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Integration of Waqf towards enhancing financial inclusion and socio-economic justice in Nigeria

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Abstract

Purpose – This paper aims to discuss the role of Waqf as a means of enhancing financial inclusion and socio-economic justice in Nigeria.

Design/methodology/approach – The methodology in this paper is that the data were elicited from secondary sources such as the Al-Qur'an, Hadiths and other empirical studies in the existing literature. The Tawhidi epistemology (Islamic world view) also has been obtained to deliver better understanding on the findings.

Findings – The paper implores Islamic societies to take advantages of integrating Waqf to support the financing needs of disadvantaged members of the Muslims communities, especially the Muslims, dominated northern Nigeria with a high level of financial exclusion. The Waqf funds if integrated and institutionalized will support the region by making the fewer privilege members of that community-engaged thereby economically and enhancing the financial inclusion. This will also lead to economic growth and socio-economic development of Nigeria.

Practical implications – The paper concludes by suggesting the establishment of Waqf funds to supports the less privileged people through Islamic Microfinance as means of enhancing socio-economic justice in Nigeria's Muslims' communities, which is negatively affected by the high rate of financial exclusion and poverty. This paper also provides critical suggestions on the ways the integration of Waqf funds will contribute significantly towards assisting Nigeria in achieving its vision of reducing the financial exclusion rate and may foster inclusive growth and sustainable development.

Originality/value – This paper is a conceptual study and, therefore, limited to the content of the existing literature. Hence, the future researchers may replicate and test it empirically for a more scientific justification regarding the roles of Waqf towards enhancing financial inclusion in Nigeria.

Keywords Nigeria, Waqf, Financial inclusion, Socio-economic justice, Development

Paper type Conceptual paper

Introduction

Existing studies revealed that about 50% of the global adult population aged 15, and above do not have a formal bank account (World Bank, 2015). About 2.7 billion people that are equivalent to 70% of the world adult population in the developing economies such as Nigeria still lack access to basic financial services, and the majority of them are from Muslims-dominated countries (Mohieldin *et al.*, 2011). Unlike non-Muslims, that is 56%

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financially excluded, a study conducted by Iqbal (2014) revealed that about 76% of Muslims in the world are financially excluded. Of this number, 86% of the Muslims in Sub-Saharan Africa were financially excluded as against their non-Muslims counterpart with 72%. Similarly, 250 million (5%) of the financially excluded populace considered religion as a reason for being financially excluded (Demirguc-Kunt *et al.*, 2014). A survey conducted in Nigeria by Enhancing Financial Innovation and Access (EFInA) (2019) showed that 36.8% of Nigerian are financially excluded out of which 56.6% are from Muslims-dominated Northwest and Northeast region.

As part of its reforms, Central Bank of Nigeria (CBN) introduced Islamic banking in 2011 to have a robust financial system and provide alternative financial products in the country that will deepen the financial system and enhance financial inclusion. Other reforms include agent banking, tiered Know-Your-Customer (KYC) requirements, financial literacy, consumer protection, linkage banking, implementation of the Micro Small and Medium Enterprises Development Fund (MSMEDF) and credit enhancement programmes. Despite these giant strides, the exclusion level in the country, especially the Muslims, dominated northern region is still high. A survey conducted by Enhancing Financial Innovation and Access – Enhancing Financial Innovation and Access (EFInA) (2017) – showed that the financial exclusion rate increased by 2.1% from 39.5% in 2014 to 41.6% in 2016. The financial exclusion rate currently stood at 36.8%. This means that more still needs to be done for the country to achieve its target of reducing the financial exclusion rate to 20% by the year 2020 as contained in its NFIS 2020 (Central Bank of Nigeria (CBN), 2012; Sanusi, 2012).

Financial inclusion is the delivery of financial services directly to the underprivileged members of the society (Sanusi, 2012; United Nations (UN), 2015). The concept of financial inclusion ensures access to a broad range of financial services to the deserving members of society. In other words, it ensures that members of the society have access to a formal bank account, credit facilities, insurance, pensions and other available financial services at a reasonable, competitive and affordable cost (Zauro *et al.*, 2016a). Financial exclusion, on the other hand, refers to the inability or difficulties of the less privileged members of the society to access basic financial services such as financial products in the competitive environment to attend to their needs and enable them to have a normal life (Fadun, 2014; Ndebbio, 2004). This means financial exclusion is the direct opposite of financial inclusion. A number of factors lead to financial exclusion. These include unfavourable business environment, lack of sustainable growth, difficult KYC requirements, inadequate infrastructural facilities, lack of proximity to the services providers, poor knowledge and low level of awareness on the available financial services. Others are lack of trust on the staff, product complexity and the structures of the financial services providers, inadequate financial information, low amount of disposable income and lack of financial discipline and management of personal finances (Gardeva and Rhyne, 2011; Ramji, 2008). Financial exclusion is considered part of the major socio-economic challenges facing many developing economies such as Nigeria. Therefore, despite Nigeria's potentials and phenomenal economic growth, by having a landmark boost in several sectors such as telecommunications and ICT to support the banking sector, the growth has not been inclusive as the large chunk of its populace are still financially excluded.

