

## IMPACT OF COMPUTERIZATION OF WAQF PROPERTIES ON POVERTY ALLEVIATION

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### ABSTRACT

*Waqf properties constitute a large percentage of societal wealth in several Muslim countries with high potential to address socio-economic problems. Waqf institutions faces many challenges among others like lack of financing, inefficient management teams, and legal constraints, etc. Waqf is an important component of the Islamic economic instruments which is firmly believed and can solve the socio-economic problems mainly in the good attempt to eradicate poverty due to scarcity of the income and employment. Waqf can restore distribution of income and wealth wisely. It can play a vital role in eradication of poverty and it has been enhanced to a much higher level as evident from the data analysis of Annual Net Income for a very minor part of the Waqf Properties out of a large number of Waqf Properties on which Annual Returns were filed before & after the computerization in one of the State Waqf Board in different Financial Years. So, it could very well be said that Computerization of Waqf Properties will enhance the overall economic progress of the country and reduces the poverty.*

***Index Terms : Wakf, Waqf, Wakf property, Waqf property, Trustee, Mutawalli, Muslim, Islam, State Wakf Board, State Waqf Board, WAMSI, WAMSI On-line System, Poverty Alleviation, Income, Prosperity, Efficiency, Transparency, Management.***

### I INTRODUCTION

The Waqf Properties are spread out all over the country and registered with respective Waqf Boards under their jurisdictions. Waqf is a non-profit sector, has played an important role in the provision of social goods such as education, hospitals; and public goods such as roads, mosques, bridges; caring for the orphans, the poor and the needy, the widows, the handicapped and the old, etc. [1].

While there are a great number of literatures produced on the legal and religious aspects of Waqf, the similar attention has not been paid to explore its role in economic life of Muslims. Historically, Waqf has played a precious function in economic aspect and always has potentialities to do so. Waqf could be regarded as a

fundamental economic institution for purpose of generating economic activities whilst at the same time ensuring that the benefits will accrue to certain parts of the society.

In its economic sense, the Waqf could be defined as diverting funds and other resources from current consumption and investing them into productive and prospective assets which generate revenues for future consumption by individuals or society at large. Waqf is therefore a peculiar combination between the act of saving and the act of investment. It operates by taking certain resources off consumption and simultaneously putting them in the form of productive assets that increase the accumulation of capital in the economy. The Waqf implies a sacrifice of a present consumption opportunity for the benevolent purpose for providing income and services for the society and following generations.

In line with the principle of perpetuity in Waqf, a Waqf asset may not be sold or disposed of in any form. It should remain in the Waqf domain perpetually. The development of the Waqf foundation in the Islamic states peaked and highly improved from aspects of variety, quantity and content. There are two prominent institutions, which develop the social laws, economic and political structure of the society and the Islamic state structure on a democratic ground and provide stability and balance in the development [2]. Waqf foundation, which has been tried to improve the economic, should be examined from the different aspects in order to fulfill properly its functions along with the changing needs and structure of society.

Waqf affect distribution of the wealth which is based on its characteristics because, establishment of a Waqf means that to fulfill a service previously an immovable prosperity must no longer belong to ownership of the person allocating it. There is a significant discrepancy between distribution of the wealth by Waqf and contemporary wealth distribution policies. Today the wealth, which consists of the economic and fiscal cautions, has transferred from the rich groups to groups who are poor and without prosperity [3].

Waqf is not a part of government income or expenditure, rather it is a charity given voluntarily by well-to-do Muslim people in the society to serve public interests and enhance their welfare. Having financed by the Waqf funds, the government therefore can save a great amount of its budget and expenditure which initially planned for the public interests. This budget then could be effectively channeled to other important development activities. It is in this sense that Waqf institutions can replace the government's burden and responsibility and reduce its participation in the economy.

## **II STATE/UT WAQF BOARDS AND WAQF DEVELOPMENT IN INDIA**

As in Islam, giving interest is a sin and a Quranic injunction; Muslims keep themselves away from normal banking channel. They look Today we take another step forward in our efforts to promote the interests of the minorities in our country. NAWADCO is said to be the first step towards creating Shariah compliant infrastructure building institution [4].

