

The Capacity of the Endowment Institution in Realizing the Value-oriented Dimensions of Economic Justice and Grounds for Its Enhancement*

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Abstract

The endowment, or *waqf*, institution has historically served diverse religious, social, and economic functions, among others. Economically, endowment contributions have supported marginalized groups through transfer payments, food distribution, the establishment of clinics, and similar initiatives, thereby promoting social justice. This article aims for a deeper analysis of the endowment institution's capacity to achieve value-oriented economic justice. It initially outlines six dimensions of such justice: resource allocation management, justice in distributing natural wealth (a pre-production distribution aspect), justice in access to initial opportunities, income distribution justice, justice in meeting basic human needs, and intergenerational justice. It then assesses the potential of endowment to fulfill these dimensions. The study demonstrates that endowment serves as a justice-enhancing mechanism, fulfilling all the specified dimensions except for the distribution of natural wealth, which falls under government authority. Furthermore, addressing minor jurisprudential and legal challenges can expand this capacity. The combination of the endowment institution with financial mechanisms, particularly in Islamic frameworks such as microcredit, securitization, *qard al-ḥasana* loan (benevolent loan), and innovations like cash endowment and stock endowment, can further generalize and develop the endowment institution, enhancing its services to beneficiaries. This expansion increases the effectiveness of the endowment in promoting justice.

Keywords: endowment, value-oriented justice, allocative justice, distributive justice, intergenerational justice

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1. Introduction

Historically, endowment, or *waqf*, held a significant position in Muslim societies. When governments minimally intervened in economic affairs, endowment properties played a central role in the socio-economic lives of communities. Endowment supported the poor, orphans, and widowed women and financed the management of mosques, *husayniyyas*, hospitality for travelers, assistance to stranded individuals, and educational expenses for religious students.

Today, with the expansion of state intervention in economies and a decline in religious motivations—possibly influenced by the rise of industrialization—the role of endowment has significantly diminished. However, Iranian government’s successful experience engaging philanthropists to construct schools and educational institutions suggests a strong societal potential for endowment aimed at public welfare.

In earlier times, due to the simpler needs of communities and smaller local populations, identifying and addressing primary needs through endowment was straightforward. However, modern societies have grown more complex, making need assessment challenging. Simultaneously, scientific advancements over recent centuries have created new ways to harness charitable motivations more effectively. Therefore, research into the various aspects of endowment, particularly its economic dimension, is essential for actualizing this potential.

One of the notable aspects of endowment is its justice-driven operations. Historically, endowment redistributed income by supporting underprivileged groups without imposing financial burdens on the government, thus improving justice indicators. Beyond income redistribution, endowment’s diverse functions in education, healthcare, job creation, and increased production reflect broader aspects of justice that must not be overlooked. Consequently, endowment appears to be a powerful tool for promoting justice.

However, for states to leverage endowment as a tool for advancing economic justice, deeper theoretical and empirical analyses are required—an area underexplored to date. A critical theoretical question is how endowment contributes to the various dimensions of economic justice emphasized in Islamic thought, referred to here as value-oriented economic justice. This study also investigates whether combining endowment with financial and economic instruments can enhance its efficiency in achieving justice-related goals.

This paper explores the multiple dimensions of value-oriented economic justice and assesses endowment’s capacity to fulfill them. Section One defines endowment, its status in Islam, and its diverse economic, social, and religious functions, emphasizing its economic role. Given endowment’s wide-ranging

presence in society, this study focuses specifically on aspects relevant to the research topic.

Section Two examines the dimensions of value-oriented economic justice, including justice in resource allocation management, access to initial opportunities, fulfillment of basic needs, income distribution, natural wealth distribution, and intergenerational justice. Section Three evaluates endowment's capacity to fulfill these dimensions using the identified criteria.

Section Four discusses the areas that can potentially develop this capacity and require further theoretical work, demonstrating how combining the institution of endowment with institutions, financial instruments, and innovations can enhance the efficiency of endowment. Consequently, this would lead to better outcomes from this benevolent act of endowers and increase enthusiasm for this commendable tradition. The final section provides a summary and conclusion.

2. Endowment

The institution of endowment predates Islam and was endorsed by Islam due to its benefits, receiving encouragement and promotion. Although the Quran does not explicitly mention endowment, its permissibility and desirability can be inferred from verses on charity, *qard al-ḥasana*, cooperation, and *sadaqa* (Riyahi Samani, 1999, 20). The sayings and practices of the Prophet Muhammad and the Imams (PBUT) also emphasize endowment.