According to Jangra (2014), growth has to be inclusive for it to pave the way for the overall growth and development of any country, and financial inclusion also serves as a driver for the inclusive economic growth, development and poverty alleviation. This connotes that, the more the people have access to financial services, the more they engage in productive businesses that will ultimately lower the poverty, unemployment and enhanced security in the society. It is empirically proven that a sound financial system will serve as a tool for effective poverty alleviation (Ramji, 2008) and economic development. Ramji (2008) further believed that access to the broad range of financial services smoothens the way for project financing and would impact positively on the growth and development of the country.

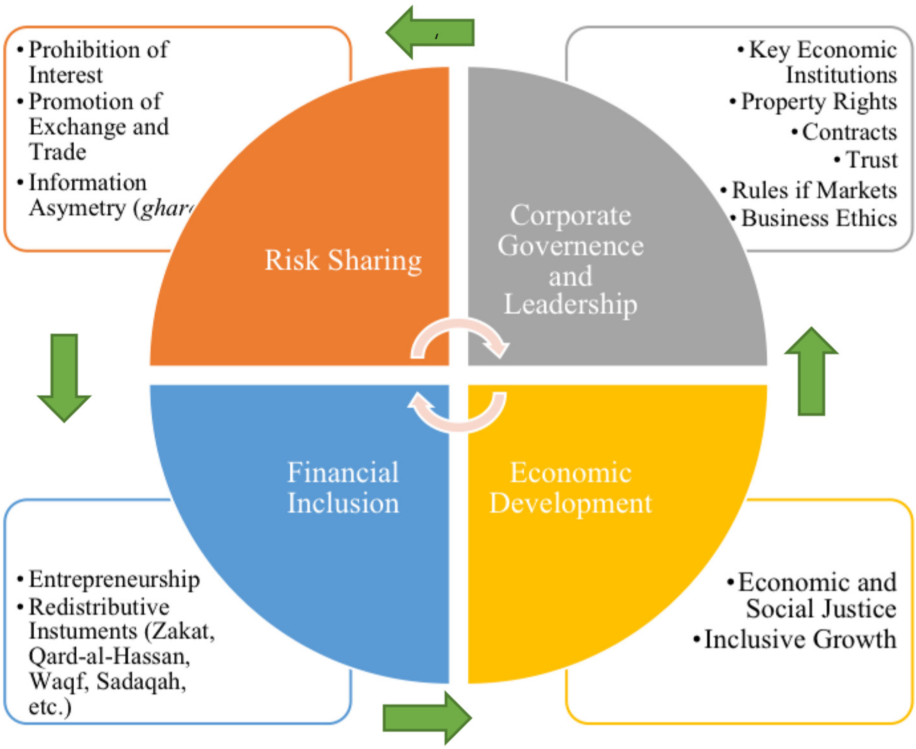
Waqf in the Islamic context refers to a trust established by a contributor (affluent Muslims) that endows the inflow of streams of income accruing to a property for a charitable purpose perpetually. Waqf also refers to a religious endowment fund established by the affluent members of the Muslims societies to provide free relief services, socio-economic benefits and succour to the less privileged members of the society. Cash Waqf, therefore, refers to endowing the future income stream of a cash trust instead of physical property (Iqbal and Mirakhor, 2013). Historically, Waqf institutions have already been institutionalised in many Muslims countries for the mobilisation of substantial amounts of financial resources by a globally credible Islamic financial institution. The majority opinion of the Islamic clerics and the Islamic economists globally is that Waqf funds enhance social justice, equity and income redistribution between the haves and the haves not (Mohsin *et al.*, 2013; Raimi *et al.*, 2014). This will also lead to enhanced access to finance by the disadvantaged members of the Muslims communities (Zauro *et al.*, 2020). Haneef *et al.* (2014) opined that "Waqf plays a significant role in the Muslims history since its emergence in more than a millennium in the Arabian Peninsula". This means that the voluntary and charitable acts through Waqf among others will go a long way in enhancing financial inclusion, reducing income inequality and boosting the economic prosperity of the Muslims communities which will bring about socio-economic development (Masyita *et al.*, 2005).

