2012) and Ali (2014) clarified, the cash *waqf* management engages in direct investment of *waqf* funds by financing the poor to procure certain commodities and then selling them to make profit. According to Ahmad (2013), the management engages in this contract primarily in order to empower the seller financially. The purchased goods are not used, or consumed, by the management; rather, it needs them to invest the *waqf* funds in the buying-and-selling transactions to generate profit for the welfare of the poor (Obaidullah & Shirazi, 2014).

Bai‘ Mu‘ajjal

Hassan (2012) defined *bai‘ mu‘ajjal* as the Sale of Deferred-Payment. In this bilateral deal, the cash *waqf* management makes prompt payment of certain required goods, inputs or implements, for the active poor who wish to engage in farming, manufacturing or any enterprise in which such procured materials are required. The repayment can be either in cash, in manufactured goods or in farm produce depending on what the agreement stipulates (Hamad, 2012). *Bai’ mu‘ajjal* is an effective technique of financing micro-, small- and medium-enterprises (MSMEs) which are generally agreed to be the most effective ways of reducing the rate of poverty thereby strengthening the economy of a nation (Zakaria, 2012; Gatawa, 2013).

Ijárah

Ijárah, hire or lease, technically refers to a contract aimed at giving a limited possession of a certain legal benefit derived from a valuable material in exchange for a recompense that is not extracted from the material ((Jaziri, 2010; Ibn Jazzey, 2010). Under *ijárah* financing program, the *waqf*-based microfinance can use cash *waqf* in constructing houses or shops for leasing to the public. The accrued rentals from these assets will be used in the following ways:

- Upsetting the operational costs of cash *waqf* administration, such as payment of allowances, payment of water and electricity bills, etc;
- Financing social programs, such as settling medical bills,

provision of food and shelter to the poor;
- Creation of new *waqf* properties, such as construction of public toilets, drilling of wells in rural areas that are facing shortage of portable water.

Istisná'

Bai' al-Istisna' refers to the Sale of Forward-Buying of commodities to be manufactured, or processed, by the seller on given specifications (Hassan, 2012). This is one of the most effective financing techniques that the cash *waqf* management can use to empower the active poor who are proved to be skillful in certain occupations but are constrained by shortage, or lack of capital. Under this arrangement the active poor are financed to purchase the materials required for manufacturing certain commodities. The capital will be repaid to the management in instalment as the occupation progresses, or at once after gaining full production capability (Ismail & Basri, 2012; Bhuiyan & Chamhuri, 2013).

Istisná' is an easy way to be followed by the cash *waqf* management to finance short-term manufacturing industries, such as furniture and ironworks. Under this arrangement, as Haneef *et al.* (2015), Adnan and Ajiya (2015), Aliero and Abubakar (2013) clarified, the cash *waqf* management transforms cash into tangible assets in collaboration with the financed poor who are subsequently made self-reliant.

The aim, in this contract, is to generate outputs which have a greater value than the inputs used (i.e. to add value). The cash *waqf* investment values inputs and outputs in monetary terms. Therefore, the aim is usually to generate revenue for the welfare of the poor. However, the contract agreement may require the management to examine the economic viability of the potential enterprises that are to be financed and carefully supervise the activities to ensure profitability (Hassan and Chaci, 2007; Hashim, 2012).

The contract of *istisna'* therefore, like *salam*, requires the sale of commodity to be manufactured by the client based on the specification given by the financier. However, based on the analysis by Haneef *et al.* (2015), it differs from *salam* in the following ways:

i. In *istisna*‘contract session there is no stipulation for immediate payment of price; the purchaser may wish to pay immediately, in instalment, or at the end of the contract.
ii. It is not necessary to put a deadline for the delivery of the manufactured commodity.
iii. In this deal, no consideration will be made as to the availability of the product in the market or the season that falls within the period of delivery.

Moreover, *istisná*‘, like *ijárah* (hire), is a contract of employing somebody to execute a work on a certain specification, but it is different from *ijárah* in as much as the materials used in manufacturing an item are supplied by the client either directly or through a third party employed by him (Gatawa & Abubakar, 2013).

Cash Waqf in Indirect Financing

According to Ahmad (2013), and Ismail and Zali (2014),there are many non-debt creating, or indirect, techniques of financing to be devised by the cash *waqf* management which have been proven to be very effective means of empowering the active poor to become self-reliant. The most common of these techniques, as explained by Gatawa (2013), Usman and Tasmim (2016), are: *Mudárabah, Musharakah, Muzára'ah, Musáqáh* and *Mughárasah.*

Mudárabah

Mudárabah is a profit-sharing entrepreneurial partnership between the capital provider and the investor (Jaziri, 2010). The ultimate goal of cash *waqf* management is to invest its funds in profitable ventures in order to give maximum benefits to the poor and needy (Aslam, 2013; Ali, 2014; Haneef *et al.,* 2015).

Under *mudárabah* arrangement, the active poor are given investment capital guaranteed by their communities to partake in their chosen businesses. After getting fully established in the ventures, the financed party will repay the capital with a pre-agreed fraction of the accrued profit. In case of any accidental loss of all, or part of, the capital, the client will not bear the liability (Walters, 2012). However, the financed business activities should be regularly supervised by the management to ensure efficiency and profitability (Bhuiyan *et al.,* 2012).

Musharakah

Musharakah is a profit-and-loss sharing (PLS) partnership between shareholders in an enterprise (Jaziri, 2010). There are many ways in which the cash *waqf* management can participate in *musharakah* investment in order to generate revenue to cater to the poor. The most common way is to use part of the *waqf* funds to buy shares in reputable investment or manufacturing companies where attractive dividends are expected annually. The dividends acquired from these companies will be expended in the following ways:

i. Financing MSMEs and cottage industries,
ii. Disbursement of investment capital to the active poor to initiate their businesses, and
iii. Provision of social security services to the inactive poor, such as food, shelter and medication.