A hadith from the Prophet states: "When a human dies, their deeds cease except for three: a continuing charity, knowledge that benefits people, and a righteous child who prays for them" (cited in Abduh Tabrizi 2005). Endowment is a prime example of ongoing charity, as long as the endowed asset benefits others, the donor continues to receive spiritual rewards.

Beyond being a virtuous tradition and a form of *sadaqa jāriya*, endowment is also rooted in the broader duty of Muslims toward one another. This duty extends beyond obligatory financial dues like *zakāt* and includes acts like inner *zakāt*. Imam Sadiq (PBUH) was asked about the extent of *zakāt*, and he distinguished between outer and inner forms, emphasizing that the latter involves aiding a brother in need without prioritizing oneself over them (cited in Haeri Yazdi 1999). Therefore, in a religious society, individuals not only fulfill their obligatory financial duties but also create opportunities to address the needs of other members of the community. Thus, endowment embodies both *sadaqa jāriya* and inner *zakāt*.

2.1. Juridical and Economic Definitions of Endowment

In Imami jurisprudence, endowment is defined as “the holding of the property while disbursing its benefits in the path of God.” Shaykh Ṭusī describes it as “the retention of the principal while channeling its returns.” The term *taḥbīs* (retention)—from *ḥabs*—indicates the restriction of transfer rights except in specific cases, while *tasbīl* signifies releasing in the way of God. Shahīd Awwal states: “It is the withholding of the principal and the release of its benefit.” Endowment involves withholding the principal property while allowing its benefits to be used. Similarly, Muḥaqqiq Ḥillī describes endowment as “a contract in which the principal is withheld, and its benefits are released” (Nourahmadi 2004).

An economic definition of endowment, used throughout this paper, considers it as the diversion of funds and resources from immediate consumption, redirecting them into productive assets that generate income for future public or group benefit. Therefore, endowment combines savings activity with investment (Kahf 1998). If the volume of endowment assets in a society becomes substantial, it can influence the economic structure and create unique socio-economic phenomena requiring further theoretical analysis.

Endowment institutions can be categorized based on duration, beneficiaries, type of asset, legitimacy, management, and usage. The focus here is the last category, which has economic aspects. Two main types of endowment by usage are: *endowment intifāʿ* (Utilitarian Endowment): This involves assets not generating financial profit but serving public welfare, such as mosques or *husayniyyas* established on personal or the deceased ones’ land. *Endowment Manfaʿa* (Profit-Generating Endowment): This involves income-generating assets used to fund other causes, such as endowing a shop to finance a mosque, hospital, or school (Salehabadi 2007, 155).

Both types can have economic impacts. For instance, a free healthcare service offered in an endowment hospital reduces the patient’s medical costs, acting as a transfer payment from the donor to the beneficiary, thereby enhancing their effective income.

2.2. Functions of Endowment

The endowment institution serves various religious, social, scientific, economic, and societal roles. Below are some of these functions, with a focus on its economic impact:

Religious Function: Through Endowment, donors aim to purify themselves spiritually through charitable giving.¹ Endowments like *husayniyyas* and mosques are dedicated to communal worship.

Social Function: Endowment fosters solidarity between the wealthy and the needy, promoting mutual goodwill and strengthening social unity.

Scientific and Educational Function: Some endowment properties fund the construction and management of seminaries, universities, and research centers, as well as support for students.

Economic Function: Endowment serves multiple economic roles. Jurisprudentially, endowment involves retaining the principal property while using its benefits for charitable purposes. Civil law defines it as retaining and restricting the ownership of an asset (e.g., land, buildings) and using its profits according to the donor's intentions. Since endowment concerns property, the retention and use of its benefits create economic effects, with donor intentions often involving economic goals. Additionally, the overall volume of endowment assets and their financial circulation relative to the national economy can generate significant economic phenomena requiring analysis. Properly managed endowment assets can substantially support governmental economic goals. For example, significant investments in educational projects can reduce state expenses and minimize government size. Similarly, endowment-funded facilities like sports complexes or hospitals alleviate the government's financial burden for such services. Historically, seminaries and libraries were maintained through endowment, as travelogues document. Below are some key economic impacts of endowment:

- **Reducing Economic Disparity:** Islam does not demand equal wealth distribution but discourages extreme inequality. Quran highlights this by stating wealth should not circulate solely among the rich: "That which God has given in spoils to His Messenger from the people of the towns is for God and His Messenger, and for kinfolk, orphans, the indigent, and the traveler, that it not come to circulate among your wealthy" (Quran 59:7).² Endowment donations reduce the wealth gap by redistributing wealth and providing aid to the needy (Salimifar 1991, 167).
- **Expanding Public Ownership:** Islam acknowledges public, private, and state ownership without privileging any over the others. Expanding public ownership from private endowment assets creates a unique ownership structure and economic motivations requiring tailored economic policies (Salimifar 1991, 171).
- **Investment and Employment Generation:** Investment decisions often depend on expected returns. Private investors avoid projects with low returns, necessitating state subsidies or investment. However, as endowment donors are not profit-driven, they can invest in underdeveloped regions, promoting local development.