Despite the historical pedigrees of Waqf as a means of addressing the issue of financial inclusion, poverty eradication, economic growth and development, the studies on Waqf and its ability to address Nigeria's quest for development has not been given the much-needed attention it deserves. Some studies in the existing literature had highlighted critical gaps, but attention was not given to the countries in Sub-Saharan Africa. A reasonable attempt had been made by researchers such as Masyita *et al.* (2005), Haneef *et al.* (2015), Raimi *et al.* (2014) and Haneef *et al.* (2014). But these studies were conducted in jurisdictions that differ from Nigeria due to its peculiarity. This includes religious politicisation, historic resentments of the religious feud between Muslims and Christians that led to several crises in the past and having a lot of political divisions between Muslims dominated north and Christian dominated south, low level of knowledge and awareness of Islamic financial instruments (Ajani *et al.*, 2013; Markovska and Adams, 2015). Therefore, this paper seeks to address the following questions: To what extent the integration of Waqf can enhance financial inclusion? To what extent can Waqf contribution towards Nigerians' socio-economic development? As opined by Khan (2010), this paper believed that integration of Waqf in Nigeria would enhance financial inclusion, poverty eradication and building a sound, healthy and vibrant economic system among the Islamic societies for economic development.

To this end, the paper is divided into four sections. The first section deals with the introduction and general background of the study. The second section presents the literature review to elicit the empirical support; third presents the research methodology, implication and research limitations, while the fourth section concludes the paper. In the concluding section, the paper made some recommendations to government policymakers and other stakeholders on the way in which Waqf will support the Nigerian Government in its quest to reduce the financial exclusion rate to 20% by the year 2020 and achieve socio-economic development.

The concept of socio-economic justice and social inclusion in Islam

The concept of socio-economic justice is an essential element of Islamic *Shariah*. *Shariah* plays a significant role in promoting socio-economic justice through its emphasis on morality and advancement of socio-economic justice in Islamic society (Kamla and Rammal, 2013). For example, under the leadership of the Prophet Muhammad (SAW) Madinah society provides evidence that the doctrine of governance, accountability, property ownership, distribution and redistribution of wealth, and rules regarding sources of government income and expenditure all indicate the importance of encouraging and enhancing socio-economic development. Other religions such as Christianity have as their cardinal objective and teaching, the promotion of socio-economic justice in societies as against the capitalist view that encourages rich to get richer without considering the poor members of the society (Mohseni-Cheraghlou, 2014). Integration of Waqf is believed to promote socio-economic justice, enhancing equitable, fair redistribution of income between the rich and poor individuals in the society (Figure 1). This is assessed by the extent of people's participation in the distribution of wealth, opportunities for personal activity and extending social privileges to the less privileged members of the societies. This includes the process of ensuring that people fulfil their societal roles and extending the hands of fellowship among the members of the society (Kamla and Rammal, 2013; Laldin and Furqani, 2013). In the present globalisation, the concept of socio-economic justice has to take a global dimension with lots of advocacy and grassroots movements. This includes



Source: Iqbal (2014)

Figure 1.
Islamic framework for economic development

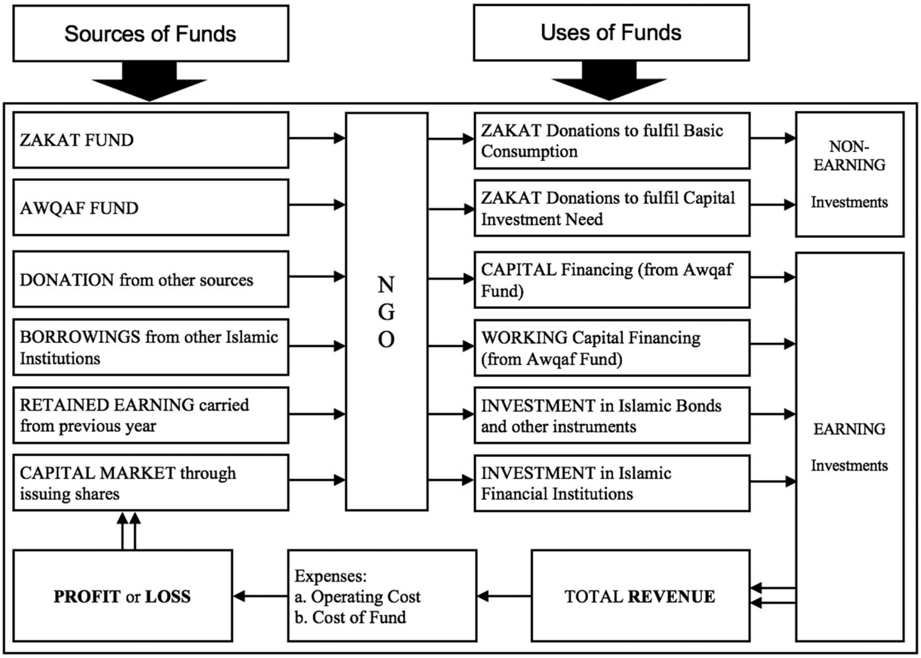
breaking barriers for social mobility, the creation of safety nets and economic justice, especially to the fewer privilege members of the society.