This is an institution which has established for the development of the Waqf properties for the benefit of the Muslim community in our country. This Corporation has been established with an authorized share amount of

Rs. 500 Crore. It will facilitate and mobilize the financial resources for setting up of the facilities like schools, colleges, hospitals on Waqf properties for community purposes in a transparent manner. There are more than 4.9 lakh registered Waqf properties in India today, which fetch an annual income of around Rs. 163 crore.

Many of these properties have the potential of generating the considerable returns, which in turn could be used for the socio-economic development of the Muslim community. As per the estimates of the Sachar Committee, if these properties are properly developed, they could fetch an annual income of about Rs. 12,000 crore, assuming an annual return of 10% on the value of the property. It is the vast potential that NAWADCO will strive to realize. Government of India has also recently amended the Waqf Act as well.

The amendments in the Waqf Act are expected to bring the transparency and efficiency in the administration of Waqf properties and provide an enabling environment for the development and utilization of the Waqf lands to the benefit of the Muslim community.

The amended Waqf Act has particularly strengthened the role of the Central Waqf Council (CWC), which was established to advise the Government on matters pertaining to the working of the State/UT Waqf Boards and proper administration of Waqf properties. The Council is now empowered to issue the directives to State/UT Waqf Boards on their performance, particularly on their financial performance, Survey of the Waqf properties, Maintenance of Waqf deeds, and Prevention of Encroachment on Waqf properties.

### III CONTRIBUTION OF WAQF PROPERTIES ON POVERTY ALLEVIATION

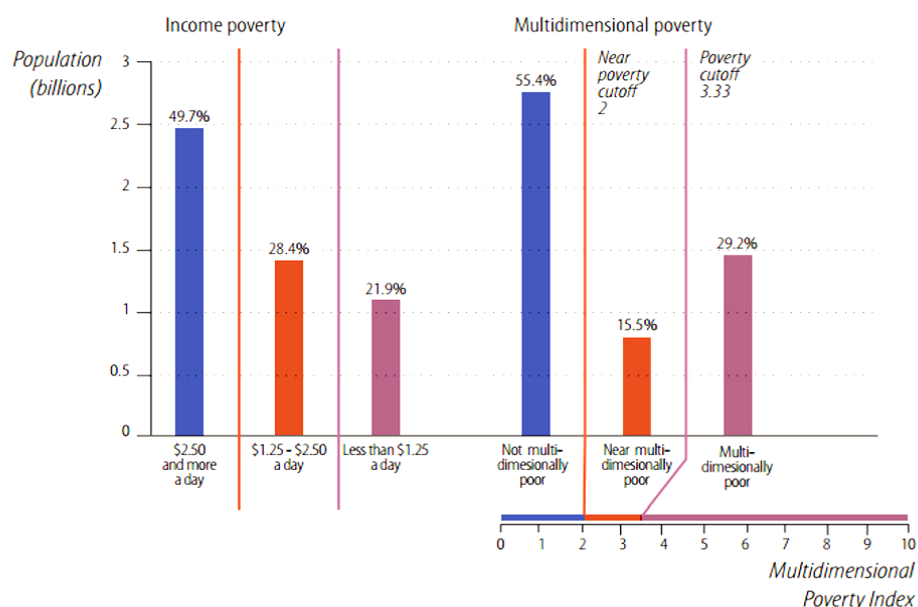


Figure 1: Multidimensional Poverty Index,

SOURCE: [2014 Human Development Report, "Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience"](#)

According to income-based measures of the poverty, around 1.2 billion people live with \$1.25 or less a day. However, the report stresses that, using the UNDP Multidimensional Poverty Index; almost 1.5 billion people in 91 developing countries are living in the poverty with overlapping deprivations in health, education and living standards. The report warns that the persistent vulnerability threatens human development, and unless it is systematically tackled by the universal provision of basic social services, stronger policies for social protection and full employment, progress will be neither equitable nor sustainable

Waqf institution also plays important role to achieve a just distribution of wealth and income in the economy. Through the voluntary contributions of the rich for the public purpose, the Waqf can have a positive implication on the redistribution of wealth. This kind of voluntary approach has a much better result than the redistribution through taxes and government transfer expenditure as the instrument of taxes has a greater costs implication for its implementation. Due to a lack of proper tax formulation, the costs of collecting taxes may create unnecessary burdens to the government. Likewise, in the transfer of government expenditure, it involves a great cost. On the contrary, in the form of Waqf, the costs of collection will be very cheap and in most cases it even involves no cost at all [5].