- **Social Welfare Provision:** Many endowment properties support vulnerable groups such as widows, orphans, and the disabled, effectively functioning as social security. A significant increase in such endowment support can enhance their financial security, making their consumption approximate to the average consumption of the society.

2.3. State Influence on Endowment

Although endowment is a grassroots institution, an Islamic state can guide it through non-intrusive policies. The state can use educational, research, and promotional initiatives to steer endowment efforts toward poverty reduction and economic justice. As noted by Salimifar (1991, 8), “The Islamic state can guide endowment donors to allocate resources where societal needs are greatest, thus alleviating the burden on the public treasury while meeting community demands.” This approach not only reduces state expenses but also enhances the effectiveness of poverty reduction and empowerment programs, given studies indicating the private sector’s greater efficiency compared to government operations.

Another area of government influence includes financing research on the institution of endowment and fostering its development to align with contemporary needs while evolving in step with broader societal advancements.

3. Value-oriented Justice and Its Indicators

3.1. Introduction

A fundamental goal of governments in economic policy, whether explicitly or implicitly stated, is to achieve economic justice. Upholding justice facilitates policy implementation by reducing social control costs and political instability. However, improving justice indicators involves both financial and social-political costs. For example, redistributive measures like taxation for wealth redistribution, aimed to help the needy, may face resistance from affluent groups, creating political pressure. Therefore, governments seek methods that enhance justice while minimizing these costs. If non-governmental sectors, such as endowment institutions, assume some responsibilities in wealth distribution, they can significantly support state efforts.

Endowment, with its strong religious and historical role in aiding marginalized groups and its various social, cultural, and economic functions, can be a powerful tool in achieving justice. However, the question arises: What is justice, and how can endowment contribute to its realization?

Justice is a philosophical rather than an economic concept, revolving around the notion of entitlement. A distribution is considered just when resources are allocated based on individuals’ merits and capabilities. Accordingly, justice relates

to terms like “giving due rights,” “observing entitlements,” “proportion of property to owner,” and “returning trusts.”

3.2. Meaning and Concept of Justice³

As noted, the core meaning of justice revolves around observing rights, ensuring that entitlements reach their rightful claimants. Under this definition, merits, capabilities, and entitlements correspond with opportunities and privileges. Each perspective’s understanding of human capabilities and entitlements depends on its anthropological viewpoint, with numerous religions and philosophical schools addressing this subject.

In the Islamic perspective, by being a creation of God, human beings possess a set of fundamental innate or natural rights. These rights are not grounded in social contracts but are, according to Shari’ah, divinely ordained, derived from the very nature of creation. Respecting these rights or entitlements paves the way for the intellectual and spiritual growth of individuals, enabling the flourishing of human free will. As free will develops further, a person’s entitlements are elevated, eventually leading to roles such as teacher, mentor, and judge, and ultimately, to the leadership of the Islamic community in the social sphere and the attainment of divine proximity in the spiritual realm.

Similarly, a society or nation also initially possesses fundamental innate or natural rights, which serve as the foundation for the collective flourishing of free will. Through the proper use of these rights, the potential for both material advancement and the elevation of the collective spirit in a constructive and transcendent manner is cultivated. As this collective free will continues to develop further, the society evolves to such a degree that it attains the status of a “justly balanced nation” and assumes leadership of the global community.

A preference for functional definitions and avoidance of value-oriented definitions of justice: In mainstream economic literature, justice is often discussed based on a specific definition, where the degree of justice achieved and its causal relationship with other economic variables are examined. One such functional definition of justice emphasizes equality in access to initial opportunities for economic activities. Literacy rates are the most common indicator representing this view of justice. The causal relationship between literacy and other economic variables is then explored, leading to various theoretical frameworks, all constructed upon the functional nature of justice.

Economists often refrain from value-oriented reflection on the nature of justice, arguing that such inquiries fall within the domain of philosophy or its subfields, such as moral philosophy. Instead, they base their studies on functional definitions of justice. This approach is partly driven by a lack of interest in philosophical aspects of economics among economists, as they tend to regard discussions on the

rationale behind evaluative criteria for economic policies—such as efficiency, equity, and sustainability—as matters beyond the scope of economics itself.