As part of the fundamental principles of *Shariah*, Islam places a great emphasis on socio-economic justice, inclusions and sharing of resources between the haves and the have-nots. Islamic finance addresses the issue of financial inclusion by promoting risk-sharing contracts that provide a viable alternative to conventional debt-based financing, through Islamic financial models such as Waqf for wealth redistribution among the society (Askari *et al.*, 2014). According to Chapra (1983), eradication of poverty, socio-economic justice and equitable income redistribution are among the crucial objectives of Islam and therefore ought to be the prominent features of an Islamic economic system. This concept has repeatedly been mentioned in several verses of the Holy Book of Allah in Islam. Allah beseeched Muslims to do well to others as part of His worship and abstain from being arrogant, the vainglorious. The classes of people Allah recommended us to do good to as contained in Qur'an Surat An Nisa'i chapter 4 verse 36 includes parents, relatives, orphans, nearby neighbours and strangers, your friends, wayfarers and what your right hand possesses (Saufi and Mustapha, 2012).

Similarly, Holy Prophet Muhammad (SAW) in his Hadith as contained in Bukhari and Muslims implore Muslims to assist each other. He encourages us to relieve a believer of some stress of this world so that Allah will relieve us the stress of last day. He also encouraged Muslims to ease insolvent's loan of a fellow Muslim so that Allah will make things easier for him in this world and Hereafter. Muslims are also encouraged to conceal fellow Muslim's faults so that Allah will conceal his faults in this world and in the Hereafter. Prophet Muhammad (SAW) also promised that Allah would continue to help a person so long as he helps his fellow Muslims brother (Warsame, 2009). Assisting one another, in this case, includes moral and financial assistance that will encourage redistribution of wealth among the members of the Muslims communities. Waqf is among the instruments used in the Islamic economic system that promotes income redistribution (Cebeci, 2012). The fundamental basis of the Islamic financial system is socio-economic justice (known as *al-adl al-ijtima'i*) and benevolence (*al-ihsan*) and should be reflected in its core operations (Hassan, 2015). This means the essence of the entire Islamic economic system is based on the concept of socio-economic justice in which the fair distribution of wealth among members of the society is ensured so as to promote social welfare, poverty eradication and financial inclusion (Figures 1 and 2). *Shariah* also contains guidelines on the wealth redistribution in the society as argued by Iqbal and Mirakhor (2013). This includes the payment of levies on income (*Khums*) and on wealth (*Zakat*). The principles also promote the expenditures to improve society and as an act of worship to Allah (*Infaq*), granting loan benevolently without requesting for interest (*Qardhul Hassan*), charitable payment and alms are given to redress others' right on your wealth (*Sadaqah*) and provision of assets in which income is generated and channelled towards building and maintaining public infrastructure (*Waqf*) (Jalil and Rahman, 2010; Mohseni-Cheraghlou, 2015). The emphasis of this paper is on Waqf as Islamic financial model that promote financial inclusion and socio-economic justice in Nigeria.

The concept of waqf and its classification

Waqf literally refers to prohibition or confinement. But in the context of Islamic finance, Waqf has been defined by Hassan (2010) as "a perpetual charity that means holding certain property and preserving it for the confined benefit of certain philanthropic purposes". The concept of Waqf has been well established and is being practised globally in both the Muslim and non-Muslim world. This is applicable assets such as fixed property, land or buildings or even cash-based. It is also believed that Waqf can be applied to cash, books,



Source: Hassan (2010)

Figure 2.
An integrated Islamic model of financial inclusion

shares, stocks and other forms of assets. Waqf is being used to provide a range of services such as religious education, community development services or for the maintenance of the critical assets such as Mosques (Akhter *et al.*, 2009).

Several legal considerations have to be put in place as part of the requirements for the creation of Waqf. This includes the need for the property to be a real asset that has some elements of perpetuity. This will facilitate the perpetual returns on investment that will be used for its initial objective. These include land, buildings, camels, cows, sheep, books and jewellery. The Waqf must have a permanent basis in which the founder should be legally fit to own a property. It is also required that the main objective of the Waqf must have to be meant for charity as an act of *ibadat* that that is in line with *Shariah* and the person has to be the alive and legitimate owner of the Waqf asset (Mohsin *et al.*, 2013).

Waqf can also be in cash as being practised in the past for lending to the less privileged members of the Islamic societies or for investment in which the returns are channelled towards philanthropic ventures to earn a reward from Allah, the almighty. In modern days, Waqf is being made into different ways of innovation provided they comply with the dictates of Islamic *Shariah*. These categories of Waqf can be used as a tool for enhancing financial inclusion and socio-economic justice. Nowadays, Waqf certificates of different denominations are issued as instruments needed to raise cash Waqf for sale to finance a development project.

