International Journal of Scientific Research and Engineering Development-– Volume 7 Issue 1, Jan-Feb 2024

Available at www.ijsred.com

RESEARCH ARTICLE OPEN ACCESS

Cash Waqf as a Source of Financing for Small Enterprises in Libya (Waqf Microfinance Fund)

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Abstract:

The idea of establishing specialized endowment funds has gained great importance in community service in several countries, in all economic and social sectors and activities where The advantages that distinguish Waqf (endowment) funds have prompted many Islamic countries to adopt them, such as Kuwait, Malaysia, Saudi Arabia, and others, in an attempt to find new renewable resources as alternatives to traditional financing and fill its gaps. Despite the advantages of these funds, Libya is still witnessing deficiencies in the field of endowment and has yet to come close to the idea of cash Waqf funds. This study and its results attempt to be a reference, a model, and a constructive outlook for Libya's adoption of the concept and project of cash endowment funds as an additional funding source along with available financing sources and a solution to the financing problems that small enterprises suffer in Libya. It would also serve as a proposal and vision for the future to activate the Waqf experiment and embody it on the ground.

Keywords— Cash Waqf, Financing, Small Enterprises, Waqf Microfinance Fund.

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I. INTRODUCTION

Developing a small enterprise is one of the most important issues that economic decision-makers take into account in all developed and developing countries, due to the pivotal role of these projects in economic and social development. The importance of small enterprises is mainly embodied in their ability to create jobs at large rates and low capital costs and thus contribute to solving the unemployment problem that most countries suffer from. In fact, countries that used small and micro-enterprises as a means to reduce the phenomenon of unemployment have achieved positive results, as unemployment rates decreased. The unemployed moved to the labor market, even raising their projects to better levels. In addition, small enterprises have strong links with large enterprises, as they feed them with their needs, which in turn reflects positively on the level of individual and family income through improving the standard of living, health, and education, and providing the possibilities for a decent life[1].Small and micro-enterprises also have the advantage of the efficient use of capital, because of the direct link between the ownership of the project and management. The owner is keen on the success of his project and thus manages it in an optimal way. Small enterprises are among the most important economic sectors that contribute to the spatial development of rural and remote areas. In addition, these enterprises are an incubator for entrepreneurial and distinct ideas, exchange of experiences, consultations, and training[2].

In order for these projects to play their developmental role in the movement of economic activity, the obstacles they may face must be confronted. Access to finance is one of the most incapacitating obstacles facing the owners of small and micro-enterprises, as not only they lack capital enabling them to set up their own projects, but do not have sufficient collaterals that can be provided to the banks either. In addition, there is the complex administrative procedures and interest requirements (usury) in exchange for this financing. This is the main reason behind the reluctance of most of these entrepreneurs to establish their own small and micro-projects as to avoid transacting in interest-based loans.On the other hand, the sources of financing are in the form of interest-bearing loans that overburden these projects (because the interest is a fixed cost) and make them lose their competitive advantage with other projects. Therefore, it has become necessary to search for other financing alternatives that are more appropriate and accessible to small and micro-enterprises, on the one hand, and are compatible with the conditions and principles of Islamic law on the other (Nasser & Mohsen). The Islamic Waqf system is considered one of the most significant pillars of Islamic economy and throughout its long history, it has constituted a pillar of the social and economic structure of a state; the Waqf has had and still has a major economic role. Through it, the basic needs of the poor are provided, including clothing, food, shelter, and a number of public goods and services, such as education and health. The last two are directly reflected in the development of the workforce and its capabilities, to increase its productivity; and thus, achieve a quantitative and qualitative increase in the factors of production. This leads to a reduction in the burden of the state general budget, and money intended to be spent on the aforementioned areas is allocated to other areas. This also means ensuring the efficient distribution of available resources so that wealth is not concentrated in the hands of a particular group, which means narrowing the differences between classes. Waqf contributes, in this way, to increasing the resources that are available to the poor in a manner that raises their standard of living and reduces the gap between them and the rich. Furthermore, Waqf contributes to increasing savings, as it represents a type of saving of keeping part of the resources, not leaving it idle, but rather using it and spending its net return (after deducting maintenance and replacement costs) for the purpose assigned to it[3].

During, the last two decades, the world has witnessed the revival of this institution in almost all Islamic countries. This is in relation to improving the status of old endowment buildings and expanding the concept of endowment to include cash endowment, as a tool to improve the current state of Muslim societies and as a means of economic development[4].The most central features of Cash Waqf are: liquidity, collective participation of the founders, and flexibility in pooling and investing cash resources. At the present time, cash Waqf (endowment) has become a vital issue, because of its role in finding innovative solutions to establish and develop endowments. Cash Waqf (endowment) aims to contribute to identifying and meeting the needs of the beneficiaries, reducing poverty and unemployment and financing micro, small and medium enterprises. It is a crucial mechanism for financing endowment investment and providing a legitimate financial return that achieves the goals of all parties, including the founders, the Waqf (endowment) institution, and the beneficiaries[5].

Cash Waqf is an ancient form of Waqf, as it was used widely during the Ottoman reign, between the 10th to 16th centuries. Nevertheless, it is considered a new method for many Muslim countries and its popularity has increased in recent days. The use of cash as an intermediary for Waqf (endowment) is a newly introduced method that is widely used by Muslims instead of giving up property or land. Not many people have land and homes these days. As a result, many Muslims do not perform Waqf, despite their desire to do so, because of a lack of opportunities and limited resources. Cash Waqf can come in two forms. The first form is that cash is converted into a Waqf that is used for free lending to needy people; in the second form, it is invested, and beneficiaries of Waqf further use the profit or the return on investment[6].