Strong financial condition is also a very important element in developing the Waqf assets, particularly those involve with property sector. Lack of the financial funds will cause many development projects planned cannot be executed. The financial fund is not sufficient enough to manage the Waqf because the Waqf properties are not fully utilized to generate income for the further development. Additionally, a less number of the property developers who interested to involve with the development of Waqf lands due the number of acres for Waqf land given by the individual founder usually lesser than three acres which does not really attract developers who looking forward for a bigger project.

Majority of theories that take government as a redistributive agent present the fact that the equilibrium redistribution level of income attained by private persons is suboptimal. Economic theories imply that if redistribution is left to the individual, the result might be suboptimal redistribution level. Better distribution of the income in the economy which is one of the modern economic goals can be achieved by Waqf. In this process, the taxation is definitively assigned a secondary role. There are further implications: a lower tax burden means an enhancement in the consumers' and the producers' surpluses and a diminution in the "dead-weight cost of the tax". As a result, the lower taxes would have a positive impact on the aggregate production while at the same time reducing costs.

Poverty and income inequality have always been among the most critical and enduring problems that the societies face. There are ways to handle the poverty problems, starting from preventive to curative measures. Through Waqf computerization, long-term assets that generate income flows can be created and preserved. These assets obviously help the process of production and creation of wealth. Waqf can play an important role in poverty alleviation by specifically targeting the poor as major recipients of its benefits. Waqf may also be formed purposely to disseminate knowledge and coach skills in entrepreneurship development among the poor as microfinance alone cannot create wealth unless combined with entrepreneurial skills. Indeed all technical

assistance programs including for poverty alleviation can be organized as Waqf. The income from the philanthropic Waqf for the general public can provide services to the poor directly and/or indirectly.

### 3.1 Poverty Reduction

Poverty is associated with the insufficient outcomes with respect to the health, nutrition, and literacy, and with deficient social relations, insecurity, low self-esteem, and powerlessness. These basic capabilities in turn enhance the people's ability to be agents of change; they enhance people's ability to question, challenge, propose, and ultimately usher in new ways of doing things.

The process of the poverty approximation has propagated from mere income deprivation to a broad multidimensional phenomenon, addressing the broad, complex nature issues; encompassing thereby through the multiple domains of the wellbeing because the dream of the economic development in the presence of poverty cannot be materialized in the true sense. Its conventional view solves the problem as an income dilemma, whereas the term goes beyond mere monetary deprivation and international community widely accepts it as a complex issue, which covers the several socio-economic aspects of the human wellbeing [6]. Income being a sole indicator, which is an insufficient measure showing the incomplete picture of the human wellbeing. To explain an adequate view of the poverty it is therefore necessary to supplement the income with other attributes.

A condition characterized by the severe deprivation of the basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on the income but also on access to the services. Poverty encompasses lack of income, lack of productive assets, lack of education and quality entertainment, ill health, inadequate housing, unsafe living environment, and poor social and cultural life.

According to OECD (2001) for international comparisons the most common poverty lines are: for low-income countries US\$1 a day, for middle-income countries US\$2, and for transition economies US\$4. Many countries have their own poverty lines reflecting the different social, economic and climatic conditions in determining what is considered an acceptable minimum income.

The Waqf went beyond meeting the immediate needs of the poor to provide means for the long-term amelioration of the deprived by providing them with the tools for earning income and climbing to higher social status [5]. The study of Waqf deeds showed the great effort devoted to Madarsas (Schools), which were centres of both social life and learning. Waqf with capital investment was directed towards supporting the needy and poor from a scale of individual charity to a scale of social civic institution.