Waqf funds as a financing model for sustainable development

Islamic economic system, which is the bedrock of Islamic finance, provides alternative financing solutions against its conventional financial system. These solutions are in accordance with the doctrines of Islamic jurisprudence (*Shariah*) (Nagaoka, 2012). *Shariah* strives to promote moral and ethical values in establishing an economic system that prohibits transactions involving interest (*riba*), uncertainty (*gharrar*) and prohibited products (Wilson, 1997). As part of its fundamental principles, *Shariah* emphasises the need for socio-economic justice through equitable distribution of income and sharing resources between haves and haves-not, which will enhance financial inclusion (Binmahfouz, 2012). In Islam, maintaining good relationship among human beings and the rest of creations (*Qist*) and the action of Allah to place everything in its rightful place (*Adl*) are the theoretical foundations of socio-economic development as contained in the Qur'an and Hadith (Kamla and Rammal, 2013; Iqbal and Mirakhor, 2013).

Traditional Islamic models such as Zakat, Waqf and Qardhul Hassan (Figure 2) are used as financing models for sustainable development (Ali, 2014). A Waqf is an endowment in Islamic *Shariah* is usually an asset such as a plot of land or cash channelled towards the benefit of Muslim Ummah for charitable purposes to earn a reward from Allah the almighty. The Waqf is in line with the IDB Vision 1440 H (2020) aimed at promoting Waqf and zakat as key instruments for promoting financial inclusion and poverty alleviation. Waqf will also assist in reducing income inequalities, promoting a healthy society and promoting sustainable economic development. Waqf is considered and a strong financing model that may exist in both public and private financing such as real estate based Waqf aimed at generating proceeds through rentals and channel the funds for socio-economic development needs (Mohsin *et al.*, 2013). In the opinion of Ali (2014), cash and commodity-based Waqf can be used to provide support for the needy in various sectors such as health, education, agriculture and the environment. He further believes that the public–private philanthropic partnership (PPPP) could be used to mitigate the risks involved to meet the objectives of socio-economic development (Figure 2).

Waqf and its role towards socio-economic justice and financial inclusion

In *Shariah*, Waqf is classified as *Sadaqahtul Jariyah* (sustainable giving). In Islam, it is required of a believer to give *Sadaqah* as an act of personal devotion to almighty Allah (Ginena, 2015). It is an established belief in Islam that *Sadaqah* purifies once wealth provided the giver performed such act with the sole intention of serving Allah. Several verses of the Holy Qur'an such made it clear that, *Sadaqah* should be given for the sake of Allah and that it will be repaid by Allah plenteously in the manifold. These verses include:

> If ye disclose (acts of) charity, even so it is well, but if ye conceal them, and make them reaches those (really) in need, that is best for you: It will remove from you some of your (stains of) evil. And Allah is well acquainted with what ye do (Qur'an, 2:271).

> But those among them, who are well-grounded in knowledge, and the believers, believe in what hath been revealed to thee and what was revealed before thee: And (especially) those who establish regular prayer and practise regular charity and believe in Allah and in the Last Day: To them shall We soon give a great reward (Qur'an, 4:162).

> (Charity is) For those in need, who, in Allah's cause are restricted (from travel), and cannot move about in the land, seeking (For trade or work): the ignorant man thinks, because of their modesty, that they are free from want. Thou shalt know them by their (Unfailing) mark: They beg not importunately from the entire sundry. And whatever of good ye give, be assured Allah knoweth it well (The Qur'an, 2:273).

Sadaqah may be given publicly in the form of Waqf or surreptitiously to the deserving members of the society. Although given *sadaqah* openly is allowed, but Allah encouraged Muslims to conceal it and make them get to those who are in dare need especially the less privileged members of the society. In Islam, it is encouraged to give *sadaqah* from among those things you really need. Muslims are not expected to give *sadaqah* from those things he has exhausted their benefit and has no value to the recipient as it does not attract reward from Allah (Obaidullah and Khan, 2008). Allah promises the reward of charity in terms of having a good life without fear and devastation in Quran 2:274. This means you will live in a life of general comfort and eternal life in this world and hereafter.