3.3. Definition of Justice from the Perspective of the Dominant Paradigm—Functional Definition—and from the Islamic Perspective—Value-oriented Approach

The dominant paradigm in economic philosophy defines justice through a functional lens, emphasizing “post-production distribution.” Under this framework, the indicators used to measure justice are essentially the same as those used to assess income or economic resource distribution. These indicators include: “Functional Income Distribution Indicators,” “Physical Quality of Life Index (PQLI),” (3) adjusted Physical Quality of Life Indices, relative income distribution indices (such as the Gini coefficient and Lorenz curve), and absolute income indices (such as the poverty line). All these indicators assess the degree of justice based on the extent of access to life resources, whether in absolute or comparative terms.

However, the value-oriented conception of justice, emphasized in doctrines rooted in divine revelation, offers a more comprehensive perspective, requiring the observance of human entitlements across various dimensions. According to this view, even adherence to ethical principles, such as truthful speech, is considered a right of the human soul and a natural requirement of human disposition. In economic matters, justice must be observed across all conceivable dimensions of entitlements. These dimensions include: justice in resource allocation, justice in access to initial opportunities, justice in the fulfillment of basic needs, justice in the distribution and access to natural wealth, justice in post-production distribution, and intergenerational justice, each of which will be explained in detail below.

3.3.1. Justice in Resource Management and Allocation

Why do human rights demand efficient resource management, linking justice to effective use of resources? Perhaps the clearest justification for this principle is that greater wealth production can more effectively reduce poverty and the number of impoverished individuals, a goal emphasized in Islam. Therefore, ensuring people’s right to wealth sufficient to meet their primary and essential needs requires the efficient management of resource allocation aimed at increasing production.

One of the key factors leading to inefficient resource allocation is economic incompetence, which refers to a lack of economic awareness and understanding. As stated in the Quran (4:5): “And give not the feeble-minded your property, which God has placed in your hands to manage, but provide for them and clothe them

from it, and speak unto them in an honorable way.” While justice demands the right of the economically incompetent to have their basic needs met, the right to manage and allocate resources must be based on rationality and the capacity for sound decision-making. Economic incompetence fails to fulfill this entitlement. Therefore, economic resource management should not be entrusted to those who lack the necessary knowledge and expertise.

Another interpretation of the same verse suggests that an Islamic state should actively work to eliminate the conditions that foster economic incompetence, as it weakens the economy and hinders economic growth. For example, any situation where price distortions lead to irrational decision-making can be considered a violation of distributive justice. During periods of high inflation, the difficulty in accurately assessing real prices—and thus relative prices between goods—complicates production and consumption management, particularly for individuals lacking sufficient economic intuition and information.

3.3.2 Justice in the Distribution of Natural Wealth (A Dimension of Pre-Production Justice)

Natural resources like rivers, forests, and mines possess inherent stored value. From a religious perspective, this stored value belongs to all humanity, governed by specific principles. This understanding is reflected in the following verse: “He it is Who created for you all that is on the earth” (Quran, 2:29).

The allocation of the stored value in natural wealth to all humankind, rather than a specific group, results in stricter conditions for the ownership of immovable and natural wealth compared to movable wealth under Islamic law. For instance, consider the following principle:

The occupation of natural resources such as land, mines, and springs can be considered among monopolistic practices based on force, lacking legitimate value, whereas the occupation of transferable natural wealth can be classified as productive and beneficial labor, which serves as the sole foundation for private rights over natural wealth. (Şadr 1360, 158)

Şadr (1360, 278) adds, “Islam does not permit the state to grant usufruct rights over natural resources beyond the capacity of individual use.” In other words, ensuring justice in access to natural wealth results from productive labor within defined boundaries.

3.3.3. Justice in Access to Primary Opportunities

This study distinguishes between primary (basic) opportunities and primary needs:

Primary Needs or Essential Needs: By being human, individuals are endowed with inherent natural rights. For example, one of the fundamental human needs is

access to food, and thus, a natural right to benefit from food arises. Similarly, justice necessitates the fulfillment of other essential human needs such as employment, clothing, shelter, healthcare, and medical services.

Primary Opportunities: These are opportunities whose utilization directly lays the groundwork for broader future benefits derived from an individual's activities. Educational opportunities are a prominent example. While access to public education may be considered a universal right, not all individuals aspire to pursue university education. Nevertheless, the opportunity for university education must be available to everyone without discrimination. Other examples of primary opportunities include the right to vote and the right to hold political office.