The modern world has provided various ways and styles to use cash Waqf effectively according to Shariah rules. Whereby, many Islamic countries have adopted contemporary applications in order to organize and manage cash Waqf. These applications have been embodied in the establishment of institutions and endowment funds with different organizational forms in order to arrange and run the collection and distribution process, and to take care of their implementation in order to allow economic and social development[7].Waqf (Endowment) funds are considered one of the most successful ways of practicing Waqf work. These funds represent the cooperation of popular actors with official institutions in order to achieve Waqf (endowment) development goals. Endowment funds are an innovative tool in endowment work that seeks to collect and develop them to serve their specific purpose, as they have multiple purposes and can be renewed continuously to meet the needs of the community. An endowment fund is established for each field of civilizational, cultural and social work to finance its projects. The money of each fund constitutes a charitable endowment, to finance the establishment of a project and cover the cost of its management and needs in the future. It will ensure its continuation and growth with a permanent income, and then spending on projects will be from a return of investment of this funds money. The idea of establishing specialized endowment funds has gained great importance in community service in a number of countries, in all economic and social sectors and activities[8].

The Waqf (endowment) funds aim to participate in the efforts that serve the revival of the mores of Waqf by proposing development projects in Islamic formulas to meet the needs of society. In addition, proper spending of the proceeds of the Waqf funds meets the social and developmental needs produced in real life through work programs that seek to achieve a higher developmental return and work on linking between the Waqf projects and other projects carried out by government agencies and public benefit associations. Waqf funds can help finance and develop micro and small enterprises and this means creating more job opportunities, exploiting local wealth, increasing production, increasing incomes, and thus increasing both savings and investment. These projects also work to produce more goods and services, which leads to more welfare, improvement of the standard of living, and increased export capabilities[9]. These advantages that distinguish Waqf (endowment) funds have prompted many Islamic countries to adopt them, such as Kuwait, Malaysia, Saudi Arabia and others in an attempt to find new renewable resources as alternatives to traditional financing and fill its gaps. Despite the advantages of these funds, Libya is still witnessing deficiencies in the field of endowment and has yet to come close to the idea of cash Waqf funds. Therefore, it is necessary to follow the example of the countries that have adopted the endowment approach and embrace cash Waqf fund projects. This study and its results attempt to be a reference, a model, and a constructive outlook for Libya's adoption of the concept and project of cash endowment funds as an additional funding source along with available financing sources and a solution to the financing problems that small enterprises suffer in Libya. It would also serve as a proposal and vision for the future to activate the Waqf experiment and embody it on the ground.

II. RESEARCH PROBLEM

Many countries seeking to achieve economic and social development use small projects as a main instrument. Despite their importance, small projects still face obstacles, which are increasingly hindering their growth and development. One of the primary challenges and obstacles fronting these projects is obtaining the necessary financing. The situation in Libya is similar to other Islamic countries; the vast majority of entrepreneurs encounter difficulties in obtaining the necessary financial resources when launching their companies, marketing their products, or transacting in any other matter that their investment activity requires. In Libya, funding from official channels is still low and limited; small enterprises get their finance from the banking sector operating in the Libyan market only. This sector includes commercial and specialized banks, which are supposed to provide financing services for small enterprises, but these banks are very conservative when lending to owners of small enterprises. Furthermore, they impose complex lending procedures, including intricate administrative procedures, high guarantees (according to the Central Bank circular in 2004, commercial banks are required to obtain additional collateral rates - at least 125% in the form of land and real estate), and interest-based transactions. The latter is considered the key reason that prompts the owners of these projects to refrain from dealing with these banks for fear of falling into usury. So, it has become necessary to search for sources and financing methods without upfront interest, or onerous guarantees and with minimal costs. It can be said, in general, that there is an urgent need to search for non-interest funding sources (Islamic financing mechanisms) that can contribute to financing such projects. From this standpoint, this study will seek to shed light on the main question:

1. Does Waqf (endowment) contribute to solving financing problems of small enterprises in Libya through Waqf funds?

To answer this question, the following sub-questions need to be addressed:

1. What are Waqf (endowment) funds?
2. Is it possible to establish an endowment fund to finance small projects in Libya?
3. Can Waqf (endowment) funds provide the necessary proportionate financial means to the financial characteristics of small enterprises, in the various stages of their life?
4. What are the forms of financing that Waqf funds can provide to fund small enterprises?
5. What are small projects? And what are their characteristics and importance?

III. RESEARCH OBJECTIVE

This study aims to find a solution to the problem of the shortage in sources of financing for small projects, by providing a financing source that is consistent with the principles of Islamic law and that saves the owners of these projects from falling into usury or any other suspicious transactions. This study also seeks to shed light on the role of Waqf (endowment) as a potential funding source to finance small projects and establish a Waqf (endowment) fund to finance them. This will entail transferring the experiences of some leading countries in this field in order to benefit from them.

IV. RESEARCH METHODOLOGY

In line with the nature of the problem at hand, and to achieve the desired goals of the research, in order to give the subject of study a real analysis and awareness of all its aspects, the researcher will rely on the descriptive approach to explain some general concepts and theoretical background through a set of comprehensive examinatorial methods of archival and theoretical resources, literature review, content analysis, and discourse analysis. Furthermore, an inductive approach will be adopted for gathering information and facts from previous research and studies.

V. IMPORTANCE OF RESEARCH

The importance of the study can be highlighted in the following points:

1- This study tries to shed light on the prominent role played and continues to be played by Waqf throughout the ages in the advancement of many societies.