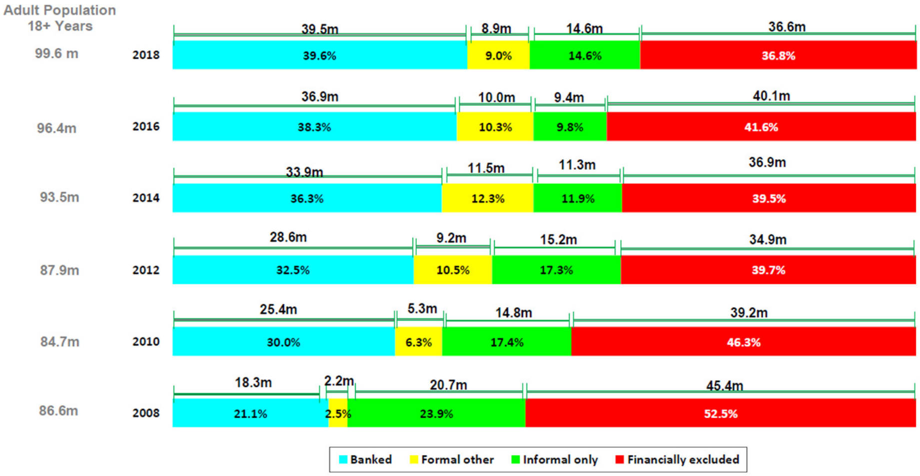
The objective of Waqf as a form charitable giving is encouraged to promote wealth redistribution and facilitate financial inclusion as an act of socio-economic justice and social solidarity in the society (Binmahfouz, 2012; Kamla and Rammal, 2013). *Sadaqah* in an Islamic society enhances social cohesion and strengthen the sense of belongings, unity and brotherhood. In practice, Muslims tend to engage in charitable giving more in the month of Ramadan, where rewards are expected to be ten times the normal rewards. Other non-governmental organizations (NGOs), corporate bodies and government agencies are engaged in *Sadaqah* activities to assist others in need (Dogarawa, 2013; Raimi *et al.*, 2015). This act is not limited to Muslims communities and also affects non-Islamic societies as it is used to foster socio-economic justice, financial inclusion and promotes a harmonious living in a society where rich and poor are living together.

An overview of financial inclusion in Nigeria

Financial inclusion refers to the situation whereby the abled and willing people of working age have adequate access to financial services such as credit, savings, payments and insurance at a reasonable and acceptable cost (CBN, 2012; Nwankwo and Nwankwo, 2014). Adequate access, in this case, includes the convenience of access and acceptable service delivery at an affordable cost. The services have to be rendered such that the customer can afford it, and the service provider can make a reasonable profit for him to survive in that business (Camara and Tuesta, 2014). According to Richards (2006), as cited in Kamla and Rammal (2013), 90% of the world's self-employed poor lacks access to basic financial services. The European Union's (EU) Charter of Fundamental Rights considered access to basic financial services for sustainable socio-economic development and social cohesion as a fundamental human right. The UN sets targets to enhance financial inclusion which includes having a formal bank account, access to the mobile payment services, access to formal savings, access to credit facilities, insurance and pensions (Mohseni-Cheraghlou *et al.*, 2012; World Bank, 2014). Other targets include sound regulated institutions with formal governance structures and industry performance standards. Sustainable institutions that ensure continuity of investment and competitiveness, choice and reasonable for its clients are also among the targets (World Bank, 2014; Zauro *et al.*, 2016b) for financial inclusion to enhance access to financial services.

In the opinion of Kingsley (2013), financial inclusion holds a promise of addressing universal poverty, underdevelopment, income inequality and welfare for the less privileged segments of the society. This is in line with the view of Kofi Annan (former UN Secretary-General), who opined that financial exclusion is the great challenge before us and we have to attack it together so as to build inclusive financial sectors that will impact positively to the people's lives. This means that the financially included society is such a society with enhanced economic activities, reasonable economic growth and development and with a low level of poverty.

A survey conducted in Nigeria by Enhancing Financial Innovation and Access (EFInA) (2008) showed that about 52.5% (Figure 3) of the adult population in Nigeria were financially excluded. Nigerian banking sector recorded 28.6 million people with the bank accounts in the population of over 177 million inhabitants (Aliyu, 2012), out of which 89.7 million were adults (Babajide *et al.*, 2015; CBN, 2012; Enhancing Financial Innovation and Access (EFInA), 2012;



Source: Enhancing Financial Innovation and Access (EFInA), (2019)

Figure 3.
Trends in financial access strand – 2008 to 2018

Sanusi, 2012). To enhance financial inclusion, developing countries including Nigeria, met in Mexico to make a commitment to the financial inclusion popularly known as the "*Maya Declaration*". The participating countries in the declaration improved in September 2012 from 20 to 35 and ended into a global policy forum referred to as the Alliance for Financial Inclusion (AFI) with its head office located in Cape Town, South Africa. Shortly afterwards, CBN and its partners launched the National Financial Inclusion Strategy (NFIS) in October 2012. The aim was to reduce financial exclusion rate to 20% by the year 2020. Specifically, access to payment services and savings that stood at 21.6 and 24.0% in 2008 should increase to 70 and 60%, respectively, by 2020.