### 3.2 Taxation of Waqfs

Taxation of the Waqfs has been one of the most controversial and complicated issues in the history of the Indian Waqf system. The basic dichotomy is the same as elsewhere: The government is out to maximise its revenue, but taxing excessively leads it to fall in the revenues that could have been spent on the charity, and is ultimately a self defeating affair. The issue is also complicated by the existence of the two different legal systems, Islamic

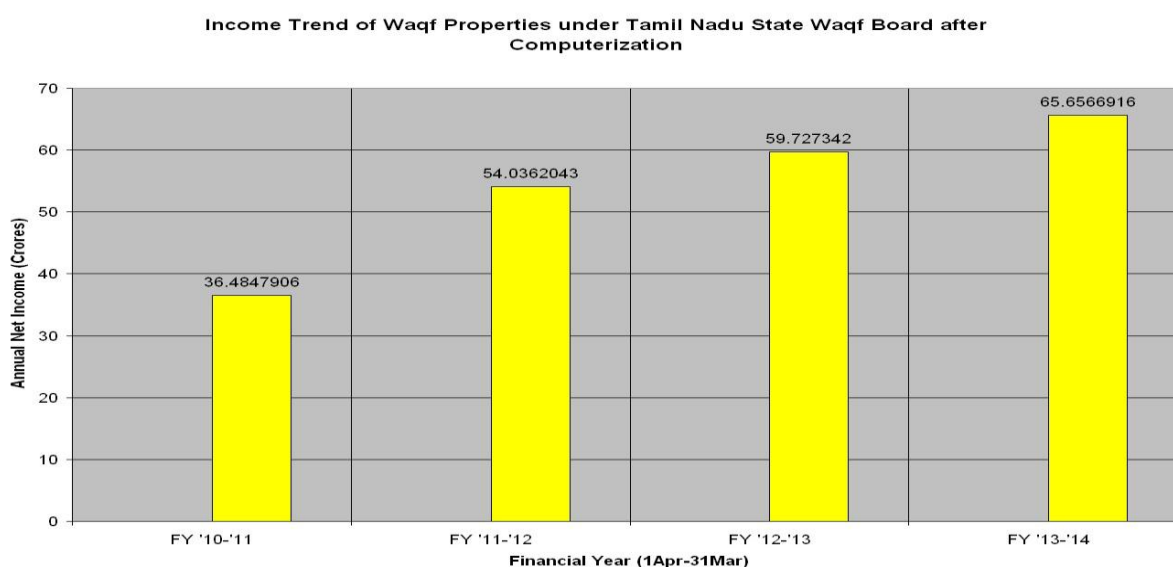
and Secular, what was originally designed as a simple provision for the totally exempting from tax the income of a charitable trust has, over the years, become a maze of sections, provisos etc., with the result that the income tax officials are totally confused. *The Income Tax Act* was amended 27 times during 1971-76.

Concerning the wealth tax, the *Central Waqf Act* promulgates that although a *mutawalli* is not a trustee in the technical sense, he has to be treated like one and assessed for wealth tax in the same manner and to the same extent as would the person on whose behalf the assets are held. Thus, as far as taxing the trustee is concerned, the differences between the trustee in the English law where he is treated as an owner and the trustee in the Islamic laws, where he is considered as a mere manager, have been disregarded and the *mutawalli* is treated as the owner, i.e., in a manner more accurate for a trustee.

The judges in this case were affected by the provisions of the English laws. As far as the Estate Duty is concerned, the whole thing boils down whether the property of a family Waqf is transmitted to the next generation upon the death of the founder. But a Waqf like this, both the founder and his descendants are merely recipients of the usufruct of the *corpus*. They do not hold any absolute interests in *corpus*. It is because of these complications originating in the very philosophy of the Islamic Waqf system that the family Waqf should not be subjected for the Estate Duty. To attempt to do so, betrays a fundamental lack of understanding of the Islamic laws.