A necessary condition for access to primary opportunities is the absence of discriminatory laws within society. If an opportunity is provided to one member of society, it must, without exception, be accessible to all. In the economic sphere, key primary opportunities include freedom of choice—whether among goods, producers, or consumers—alongside access to tools of production, which are critical for economic participation.

The Quran, in verses 6 and 7 of Surah al-Hashr, addresses the allocation of resources derived from *fay'* (booty gained without fight). Verse 7 specifies the rationale for directing *fay'* to orphans, the needy, and travelers so “that it not come to circulate among your wealthy” (Quran 59:7). This verse highlights that the absence of equitable primary opportunities inherently obstructs the realization of economic justice.

3.3.4. Justice in Fulfilling Basic Human Needs (BHN)

As noted, basic human needs must be met due to inherent human rights. These needs include minimum food, healthcare, clothing, shelter, and employment opportunities. When market mechanisms fail to ensure these needs, redistributive policies become necessary.

The Quran states: “And in their wealth was a due for the beggar and the deprived” (Quran 51:19). A pertinent question arises: What is the extent to which these needs should be fulfilled? According to Martyr Şadr,

The state's obligation extends beyond addressing urgent and severe necessities; it must also ensure and guarantee a standard of living aligned with contemporary conditions and requirements. This obligation represents the state's responsibility to provide *'āla* (literally means sustenance), which entails adequately supplying individuals with the means and essentials for a sufficient life. The concept of a sufficient life is broad and flexible. (Şadr 1360, 322)

3.3.5 Justice in Income Distribution

Justice in the income distribution among production factors—including labor, capital, management, natural resources, land, and monetary capital—is achieved

when each factor is compensated in proportion to its contribution to productive activities. Various theories have been proposed to determine the rights of production factors and the extent of their participation in economic activities. Some argue that labor plays a central role in production, asserting that other factors depend on its presence. From Martyr Şadr's perspective, "Islam attributes the entire product to labor while recognizing the entitlement of landowners and tool providers to compensation for the services their assets render in production" (Şadr 1360, 207).

In contrast, other theorists emphasize the pivotal role of entrepreneurs and investors, arguing that their willingness to risk capital to actualize an economic idea not only boosts production but also creates employment. Consequently, labor is viewed as entitled only to wages, while the principal share belongs to the entrepreneur or investor. This paper does not aim to resolve this debate but highlights a key observation: structural experiences indicate that the proportion of individuals earning income through labor (selling labor services) significantly exceeds those earning income through other means, such as ownership. Therefore, increasing the share of wages in national income naturally reduces inequality in income distribution.

3.3.6 Intergenerational Justice

With the emergence of sustainable development discourse, achieving societal development alongside ensuring its continuity has become a critical issue. This entails that the development of present generations must not come at the cost of depleting economic resources, both non-scarce, such as water and air, and scarce, such as oil and other non-renewable resources. If the exploitation of renewable resources exceeds their capacity for regeneration, these resources will suffer irreversible depletion, negatively impacting the welfare and even the health of future generations.

The verse, "He it is Who created for you all that is on the earth" (Quran, 2:29), indirectly addresses intergenerational justice by addressing all humankind, including future generations. Since the Quran remains authoritative for all generations, the earth's resources belong not only to the current generation but also to those yet to come. Thus, the present generation must respect the rights of future generations.

4. The Role of the Endowment Institution in Promoting Justice

4.1 Justice in Resource Management and Allocation

Three types of resource management and allocation are identifiable within the framework of endowments *endowment*:

1. **Endower's Allocation of Resources:** When an endower dedicates a portion of their property to an endowment, it typically serves the public interest and enhances societal welfare. This is regarded as an optimal allocation of resources, reflecting sound management practices.
2. **Administration of Endowments:** The administration of endowments may be overseen by either a religious authority, who appoints a representative, or a custodian designated by the endower. Jurists disagree on the qualifications of a custodian. Some require both trustworthiness and justice, while others deem trustworthiness and competence sufficient (Hejazian 1996). However, there is a consensus that the custodian must possess trustworthiness and competence, reflecting justice in managing and allocating resources.
3. **Justice in the Endowment Assets:** Some jurists argue that the endowed property itself, especially in the case of real estate, must be preserved (retained). This means that the sale or conversion of endowed property is generally prohibited, except under exceptional circumstances. However, in economics, individuals manage their portfolios based on market analysis and preferences, striving to balance liquidity, risk, and return. The ability of economic agents to make choices, alongside other factors, is a necessary condition for achieving maximum efficiency in a market economy. However, under current laws, the prohibition on selling endowed assets results in a decline in their value over time, which conflicts with the principles of allocative justice.