Access to credit, insurance and pensions should increase from 2, 1 and 5 to 40% each, respectively, by the year 2020 (CBN, 2012). As part of its reforms, CBN and other development partners introduced Islamic banking to have a robust financial system and provide alternative financial products in the country that will deepen the economy (CBN, 2012; Sanusi, 2011). Other reforms introduced by CBN and its development allies include agent banking, tiered Know-Your-Customer (KYC) requirements, financial literacy, consumer protection, linkage banking, implementation of the Micro Small and Medium Enterprises Development Fund (MSMEDF), credit enhancement programmes and introduction of Islamic banking and finance (Zauro *et al.*, 2016b). These reforms were then backed up by various frameworks to ensure smooth implementation.

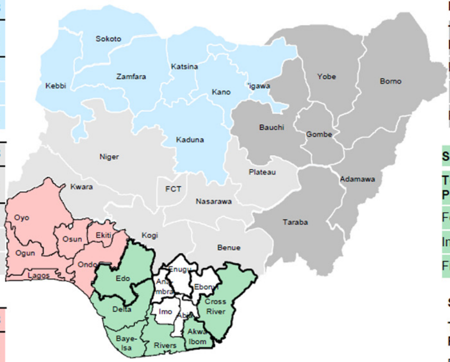
Islamic perspective on financial inclusion

Previous studies such as Dabla-Norris *et al.* (2015), Mohseni-Cheraghlou (2015) and Arogordon (2014) argued that financial inclusion promotes accelerated economic growth and development, reduce income inequality and alleviate poverty in the society. Financial services providers (both Islamic and conventional banks) can play a mediating role through the transfer of funds from those with excess to those with the deficit and in need. In Nigeria, research had shown that the Muslims dominated region is always lagging behind in terms of having access to financial services (Figure 4).

North West	2014	2016	2018
Total Adult Population	21M	22M	23M
Formally Included	35%	24%	27%
Informal Only	9%	6%	11%
Financially Excluded	56%	70%	62%

North Central	2014	2016	2018
Total Adult Population	14M	14M	14M
Formally Included	49%	48%	50%
Informal Only	19%	14%	19%
Financially Excluded	33%	39%	31%

South West	2014	2016	2018
Total Adult Population	20M	21M	22M
Formally Included	63%	78%	64%
Informal Only	13%	4%	17%
Financially Excluded	25%	18%	19%



North East	2014	2016	2018
Total Adult Population	11M	12M	12M
Formally Included	26%	25%	34%
Informal Only	5%	14%	12%
Financially Excluded	68%	62%	55%

South South	2014	2016	2018
Total Adult Population	15M	16M	16M
Formally Included	52%	55%	60%
Informal Only	15%	14%	17%
Financially Excluded	33%	31%	23%

South East	2014	2016	2018
Total Adult Population	12M	12M	12M
Formally Included	63%	59%	60%
Informal Only	11%	13%	11%
Financially Excluded	25%	28%	29%

Source: Enhancing Financial Innovation and Access (EFInA), (2019)

Figure 4.
Financial access by geo-political zones

Lack of adequate collateral to access conventional debt financing or their Islamic belief which prohibits dealings in such transactions involving interest, gambling and uncertainty may be the reasons. This issue may be addressed by adopting two suggestions by the Mohseni-Cheraghlou *et al.* (2012) that argues that the fundamental principles of Islam emphasise more on socio-economic justice, inclusion and sharing of resources between the haves and the haves-not. Islamic finance has an embedded risks management system whereby profits and losses are shared among investors (providers of capital) and entrepreneurs (those who manage the business). This makes it different from the conventional banking where interest, gambling and transactions with excessive uncertainty are common and acceptable (Chong and Liu, 2007; Kammer *et al.*, 2015; Sanusi, 2011). That financial inclusion can be addressed either by promoting risk-sharing contracts or through the use of specific instruments of redistribution of wealth among the members of the society (Askari *et al.*, 2010; Iqbal and Mirakhor, 2013). Both risk-sharing financing instruments and redistributive instruments such as *Zakat*, *Sadaqah* and *Qardhul Hassan* complement each other to offer a comprehensive approach to poverty eradication and enhance access to finance among the vulnerable poor especially Muslims communities in Nigeria and ultimately build a healthy and vibrant economy (Gelbard *et al.*, 2014; Zauro *et al.*, 2020).