Muzara'ah

Muzara'ah signifies a mutual agreement between two, or more, parties in which they join hands in carrying out a farming investment with the aim of sharing the produce amongst themselves (Azharee, 2014; Dasuqee, n.d.).

Adeleke (2012) conducted a pilot survey for his study in July, 2016, which revealed gross under-cultivation of the vast arable land in many parts of Northern Nigeria, due to abject poverty among the peasant farmers. Vast areas of agricultural land were left wasted annually due to their incapability of procuring fertilizer, farming implements, and labor (Adeleke, 2012). In fact, the current acute shortage of food in the country is a major manifestation of extreme poverty. Therefore, as part of the strategy to salvage the country from this alarming predicament, the cash *waqf* management should embark on a rigorous assessment of the problem in an attempt to identify the requirements for full-scale farming in the country.

Under a *waqf*-sponsored *muzara'ah* program, the farmers will provide what they can afford in the partnership, while the management will fulfill the remaining requirements (Hassan, 2010). After harvest, the farm produce will be shared between the management and the clients on the pre-agreed ratio (Gatawa, 2013). With the success of this arrangement, the landowners may not only have enough to feed their families, but they will also have surpluses to establish their own enterprises. The management, on the other hand, may either liquidate its share of the produce to execute social welfare services, or use it directly to cater to the inactive poor and needy (Obaidullah & Shirazi, 2014; Usman & Tasmim, 2016).

Under the same guidelines, the other twin financing techniques; *musáqah* and *mughárasah*, could also be applied based on prevailing circumstances. This is because in agrarian countries, like Nigeria, gardening and economic-tree planting partnerships are indispensable for the guarantee of food sufficiency (Hassan, 2010; Ashraf & Hassan, 2013). However, the ultimate goal for adopting all the financing techniques is to capitalize on the active poor to enable them harness their earning potentials in fruitful enterprises in order to remove their necks from the strangulating yoke of poverty (Ahmad, 2013; Obaidullah & Shirazi, 2014). Similarly, all the proceeds obtained by the cash *waqf* management from the financed MSMEs are used to develop *waqf* assets, provide social services and cater to the inactive poor and the needy (Ali, 2014; Haneef *et al.,* 2015, Shirazi *et al.,* 2015).

Operating with the PLS Financing Techniques

In Nigeria, Islamic finance is generally believed to have strong dependence on high-risk PLS financing techniques which, by inference, requires the application of such business partnerships as *mudárabah, musharákah*, *muzára'ah*, *mughárasah* and *musáqáh*. This is because, as Abedifar, Ebrahim, Molyneux, and Tarazi (2015) convincingly proved, numerous macro-economic benefits can be derived from such operations, which consist of the following:

i. Making a large volume of investable funds available for numerous productive enterprises which, at present, remains immobilized in the hands of people who lack confidence in the *riba*-based financial services.

ii. The ability of micro, small and medium enterprises (MSMEs) to obtain financing would bring to the service of the nation a large reservoir of entrepreneurial skill which would otherwise remain dormant for lack of resources.
iii. The managerial participation in the losses of financed businesses will make it more careful in evaluating loan applications. This will, in no small measure, reduce the rate of material wastages and mis-utilization of investable funds.
iv. Through the managerial participation in the success of financed businesses, greater information, skill and expertise should become available to MSMEs, thereby making them more efficient and productive.

Indeed, as proven by Farooq and Zaheer (2015), cash *waqf* and other sources of Islamic finance relatively perform better in terms of poverty alleviation, resource allocation, savings and investment, economic stability and economic growth. However, the PLS financing techniques can be profitable only if it is applied with state-of-the-art professionalism; otherwise the following operational risks are likely to spoil their application:

i. Difficulty of identifying and judging market opportunities among the proposed entrepreneurial investments.
ii. Problem of evaluating and assessing profit, or loss, due to interrupting contingencies in the investment of funds.
iii. Imperfect supervision of the partner's management of the financed enterprise, especially if the volume of business is very huge.
iv. Uncertainty of the management's future earnings in absolute terms because of the unpredictability of market forces.
v. Danger of accumulating bad risks which emanate mostly from insincere attitude of the financed party or business shareholders.

CONCLUSION

Cash *waqf* represents a perpetual charity mobilized in raw cash to be used for humanitarian services. Recent intellectual researches confirmed, through *ijtihaad*, the permissibility of donating raw cash, food-stuff items and other consumables as *waqf*. Based on this confirmation, cash waqf is now generally accepted as a branch of the mainstream *waqf* institution which was, hitherto, conceived to be confined to durable assets only. The flexibility of utilizing cash *waqf* and the ability to contribute to it by all categories of economic class in society contribute to its popularity across the Muslim world. Cash *waqf* is a vital source of financing micro, small and medium enterprises (MSMEs) in order to develop the earning potentials of the poor. As the majority of the Nigerian population is living under the poverty line of $1.25 per day, it is only with efficient financing of MSMEs that poverty could be effectively alleviated in the country. Therefore, with proper implementation of the Islamic equity and debt financing techniques using the mobilized cash *waqf* funds, numerous jobs could be created for the active poor and sustainable social security services could be rendered to the inactive poor. The proceeds, or profit, acquired from the investment of the *waqf* funds will be used to disburse revolving loans, maintain *waqf* infrastructure, cover administrative expenditure and participate in PLS business partnerships.

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