2- The importance of the issue also lies in the role of the Waqf (endowment) as a financial donor in the event of its optimal exploitation, and directing it towards development and investment projects. This is reflected in encouraging community members to endow their money, and thus developing opportunities to benefit from the endowment resources towards various aspects of social and economic development.

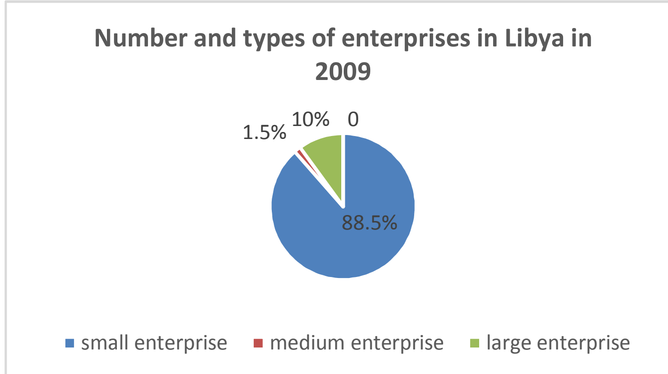
3- This study also derives its importance from the importance of small projects, which are considered the cornerstone for development in its various forms, as they represent the backbone of the economies of developed and developing countries alike. They absorb a large number of workers and thus, contribute to reducing unemployment rates and poverty. This matter highlights the importance of small projects in the economies of any country, for all these merits, societies should give more attention to these projects. However, the reality looks different, especially financially, as the traditional commercial banks have burdened young entrepreneurs with interest (usury) and made them think of other financial resources. This paves the way for Islamic financial institutions and Islamic banks to contribute to achieving development goals in their societies, especially by contributing to financing and supporting the type of projects that do not require large capital. This is in line with the message of true Islam, which calls for attention to an individual's energy, talents, and creativity as a basis for comprehensive development.

In the following part, the reality of small projects in Libya and their funding sources will be reviewed, and the definition of an endowment fund and its characteristics will be presented in addition to a Model Proposal for Developing a waqf fund in Libya to finance small projects.

VI. THE REALITY OF SMALL ENTERPRISES IN LIBYA

The private sector in Libya, which includes small, medium, and micro enterprises, is very small and still plays a minor part in the Libyan economy, as it did before 2011. According to a 2016 report by the Organization for Economic Cooperation and Development (OECD), the private sector in Libya makes up only 5% of GDP and approximately 14 percent of employment (4% to 6% of employed workers and around 8.6 percent of self-employed). These are considered low contributions to the economy by any international standard (AL-Hasse, 2020). There is no exact information on the number of small, medium, and micro-enterprises in Libya. According to the Statistics and Census Office, the number of enterprises in Libya that are registered with the Libyan tax authority has reached approximately (14, 8831) projects, but it is likely that the number has changed drastically since then as well as it is believed that there are many productive enterprises operating in the informal sector. These enterprises are classified as shown in the following figure (1).

Figure 1: Number and types of enterprises in Libya in 2009



Source: Statistical Book, Office of Statistics and Census 2009

It is clear from Figure No. 1 that projects in Libya were classified into three sizes: small, medium, and large, with small projects taking the largest share at 88.5%, out of which 59% are considered small (5–19 employees) and the rest are micro-projects that employ fewer than 5 people. It is followed by large projects with 10%, and finally medium projects with 1.5%. The number of small enterprises amounted to 14,8831, divided into four main activities, as shown in the following table:

Table 1: Economic activities and the extent to which small enterprises contribute to them

The ratio	number of projects	The economic activity
67.3%	104182	domestic trade
.08%	1170	building and Construction
12.3%	11``118313	Transformative Industries
19.6	29219	Services
100%	148831	Total

Source: Statistical Book, Office of Statistics and Census 2009

It is clear from this that the majority of small enterprises operate primarily in commerce (67.30 percent), followed by services (19.6 percent), and industry (12.3 percent). Moreover, the character of a sole proprietorship dominates most of the small projects in Libya, which is one of the most important characteristics that distinguish them. where nearly 80 percent of small projects in Libya are owned and run by individuals. As for the participatory method, it ranked second after the individual method in terms of legal form; only 16 percent are established in the form of small corporations. While 3% of Tripoli these projects are founded by the family[10].

VII. SOURCES OF FINANCING SMALL ENTERPRISES IN LIBYA

The main source on which small and medium-sized enterprises depend to finance their activities in Libya is the self-resources and personal savings of their owners, in addition to the financial resources of family members and friends. Actually, these enterprises depend for the greater part of their financial needs on these resources as a first stage. According to the survey conducted by the National Planning Council in 2008, less than 4% of small and medium-sized enterprises that responded to the survey have a banking relationship with commercial banks, while nearly 94% of small and medium-sized enterprises rely on self-financing sources[11]. The World Bank also stated in its 2015 report that very few private enterprises in Libya took out loans. Only 2% of the businesses in the sample as a whole indicated that they had a loan or credit line. This report showed that three-quarters of the sample exclusively relied on personal savings, parents' funds, or retained earnings to finance their activities. In the remaining quarter, 88% of them depended on credit from suppliers, advances from customers, and borrowing funds from friends or relatives, and the rest used outside financing and sought loans from domestic banks[12].In addition, the EC (European Commission) mentioned in its 2018 survey that 91% of the businesses responding to the study said they don't have a loan or line of credit and instead rely on other sources of funding (own capital, savings, family, and friends)[13].