The people affected by the problems of financial exclusion are usually individuals and social groups at the bottom of the social ladder, due to their poor economic conditions such as low income and perhaps lack of financial literacy (Čonková *et al.*, 2013). Therefore, it is necessary to consider the Islamic perspective of financial inclusion to help those members of the community who are highly disadvantaged in one way or another, including the financially excluded, as part of the overall Islamic objective of creating a just and inclusive society. Therefore, there is the need to implement it in its true spirit to reduce poverty and inequality in Muslim communities afflicted by the high level of financial exclusion (Zauro *et al.*, 2016a). Therefore, the practitioners should be and be seen to be different and have the aim of promoting Islamic norms and values without undermining its commercial viability as against the conventional or Western economic system that is capitalist in nature (Yaqub and Bello, 2011). Integration of Waqf is one among other ways to achieving this objective as it will encourage socio-economic justice and inclusive growth and development.

Research methodology, implications and limitations

The research methodology in this paper is that the data was elicited from secondary sources such as the Qur'an, Hadiths and other empirical studies in the existing literature. The paper had succeeded in advancing some critical arguments on how the integration of Waqf will contribute towards enhancing financial inclusion in Nigeria. The enhanced socio-economic justice will lead to economic growth and development. This paper had also added value to the existing literature to enhance people's understanding of the Waqf integration as a mechanism for enhancing financial inclusion. This may therefore, guide government, regulators, policymakers and other relevant stakeholders in formulating strategies of reducing the high level of financial exclusion, particularly among the Muslims dominated the northern region. Finally, the paper recommended the adoption of Waqf funds as models in the Islamic communities for enhancing socio-economic justice and development. Conversely, the paper has some limitation for the fact that it is a conceptual study based on the existing literature. Therefore, future researchers may subject it to the scientific test to offer empirical evidence regarding the roles of Waqf in enhancing financial inclusion and socio-economic justice in Nigeria.

Conclusion and recommendations

Base on the foregoing, it is now indisputable that the integration of Waqf funds will enhance financial inclusion and enhance socio-economic justice, especially among Muslims communities. This study had also concluded that financing models such as Waqf are paramount tools that can be used by the Muslims communities to enhance economic activities that will support the less privileged members of the society to engage in economic activities that will enhance the financial inclusion. In so doing, the existing gap between the haves and haves-not will be bridged and foster socio-economic justice for economic growth and development. Waqf fund will also be assisting in addressing the financing needs of the indigent and vulnerable segments of the society. This is because of their inability to participate in the highly risky business contracts such as *Mudarabah* and *Musharakah* and their low level of financial literacy. By making the poor financially included will rekindle the economic activities and facilitate development in an ideal Islamic society. This will build a healthy and vibrant economy that facilitates harmonious coexistence and solidarity between haves and haves-not. This practice has historical pedigrees, as demonstrated by its application in various Muslim communities for social cohesion due to socio-economic justice.

This paper argued that it is part of social responsibility in Islam to support each other through social interventions such as Waqf endowments. This will reduce abject poverty, and social inequality among Muslim communities such as Muslims dominated northern Nigeria afflicted by the high level of financial exclusion. This paper had established that charitable giving such as cash Waqf is such *Ibadats* to immortal being (Allah) by his mortal servant (human being). The wealth ownership rest with the Allah (the supreme owner of all things) and that, human beings are mare custodians of the wealth in which He examines them on their ability to use it judiciously according to his dictates. Hence, the affluent members of Islamic societies are always encouraged to engage in charitable giving as encouraged by many verses of the Holy Qur'an and Sunnah of his Holy Prophet Muhammad (SAW). This is in line with the submissions of Hassan (2010) and Haneef *et al.* (2015) on the need to integrate Waqf funds as an Islamic Microfinance model for poverty alleviation and financial inclusion. This is part of obedience to Allah as the ultimate owner of all wealth and supports the spiritual, moral and intellectual excellence of Allah's vicegerent on earth (Ibrahim, 2000).

This paper recommends the integration of Waqf as an endowment funds and financing model for enhancing financial inclusion and socio-economic development. The paper also recommended that the Nigerian policymakers, regulators should liaise with the affluent people, corporate bodies, philanthropists and other development partners to institutionalise the Waqf fund and channel it towards assisting the less privileged members of the society. The Waqf endowment fund can then be managed by a set of religiously dedicated manpower with sound experience and adequate financial literacy. Similarly, the Central Bank of Nigeria in collaboration with other development partner's banks, international Islamic organizations, corporate bodies and wealthy individuals that are determined to promote charitable giving as an act of worship (*ibadat*) to Allah, to be committed to taking care of the financing needs of the poor and vulnerable members of the society especially those with a high rate of financial exclusion. Finally, coordinated grassroots advocacy and sensitisation programme should be put in place to educate the poor on the ways to access the funds to support their financing needs for them to be economically engaged. This study believes that these recommendations if adopted will guide the government, policymakers, regulators and practitioners in Nigeria as a remedy to the untold hardship suffered by the teeming Muslims population due to the high level of financial exclusion. Finally, it will support the country to achieve its target of reducing the financial exclusion rate to 20% by the year 2020.

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