To address this issue, the concept of the institutionalized asset, recognizing its independence from its components and grounded in legal frameworks, must be formally acknowledged (Katouzian 1999). This would empower endowment custodians to manage portfolios effectively, preventing their transformation into low-value, low-return assets over time.

4.2 Justice in the Distribution of Natural Wealth

According to the law, the government cannot dedicate public assets as endowments. Only private individuals and non-governmental legal entities have the authority to create endowments, yet they do not own natural wealth. Consequently, justice in the context of endowments does not apply to the distribution of natural resources.

4.3 Justice in Access to Primary Opportunities

As mentioned earlier, the primary opportunities include access to education and productive tools. Historically, endowments served diverse purposes, such as establishing and managing endowed libraries, funding religious seminaries, and other initiatives. For instance, approximately 60% of the expenses for prestigious

universities in the United States are funded through endowed funds (Abduh Tabrizi 2005). These endowments reduce tuition costs, making education accessible to a larger population. Directing new endowments toward schools, universities, and seminaries can enhance the justice index in access to primary opportunities.

Another essential opportunity for individual progress is access to tools and resources for production. Many individuals possess entrepreneurial ideas and the capacity to create jobs for themselves but lack the resources needed to implement them. Financial resources, one of the most critical tools for production, are often indispensable in conjunction with other resources like agricultural land, educational credentials, or professional skills. Endowers can either directly establish factories and workshops or allocate endowment funds to provide loans to unemployed individuals in need. Despite their significant potential for job creation, endowments have played a minimal role in this area.

Currently, one way to assist impoverished households is through microcredit, a well-known concept in financial literature. Integrating financial institutions with the endowment system can improve justice in access to primary opportunities. Given the importance of financial institutions and their potential synergy with endowments, this issue will be discussed further in Section Five.

4.4 Justice in Meeting Basic Needs

If the initial distribution of resources through market mechanisms fails to meet public needs, the government is obligated to implement measures for redistributive justice. This includes providing essential goods and services for low-income groups in sufficient quantities. Since large segments of society often lack adequate living standards, the government bears a substantial responsibility in this regard.

Historically, endowments have played a crucial role in addressing these challenges by channeling their benefits toward meeting the basic needs of disadvantaged groups. Endowments can independently provide essentials such as food items (e.g., rice, flour, oil, and sugar), household goods (e.g., refrigerators, carpets, and televisions), educational materials (e.g., school uniforms and stationery), electricity for remote villages, dowries for brides, housing for underprivileged young couples, and other similar initiatives. Thus, the endowment system has significant potential to enhance justice in fulfilling basic needs.

4.5. Justice in Income Distribution

The income and benefits of endowments are typically utilized in two major ways:

Consumptive Expenditures: These involve purchasing goods that neither yield long-term nor short-term economic benefits. Examples include providing food for

mourners, purchasing religious books for mosques and schools, and similar activities.

Redistributive Expenditures: These expenditures can be considered as a form of transfer payments. Since they are directed toward underprivileged groups, they serve as a mechanism for redistributing income in favor of low-income populations, thereby enhancing income distribution justice. For instance, establishing an endowed hospital has a redistributive effect, as individuals who receive free medical services save on costs, effectively increasing their disposable income. This benefit is financed through the reduced income of the endower. Similarly, endowments can provide direct financial assistance, such as monthly stipends, to needy households, including those headed by single women, families with incarcerated or incapacitated breadwinners, or families with unreliable guardians.

Furthermore, as endowments are created with benevolent intentions, they can invest in projects that may have lower returns on investment and are thus less attractive to conventional investors. This increases the overall investment rate, boosts economic production, and moves the economy closer to full employment. As discussed in the previous section, this also contributes to greater justice in income distribution.

4.6. Intergenerational Justice

One of the conditions of endowments is their perpetual nature. Since the beneficiaries of endowments usually include not only the current generation but also future generations, the endowment system supports intergenerational justice. It ensures equal importance and benefits for both present and future generations from endowed resources. Many current endowments were established using the wealth of previous generations, with their benefits equally distributed across both present and future beneficiaries, avoiding discrimination.

Additionally, endowments contribute to intergenerational justice in another way: by funding public initiatives, they reduce the need for government expenditure in these areas. This, in turn, lessens government budget deficits, often financed through borrowing, thereby mitigating the financial burden on future generations.

5. Opportunities to Enhance the Capacity of Endowment Institutions in Value-oriented Economic Justice

Piraste et al. (2008) attribute the historical underdevelopment and stagnation of endowment activities in Islamic countries primarily to the absence of complementary Islamic financial institutions. According to them, the necessity of

interaction between financial institutions and endowments rests on both empirical and normative grounds.