#### IV EFFECT OF COMPUTERIZATION ON WAQF PROPERTIES' INCOME

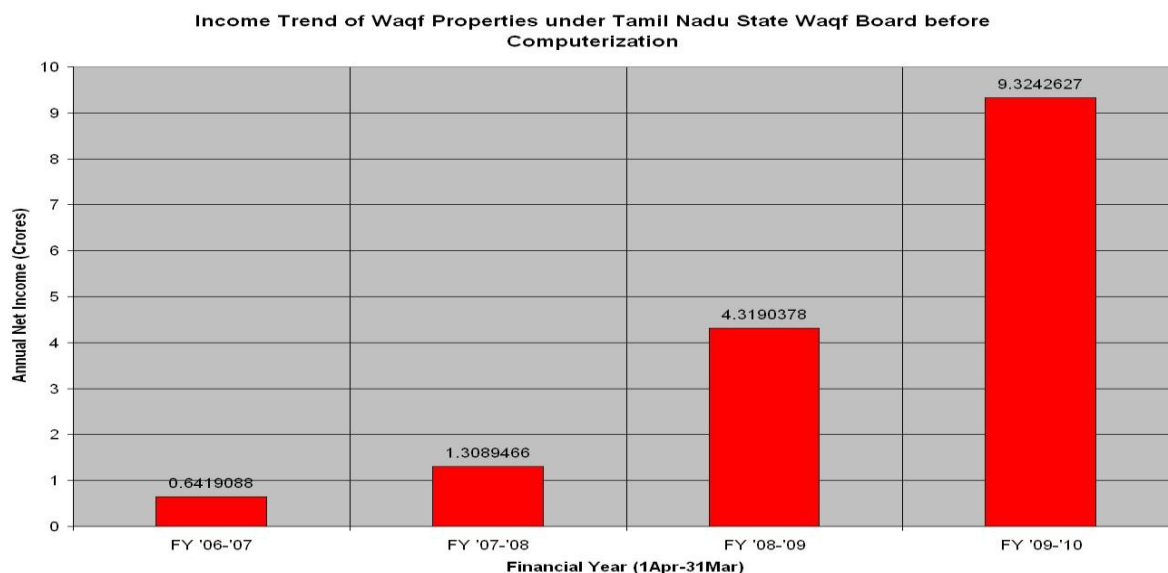
Government of India had launched a Scheme of Computerization of Records of State/UT Waqf Boards in the year 2009 and a WAMSI On-line System was evolved in the year 2010. This system is implemented across various State/UT Waqf Boards in India. For the sake of analysis, data is taken from the WAMSI On-line System Public Interface.



**FIGURE 2: Income Trend after Computerization**



The data analysis of Income generated by the Waqf Properties is presented here for the period after the Computerization i.e., from Financial Year 2010-2011 onward and compared with the data before the Computerization Process for Tamil Nadu State Waqf Board.



**Figure 3: Income Trend before Computerization**

SOURCE: WAMSI On-line System Public Interface <http://wamsi.nic.in/>  
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**Income Trend of Waqf Properties under Tamil Nadu State Waqf Board after Computerization**

S.No.	Fin.Year	Crores	Total Prop	Return Filed
1	FY '10-'11	36.484791	53369	1496
2	FY '11-'12	54.036204	53369	2213
3	FY '12-'13	59.727342	53369	2173
4	FY '13-'14	65.656692	53369	2120

**Income Trend of Waqf Properties under Tamil Nadu State Waqf Board before Computerization**

S.No.	Fin.Year	Crores	Total Prop	Return Filed
1	FY '06-'07	0.6419088	53369	38
2	FY '07-'08	1.3089466	53369	63
3	FY '08-'09	4.3190378	53369	114
4	FY '09-'10	9.3242627	53369	338

It is observed that Income of the Waqf Properties is increasing with each passing year of Computerization from 36 Crores to 65 Crores after start of Computerization Process, whereas Income just prior to start of Computerization Process was 9 Crores. Moreover, it is also observed that Annual Return Filing of Waqf Properties is also going-up i.e. *Mutawallis* are more compliant towards Filing of Annual Return as the data is in Public Domain through WAMSI On-line System Public Interface.

## V CONCLUSION

Waqf is an important component of the Islamic economic instruments which is firmly believed, can solve the socio-economic problem mainly in the good attempt to eradicate poverty due to scarcity of income and employment. Waqf is to prominently improve in the Muslim world and plays a significant role in social,

political, and economic life in the Muslim society. Islam is the only religion which implemented the concept of Waqf. This paper concludes that after computerization of waqf properties the income has upgraded and poverty line has been improved. Hence, after computerization, the Waqf has become an important instrument in enhancing the socio-economic conditions especially in attempt to eradicate the poverty.

## VI ACKNOWLEDGMENT

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