Funding for small and medium enterprises from the formal market in Libya is limited to the banking sector operating in the Libyan market only. Even before the current crisis, the banking sector in Libya played a very small role in financing the private sector, where the state banks that dominate the sector overwhelmingly deal with state companies and their ancillaries. At the same time, these banks almost exclude private enterprises from their financing policies, especially if they are small, as most are[14]. The Libyan banking sector includes commercial banks and specialized banks that are supposed to provide financing services to small and medium enterprises. In practice, access to financing from the formal market by small and medium enterprises in Libya remains low and limited[15]. As a matter of fact, following the difficult political situation, access to financing is frequently listed as one of the biggest challenges facing Libyan enterprises [14]. where the Libyan commercial banks focus on well-secured, very short-term financing, such as export credit, and tend to favor large, stable companies over small and medium-sized enterprises [15]. Besides, these banks are very conservative in lending to small and medium enterprises, where they ask the owners of these enterprises to provide additional collateral in the form of land and real estate, where according to the 2004 Central Bank circular, the rates of collateral have to not be less than 125% of the loan value. This condition represents the key obstacle for the owners of these enterprises, in addition to the numerous and difficult documents required by these banks when granting such projects short-term and long-term loans. In the same vein, the specialized banks, which were originally established to finance, support, and develop these projects, adopted the same procedures as commercial banks. For example, in the Development Bank, the loan recipient has to provide a mortgage to the bank equal to the value of the project in addition to the equipment that will also be a mortgage to the bank until the full amount of the loan is repaid. The bank's contribution to the value of the equipment is up to a maximum of 70%, while the beneficiary covers the remaining 30%, in addition to the essential costs such as buildings to accommodate the project's equipment and other initial expenses. That means that graduates and unemployed youth who do not have sufficient capital for that do not benefit from the bank's services[16].

as above, it can be noted that there is a clear absence of external sources of finance in the Libyan financial market. as there is such a dearth of external sources of equity financing to the extent that it is reasonable to refer to this dearth as an equity gap, where venture capital institutions are considered mostly nonexistent in the Libyan financial market. Furthermore, the Libyan financial market also suffers from a debt funding gap, and this gap arose because of two reasons, the first of which is the absence of other alternative sources of debt funding except the banking sector in Libya, which is strictly regulated and solely reliant on domestic banks. The second of which is the banking sector itself, where despite the fact that in Libya this sector is regarded as the sole primary external source of financing for small enterprises, these enterprises still face difficulties getting debt financing because of high interest rates, the need for a close relationship with decision-makers at the bank, an excessive amount of paperwork (too much bureaucracy), high collateral requirements, a huge amount of documents required, slow decision-making (highly centralized), the necessity for financial statements, etc.

In addition to all these obstacles, it should not forget the religious considerations regarding interest, which are among the most important factors that prevent the owner-managers of MSMEs from applying for bank financing. As for Islamic finance, despite the fact that there are numerous Islamic windows, branches, and three entirely Islamic banks in Libya, these windows, branches, and banks do not pay attention to these enterprises and do not offer any Islamic financial products to finance small enterprises. In fact, the sole first attempt to adopt Islamic finance as a source for financing small enterprises was through Namaa Tamweel, which is Libya's first microcredit agency and was finally established in 2019, but this agency has drawn criticism for its high-profit margins on Murabahah financing (the profit margin is much higher than the interest rate in conventional banks) and the exclusion of start-ups and micro-small projects from their finance plan.

In a nutshell, because of the limitation of financing options available for these projects in the official Libyan financial market, where there is only one official source, namely the banking sector, this source, unfortunately, follows a conservative and complex policy in terms of conditions and procedures for granting loans to these projects, in addition to the complete absence of Islamic financial products. Access to finance, especially in the medium and long term, has become one of the major challenges and obstacles facing these projects, which has prevented their spread and development.

VIII. DEFINITION OF WAQF FUNDS

Waqf funds are one of the forms of Waqf financing that are widespread in many Islamic and Western countries and are among the recent innovations that contribute significantly to the investment of Awqaf and the development of their resources. The term "waqf funds" is considered one of the contemporary terms that appeared with the call to go back and re-work the cash waqf in the contemporary application of the waqf. The cash waqf was not unanimously agreed upon by the early jurists; for that reason, it remained limited in scope throughout the Islamic ages, and therefore the meaning of the waqf remained linked to fixed assets such as buildings, lands, houses, and shops. However, the developments witnessed by contemporary jurisprudence and the revival in the field of research in Islamic finance and economics gave a strong impetus to the emergence of the cash waqf and its forms once again. Where waqf funds are the most famous way of practicing this type of waqf.

Several definitions of Waqf funds have appeared, some of which have defined them as "receptacles" in which the funds allocated to the endowment are collected through donations regardless of their value, whether small or large, and then invested, and their proceeds are spent on specific charitable purposes for the previously announced entity for which the donation was made[17]. The Waqf fund is also defined as “a tool for collecting endowment cash donations from endowers for the purpose of using them in the public interest, such as building some facilities, building a road, financing science students, or other things that fall within the public interest[18].

The Waqf fund is also an organizational template established by the state or the general secretariat of the endowments, or the endowments department in accordance with the approved systems to implement specific goals and carry out development projects in a specific field or different fields in order to achieve the purposes of the endowers and to meet their conditions[19].

Through the previous definitions, it can be said that an endowment fund is an organizational container through which money is collected from donors, whether they are individuals, companies, or governmental or private institutions, through their donations, and then invested in accordance with an agreed investment strategy, and its proceeds or returns are disbursed to a pre-determined beneficiary. Furthermore, despite the monetary nature of the fund, it does not prevent the fund from owning in-kind investment assets such as land, buildings, tools, and various equipment.