From an empirical perspective, the long-term development of endowments depends on the financial circulation of endowment revenues through financial institutions as tools for sustainably accumulating such revenues. From a normative perspective, the value judgments of the endower play a crucial role in developing endowments in interaction with financial institutions. This is because if financial practices deviate from Islamic principles, the entire development process—both of endowments and financial institutions—may stagnate.

For these reasons, along with others, a new body of literature has emerged that explores the integration of institutions such as endowment and *zakāt* with Islamic financial systems. In recent years, several conferences on endowments have been held, addressing their financial dimensions. One example is the “Endowment in Capital Markets” conference, held in March 2005 at Mofid University in Qom. This article briefly reviews the findings of these conferences and other academic projects regarding the financial and economic development of endowments and examines how these tools can enhance the capacity of endowments to advance value-oriented economic justice. These discussions should be considered theoretical “case studies” and are not intended to provide an exhaustive analysis of theoretical developments in integrating Islamic financial institutions with endowments.

Beyond financial aspects, there are additional areas for the development of endowments. Ahmad Mahdi (1999) categorizes the key areas for reform and revival of endowments as instruments for developing Islamic society into three main categories:

1. **Management Reform:** Identifying superior and alternative management models and structures for endowments.
2. **Legal Reform:** Drafting new laws or modernizing existing ones to revive endowments in response to contemporary needs.
3. **Investment and Financial Development:** Exploring and evaluating new methods and tools to strengthen endowments, including access to financial instruments and capital that comply with Islamic principles.

To the third category, one must add the potential of Islamic financial institutions or other tools that can be aligned with Islamic values, such as the endowment of money or financial innovations rooted in endowment. These approaches can expand the financial capacity of endowments.

The relationship between financial practices and endowments can be divided into two categories:

1. **Using Financial Tools to Enhance Endowment Services:** For example, integrating microfinance or *qard al-ḥasana* institutions with endowments or investing in endowment institutions.
2. **Using Financial Tools or Innovations to Develop Endowments:** For instance, money endowments or securitization.

This section does not attempt to draw a strict distinction between these two categories but addresses them briefly. The significance of this discussion lies in the fact that endowments, as demonstrated in the previous section, are tools for promoting justice and fostering value-oriented economic justice. Therefore, their development is vital for enhancing their efficiency and effectiveness.

5.1 Endowment and Microfinance

Microfinance is defined as small loans and credits provided by financial institutions to low-income individuals without requiring collateral. These credits typically serve three primary purposes:

1. **Reducing Poverty and Supporting Vulnerable Groups:** Helping underprivileged sections of society.
2. **Creating Jobs and Promoting Entrepreneurship:** Many impoverished individuals possess entrepreneurial ideas, creativity, and innovation, but lack the necessary financial resources to actualize their plans. Microfinance enables them to create self-employment opportunities.
3. **Addressing Local Community Needs:** Providing essential services such as healthcare, education, and other social needs.

The significance of microfinance has been so profound that 2005 was declared the *Year of Microfinance*.

However, microfinance institutions (MFIs) face challenges such as default risk, where borrowers fail to repay their loans. Due to their poverty, borrowers typically lack proper collateral, and confiscating the limited assets of defaulting borrowers contradicts the purpose of helping vulnerable groups, damaging the reputation of MFIs. To mitigate this issue, MFIs often charge higher interest rates than conventional loans. One innovative solution has been group collateral, where loan eligibility is tied to the collective repayment performance of a group or community. If one member defaults, the entire group is disqualified from future loans, creating peer pressure for repayment. However, this approach can lead to conflicts within the group.

Another significant challenge in Islamic countries is the perception of microfinance interest rates as *ribā* (usury), which is prohibited under Islamic law.

The endowment institution, driven by its charitable nature, can integrate with an MFI, designating needy individuals as beneficiaries eligible for loans based on the discretion of the endowment's trustee. MFIs connected to endowments or

zakāt have access to greater potential resources than conventional MFIs, as they can draw upon endowment or *zakāt* funds (Ahmed 2002).

Income from endowments integrated with an MFI can be allocated into three parts: A portion of the is designated for granting microloans, another portion is allocated to transfer payments, and the remaining portion is reserved for increasing capital or covering the maintenance costs of assets.

Since these credits originate from endowment revenues, they can be provided interest-free, charging only a service fee. Such MFIs are better positioned to handle default risks within reasonable limits.

5.2 Money Endowments

Traditionally, endowments have been primarily in the form of land and properties. However, the increasing scarcity and high land cost have hindered the creation of new endowments. Alternative methods are needed to revitalize the endowment institution, enabling individuals of all wealth levels to participate. Money endowments provide such an opportunity.

Among Sunni Muslims, money endowments have been historically common, particularly in the Ottoman Empire. Among Shi'a Muslims, however, they have been less prevalent due to the majority of jurists historically not recognizing money endowments as valid. Despite this, some jurists have deemed money endowments permissible, and recent research—such as those by Malakoutifar (2007), Sa'adatfar (2007), and Dadgar et al (2007)—has demonstrated their feasibility from a jurisprudential perspective.

Dadgar et al (2007) propose two organizational frameworks for money endowments: **Endowment Banks:** Endowed funds are invested, and the income generated is used—based on the endower's stipulations—to assist individuals in need, such as patients, the poor, and orphans. **Endowment Funds:** Donors contribute money to provide loans to the needy. As loans are repaid, the principal remains in the fund, enabling continuous support. These funds can be established for specific purposes, such as healthcare, marriage assistance, employee, etc.

5.3 Development of Endowment through Securitization

One of the tools that facilitates the establishment and growth of endowment institutions is the issuance of endowment certificates. These certificates, or securities, hold a reasonable nominal value (denomination) and can be traded like other financial instruments. Through securitization (converting assets into securities), these certificates are issued by financial intermediaries, such as commercial banks, and sold directly to individuals interested in supporting the creation of endowment institutions. These certificates can serve various purposes in advancing endowment institutions.

First, they can enhance the assets or liquidity of an endowment fund or bank. Second, they can provide liquidity for the development and expansion of existing endowment properties (Ahmed 2004). This tool is particularly effective when an endowment requires liquidity to operationalize its assets. In such cases, borrowing from financial institutions is also an option.

5.4 Participation of Endowment Institutions in Capital Markets

The participation of endowment institutions in capital markets encounters jurisprudential challenges, as the traditional Islamic definition of endowment mandates the preservation of the corpus (original assets). For instance, if an individual dedicates land or a garden as an endowment, this property, except under specific circumstances, cannot be converted. This restriction hampers the optimal management of endowment assets.

Some scholars (Katouzian 1999) suggest addressing this limitation by distinguishing between the general concept of assets and their individual components. This approach would allow an endowment institution, in addition to its physical assets, to maintain an investment portfolio and use its profits to serve the beneficiaries. The management of this portfolio would naturally fall under the responsibility of the endowment trustee. However, this separation—distinguishing endowment properties from their financial assets—depends on formally recognizing the endowment as a legal entity.

This mechanism can also be leveraged to promote and expand endowment institutions. For example, a public institution, such as a university, could establish an endowment investment company and advocate for endowments. Interested individuals could contribute their desired amounts to a designated account established by the company for collecting these funds. These contributions would be used to purchase shares in the company, with its profits allocated for the operation of the university or other public institutions.

6. Summary and Conclusion

If solutions to its shortcomings—such as challenges in participating in stock markets and the practice of cash endowment—are devised, the endowment institution could become a highly effective tool for promoting value-oriented economic justice. While it does not address justice in the distribution of natural resources—which is the government's domain—it fulfills other aspects of value-driven justice.

Integrating endowment institutions with financial entities and tools, particularly those compliant with Islamic law, not only popularizes and develops endowment but also enhances its services for the beneficiaries.

Table 1: Status of Endowment Institutions in Dimensions of Value-Oriented Economic Justice after Integration with Financial Entities

As shown in Table 1, nearly all four tools discussed in Section 5 improve indicators of value-oriented economic justice. The justice in the distribution of natural resources, as mentioned earlier, is not relevant to endowment institutions. The only exception is that microcredits and cash endowments do not directly improve intergenerational justice. Notably, none of these tools diminish any dimensions of value-oriented economic justice. Thus, integrating endowment with financial entities enhances its justice-driven dimensions.

Dimension	Microcredit	Cash Waqf	Securitization	Waqf in Capital Markets
Resource Allocation	+	+	+	+
Distribution of Natural Resources	---	---	---	---
Access to Primary Opportunities	+	+	+	+
Fulfillment of Basic Needs	+	+	+	+
Income Distribution	+	+	+	+
Intergenerational Justice	---	---	+	+

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Notes

1. A reference is made to the noble verse: "Take thou a charitable offering from their wealth, cleansing them and purifying them thereby, and bless them" (Quran, 9:103).
2. All Quranic translations in this paper are taken from Nasr et al.'s work. However, to avoid repetition, only the chapter and verse numbers are cited, omitting the reference to Nasr et al.
3. This section primarily relies on Vaez and Moghadam (2008).