IX. FEATURES OF WAQF FUNDS

Cash waqf has gained great importance nowadays due to the many advantages it provides, which are less likely to be found in other types of endowments. The distinguishing features of cash waqfs are as follows:

a- Its ability to avoid most of the problems of the property endowment such as: a rise in real estate prices, which led to the presence of a small number of people able to endow it; the high costs of repairs and maintenance of the property; the limited methods of real estate investment[20].
b- The cash endowment is characterized by flexibility in collecting funds and investing together[21].
c- because of the small amount of waqf shares that people can endow, almost anyone, rich or poor, can share in this type of waqf. In fact, this is even easier to donate if the waqf shares are structured to vary in negligible amounts according to the level of income of the people in a given society, which supports the contribution to achieving social, economic, and cultural development[22].
d- The cash endowment is more consistent and appropriate with the world of finance, where its developmental impact is stronger than others, through its contributions to various productive sectors during its investment, where it enters as a funder and investor in all activities[23].

X. A MODEL PROPOSAL FOR DEVELOPING A WAQF FUND IN LIBYA TO FINANCE SMALL PROJECTS

A- *LEGAL AND SHARIAH FRAMEWORK OF A PROPOSAL FOR ESTABLISHING AN ENDOWMENT FUND IN LIBYA TO FINANCE SMALL PROJECTS*

SHARIA ASPECT

The waqf fund derives its legitimacy from the ruling that it is permissible to endow cash, as a group of Maliki, Hanafi, and Hanbali jurists permitted the endowment of money in a manner that does not lead to the loss of its substance. These views were upheld by a fatwa of the Fiqh Academy in favor of Cash-Waqf's legitimacy, where the fatwa was stated as follows: "In view of Shariah, Cash Waqf is legal and valid. This is because the main objective of Shariah in introducing Waqf is retaining the corpus with the dispensation of the underlying benefits. Keeping in mind that money does not have any specifically intrinsic corpus as any tender of equal value can replace the same corpus; the basic objective of Waqf is also maintained in cash Waqf[24].

these views are also supported by Sheikh Sadiq al-Ghariani, the Mufti of Libya, who believes that the cash waqf in the present era is more beneficial than the endowment of real estate and other properties. According to his opinion, the cash waqf has the ability to finance the cultivation of land, the reconstruction of Quranic schools, the establishment of hospitals and science houses, the restoration of ruined endowment properties (buildings and lands), the financing of marketing centers and money companies, and the purchase of shares in commercial companies and institutions**.**

Legal aspect

Law No. 124 of 1972 is the only law that regulates endowment provisions in Libya, as Article 7 of this law stipulates the following: "It is permissible to endow real estate and movable property even if it is common and indivisible, as well as it is permissible to endow shares and stocks in companies that exploit their money in a legally permissible way." Therefore, this article has explicit text about the permissibility of the endowment of movables, which includes the endowment of money, and it also stipulates the permissibility of the endowment of stocks and shares in companies which are usually money with these companies, as is the return from them. In addition, Article 47 of this law stated that "In the absence of any provision in this law, in this case, it is necessary to resort to applying what is well-known, and the most correct according to the doctrine of Imam Malik." Article 15 of the same law and Resolution No. 84 of 1996 also give the right to invest the allowance money in one of the legally permissible investments in the absence of a suitable alternative to the sold endowment. Accordingly, all the foregoing fatwas, jurisprudential opinions, legal articles, and rulings are considered a basis indicating the possibility of adopting this idea (establishing an endowment fund in Libya).

B- FUNDAMENTALS AND PRINCIPLES OF THE PROPOSED WAQF FUND'S WORK

The fundamentals and principles of the proposed waqf fund's work are characterized by the following:

- **a)** This fund is not a pure financing institution, as its work is not limited to providing the necessary financing for the owners of small and micro projects only. Rather, this financing process is preceded by training and qualification courses for the groups benefiting from the financing as well as the groups eligible to obtain financing in the future, so that they can manage their projects effectively and successfully. In other words, this proposed fund seeks to be able to offer financial services and sustainable access to credit for small enterprises on the one hand and provide non-financial services to support the development of human capital for small enterprises on the other hand by offering intensive training, skills development, counseling, and education to entrepreneurs with the aim of upgrading, raising, and enhancing their human capital capacity.
- **b)** The proposed waqf fund is not a for-profit institution, and the profits it obtains through Islamic investment formulas are only a means to preserve and develop the fund's assets in a manner that supports its sustainability.
- **c)** Although the Fund is considered a source of funding for these projects, the relationship between it and the funding applicants is based on solidarity and cooperation in accordance with Islamic principles and not on a purely commercial basis, meaning that this fund, before being a financial partner, is a social partner.
- **d)** The proposed waqf fund adopts a "dual guarantees" policy; that is, the fund requests financial guarantees from the applicant if they are available, and in the event that they are not, the fund replaces them with social and family guarantees.
- **e)** The Fund targets and focuses on supporting the projects of economically active poor individuals and families who are disadvantaged and excluded from the financing plans of traditional financial institutions (the banking sector in Libya) for the aforementioned reasons.

C- The organizational structure of the proposed endowment fund

The proposed endowment fund's organizational structure will be as follows:

The Board of Directors of the Fund: The fund's management will be supervised by a board of directors consisting of a number of members ranging from eight to ten, as the fund's membership includes a representative of the General Authority of Awqaf and Islamic Affairs and representatives of some government agencies specialized in the work of the fund, such as the National Program Organization for Small and Medium Enterprises and the banking sector, in addition to a representative member of the Administrative and Financial Control Authority and the Ministry of Labour. As for the rest of the members, they are civil society organizations and individuals known for their integrity, good reputation among people, and experience in non-profit work, and the board selects a chairman and vice chairman from among them; this is to eliminate government control over the management of this fund and the accompanying administrative disadvantages that may be transferred to the management of this fund and the role of governmental bodies will be supervisory only. The term of management of the board of directors will be two years, subject to renewal, and they will meet periodically during the year (four or more times annually) to review the fund's performance and the fund manager's compliance with all relevant rules and regulations. This board (and thus the fund) shall have an independent legal personality. The Board of Directors is the supreme authority that supervises all the Fund's activities and approves its policies, plans, and internal regulations necessary for its work, within the scope of the general policies and rules followed in the Libyan state. It also works on approving the programs and executive plans that are prepared by the Executive Director of the Fund. This board is required to preserve the fund’s assets and work on issuing the decisions that lead to an increase in these assets and its revenues, and accordingly, it must avoid corruption, nepotism, and everything that misuses the use of the asset's funds.

*Executive management:*The board of directors appoints a manager for the fund, with the possibility of appointing one or more assistants as required by the work. The manager of the fund is considered primarily responsible for managing, preserving, and developing the fund's assets. Therefore, the manager is responsible for researching and appointing a competent administrative cadre to assist him in carrying out the fund's administrative and investment operations in an efficient way to achieve the fund's goal. The following departments fall under the authority of the executive management:

Sharia Supervisory Board:The board supervises and monitors compliance with the rules and provisions of Sharia law for all types of financial and investment transactions of the fund, and the decisions of the Sharia Supervision Board are binding on the fund. The responsibilities of the Sharia Board are as follows:

1- studying and reviewing the terms and conditions of the fund's investment policies to ensure that they comply with the provisions of Islamic law.
2- Monitoring investments in light of existing Sharia controls.
3- Determine appropriate criteria for selecting Sharia-compliant operations in which the fund manager may invest.
4- expressing the Sharia opinion on the Fund's commitment to Sharia provisions and controls, as this opinion is to be included in the Fund's annual report.

*Legal Department:*This department is concerned with reviewing the contracts concluded by the Fund with funding applicants from a legal point of view, providing accurate legal advice to the Fund's management, representing the Fund before the legal and judicial authorities, and other tasks of a legal nature.

*Financial Department:*This is the department responsible for all financial transactions related to the fund. It collects and records financial data and information in the accounting books and prepares the general budget, income statement, profit and loss report, financial position statement, and report of revenue and expense for the fund. This department also works in cooperation with the fund manager to determine and set up the mechanism for distributing the fund’s yields and documenting their distribution to designated beneficiaries to prevent any fraud or corruption. This department consists of three administrative units, which are the accounts unit, the payroll unit, and the treasury unit.
*Investment Department:*The investment process is considered the backbone of the waqf fund and one of the most important operations to ensure its sustainability and the development of its assets. Therefore, the main objective of the investment management in the fund is to preserve and develop the fund’s assets, which contribute to increasing its revenues. This department is responsible for determining appropriate investment policies for the fund's capabilities, seeking out the best investment methods, and analyzing, studying, and assessing the economic feasibility of the proposed projects, either those that the fund intends to establish or for which it will provide financing. This department can seek the assistance of local or regional investment institutions in accomplishing this task.
*Projects department:*This department consists of three units. The first unit is the marketing unit. and in fact, this unit has two tasks. The first is to design a marketing campaign for the idea of the waqf fund itself among individuals and official and civil institutions that can donate financially or in kind to the fund or provide it with any kind of material or moral support. The second task is to market and promote the products of the projects, whether the ones that the fund intends to establish or the ones that it will provide financing for, in the event that the founders of these projects request marketing for their products. The second unit is the training and human resources

development unit. This unit is concerned with training and qualifying members of society who are targeted by the fund in its funding policy. The third unit is the Follow-up and Supervision Unit This unit follows up and supervises the implementation of financing programs provided by the fund for projects and the extent to which the owners of these projects adhere to the conditions of financing. This unit is also responsible for following up on and evaluating the performance of these projects, writing reports on their performance, and submitting them to the fund manager.

D- Methods of collecting cash assets for the proposed waqf fund model

The proposed waqf fund is an open-ended public endowment investment fund that allows all segments of society to contribute to it, meaning that all segments of society, whether individuals, institutions, or companies (whether governmental or private), can donate to this fund. This fund receives donations in cash and in kind from donors. In-kind endowment donations to the fund may include all in-kind assets that can be used in the industrial, handicraft, or service fields, whether new or used, and that are necessary to launch, establish, or develop small projects. Examples of these assets include sewing machines, embroidery machines, and other textile equipment; agricultural equipment; carpentry; blacksmithing; traditional industries and other crafts; specialized technical equipment for certain industries, such as the electrical and electronic industries; equipment for some services, such as automobiles; and shop equipment (refrigerators, shelves for displaying goods, computers, etc.). Although in-kind donations may support the waqf fund's resources and activities, cash donations are the basis of the fund's work, as these donations give the fund more freedom of choice in drawing up its investment policy. The fund collects cash donations through the following proposed methods:

*Monthly voluntary deduction from salary:*It is a program directed at workers in the government sector to facilitate their participation in the waqf sector. According to this program, the government employee voluntarily sets aside a certain amount of his salary and donates it to the proposed fund, whereby this employee either approaches the bank with which he has an account and authorizes it to deduct this donated portion and transfer it to the waqf fund account, then the bank delivers a copy of the transfer notice to the employee, who in turn delivers a copy of it to the fund management, or uses the bank's app on his phone for this process.

*Direct cash endowment deposit:*This model is another type of public endowment, applied in Malaysia, Singapore, Bahrain, the United Arab Emirates, India, South Africa, the Islamic Development Bank, and the Organization of the Oil Exporting Countries (OPEC). By using this form, the donor (whether individuals, companies, or institutions) donates any amount of money that he can provide by depositing the money directly into the waqf fund's bank account, or issuing a check in the name of the waqf fund and handing it over to its representative, or depositing it in the treasury of the waqf fund. If the donor deposits the money directly into the waqf fund's bank account, the bank hands over the deposit voucher to the donor, who in turn gives it to the fund's management. In return, the fund's management issues a cash waqf certificate to the donor, showing his data and the value of the donated amount. The last step will also be applied to other cases.

Cash waqf vouchers: This model targets people who do not have a fixed monthly income, as the fund issues cash endowment vouchers with multiple values, ranging from vouchers of five dinars, 10 dinars, or 20 dinars to vouchers of 100 dinars. In order to get closer to this type of endowers, the fund places a number of boxes for collecting donations in several places, such as mosques, financial institutions, gas stations, and roadside rest stations. Thus, these people can go directly to the fund or to its representatives, who are responsible for boxes for collecting donations and purchasing these vouchers, according to their financial ability.

E-Methods of investing assets in the proposed waqf fund model

In this section, we will try to mention some of the investment methods that the proposed waqf fund will adopt in its investment policy, which will work to develop its assets and maintain its sustainability.

Self-investment

The proposed endowment fund can use this method by using its in-kind and cash assets to establish its own projects in various activities, albeit small in size. Examples of this include the establishment of a car repair workshop, a carpentry workshop, a blacksmithing workshop, a sewing workshop, a restaurant, a coffee shop, an office for school transportation, and any other activities that the community needs. Through the establishment of these projects, the fund achieves a double objective: preserving and developing waqf fund assets on the one hand and contributing to absorbing local unemployment on the other hand. In addition, the fund will also use these projects as training centers to train and qualify members of society who are targeted by the fund in its funding policy.

cash waqf Investment by Islamic Forms for Funding the Small Entrepreneurs

As is known, the prime duty of the fund management is to seek to maintain the Waqf fund assets and work on their growth. To achieve this mission, the fund manager and his team have to invest these assets in a proper and very careful way, where the management must focus on investing in diverse income-generating assets to help realize periodic income for the fund that helps to grow its assets in the medium- to long-term, as well as helping the fund cater to its requirements for distributing regular yield to beneficiaries. Since the proposed fund is in its initial stage, the fund manager should be very careful in its investment policy. Therefore, the fund's management, in the first stage of investment, will work to invest the accumulated amounts from the cash endowment in low-risk investment instruments, which will be mentioned below.

a.Murabaha Contract

Murabaha is a popular selling transaction that complies with Shari'ah that is frequently utilized in asset finance and commerce. The Murabaha contract is one of the types of Amanah (trust) contracts where the seller sells the commodity to the buyer at a price higher than the cost, with disclosure of the profit margin to the buyer. In fact, this is the definition of a simple Murabaha contract. However, a modern term appeared called Murabaha to the purchase orderer, and the first to use it was Sami Hammoud, who created an applied model for it, and then this type of Murabaha contract ranked first in the transactions of Islamic banks [20]. The Murabaha for the purchase orderer means that the purchase process takes place at the customer's request, where he submits his request to the bank with clear identification of the goods to be purchased according to the specifications he wants, and the client promises or undertakes to buy them from the bank after the goods become fully possessed by the bank, and it is agreed to pay the amount of the commodity with its profit in instalments[25].

Waqf funds can use this financing formula to finance and meet the needs of small and micro enterprises, where the waqf fund can meet the needs of the activity either by providing fixed assets such as machinery, equipment, and devices (capital financing) or by providing production and operating requirements such as raw materials (working capital financing). The waqf fund, as a financier, adds a particular amount (profit margin) to the costs and grants the enterprise owner a specific duration until he\she becomes ready or capable of producing, after which they shall repay in the form of installments [26].

b. Salam Contract

The Salam Sale formula is one of the alternative financing forms for interest-bearing lending. The Salam contract is a type of forward contract in which delivery takes place at a later time in return for spot payment. In other words, in a salam contract, the buyers provide cash to producers or sellers in exchange for purchasing their products and paying their values on a spot basis, and these products are delivered at a definite future date [27]. The Islamic banks have taken advantage of this contract and modified it to invent a new formula that matches the nature of their work and reduces the risks of applying the previous contract. This new contract is called the "parallel salam," in which the Islamic bank is the seller of the commodity with the same specifications as in the first salam contract, in which the bank is a buyer.

The waqf fund can benefit from this formula in financing the needy who work in the agricultural field and small farmers who do not have the necessary funding for their agricultural products by making agreements with the owners of agricultural land who do not have enough money to finance the cultivation of their lands, so the waqf fund (as a buyer) provides them with the necessary financing in exchange for obtaining a specific product, such as wheat or barley, at a specific time and in agreed quantities and specifications. Then the fund concludes a parallel salam contract with another party (the milling company, for example) with the same specifications as the first contract but at a price higher than the previous price, where the waqf fund is a seller, and the difference between the price of the first contract and the second contract is the profit of the fund.

c. Istesna'a Contract

The Istesna'a contract can be defined as a contract under which one of the parties undertakes to produce a certain thing according to the specifications agreed upon at a specific price and delivery date, and the payment may be in advance or be deferred to be paid in the future as one lump sum or in installments. This pledge includes the implementation of the required work by the manufacturer himself, as he can entrust that work or part of it to other parties that implement it under his supervision and responsibility[28].

As above, it can be concluded that the Istisna contract is a contract in which a commodity can be traded before it actually exists and nothing is exchanged on the spot or at the time of contracting, which is a distinctive feature of Istisna' (or manufacture), and it is conceivable that it is the only forward contract in which both parties' obligations are contingent on future events. There are two types of Istisna contracts. The first is a simple istisna contract, which is directly between the end user and the manufacturer, and the second is a parallel istisna contract that involves three parties, including the bank that acts as an intermediary. where, under the first Istisna 'contract, the bank plays the manufacturer role and accepts payments from the customers on a longer-term schedule, in contrast, under the second contract, the bank (as a buyer) makes staged installment payments to the producer over a shorter period of time[27].

Because of the high flexibility of the Istisna contract, Islamic banks have developed it into an important financing tool to be used to finance the general needs and major interests of society. This method of financing has been used in sophisticated industries that are very important in contemporary life, such as the manufacture of aircraft, trains, ships, and various machines manufactured in major factories or manual factories, as well as for the construction of various buildings in residential complexes, hospitals, schools, universities, etc., and other requirements of contemporary life[29].In the same vein, The Waqf Fund can adopt this formula to finance the owners of crafts, productive families, and anyone who has the ability to produce. where the waqf fund enters into an Istisna contract with the owners of small projects. In this contract, the waqf fund acts as Mustasneaa (a buyer), and the owner of the enterprise acts as a manufacturer (a seller). As a buyer, the Waqf Fund orders the required product in specific quantities and at specific prices. At the same time, as a financier, the Waqf Fund provides the funding required by these projects to produce the required product. This financing may be in cash or in-kind through the provision of machinery, equipment, or raw materials. Then the fund, through the marketing department, promotes and sells this commodity, or it may enter into a contract with other entities wherein, in this contract, the waqf fund acts as a manufacturer (a seller) and another party plays the buyer role, whereby it makes agreements for the sale of products to them.

d. Ijarah contract

The Ijarah contract is one of the sources of financing, which has been very successful because it brings benefits to both contracting parties. Ijarah is specifically used in two different contexts. On the one hand, it refers to using someone's services in exchange for pay that is paid to him as compensation for his hired services. Ijarah, on the other hand, refers to the act of giving another person the right to use a specific property in exchange for payment of rent that is due from him. 'Ijarah' here is comparable to the word 'lease' as it is used in contemporary commercial jargon. Here, the lessor is referred to as "Mu'jir," the lessee is referred to as "musta'jir," and the rent due to the lessor is referred to as "ujrah " [30].Ijarah is in fact a sale because it is a sale of benefit, but it is customary to separate it from the rest of the sales contracts because there are differences in the nature of the contract between it and the rest of the sales contracts. In the practical application of the Ijarah contract, we find two types of Ijarah contracts: the first is an operational Ijarah (regular) contract, which is a contract between two parties whereby the first party sells to another party the right of the usufruct of a particular property in exchange for a rent claimed from him [31].

The second is the financing Ijarah contract or Ijarah Muntahiya Bittamlik (ending in ownership) contract, which means a contract between two parties where one party, at the other's request, is required to provide a fixed asset on a lease basis, and the other party, in exchange for utilizing it, is required to pay a number of installments, where the sum of these installments constitutes the asset's rental value and cost price, provided that ownership will transfer to the lessee after all installments have been made, and the ownership of leased assets is frequently transferred through the following forms:

- The ownership of the leased asset is transferred to the lessee by the lessor as a gift.
- The ownership of the leased asset is transferred to the lessee by the lessor under a separate sale contract at a nominal price or at the market price at the end of the Ijarah contract term.
- The ownership of the leased asset is transferred to the lessee through a sale prior to the expiration of the Ijarah contract for a price equal to the remaining Ijarah installments of the Ijarah contract.

It can be said that an Ijarah Muntahiya Bittamlik contract is a combination of two contracts the first is the Ijarah contract and the second contract would be either a gift contract or a sale contract. In fact, Ijarah Muntahia Bittamleek is considered the most important form of leasing and is widely used in Islamic banks[26].

The endowment fund can apply and use this financing formula in its two forms (operating Ijarah, and Ijarah Muntahia Bittamleek) to provide financing for small projects. In an operating Ijarah contract, the endowment fund provides financing for small projects through a regular Ijarah contract through which the fund, as a lessor, leases the machinery or equipment (these machines and equipment may have been endowed by donors at the fund, or the fund has purchased them) in its possession to the owners of these projects for a specific period at a specified rental price to be agreed upon. In an Ijarah Muntahiya Bittamlik contract, the owner of a small enterprise asks the endowment fund to purchase an asset (machines, equipment, tools, etc.) that he needs. After providing the fund with all the data related to that asset, including its specifications, price, and source (the supplier), the fund purchases it and leases it to the owner of the establishment for a period of time, usually the life span or tax life of the asset, and this is done through a lease contract only, without reference to the sale of the asset at the end of the term. The fund remains the owner of the leased asset throughout the lease period, and when all installments are met, another contract is concluded between the lessee and the fund according to which the ownership of the asset is transferred to the lessee in accordance with the previously mentioned forms.

***F-** Distribution of Generated Profit and Beneficiaries in the proposed waqf fund model*

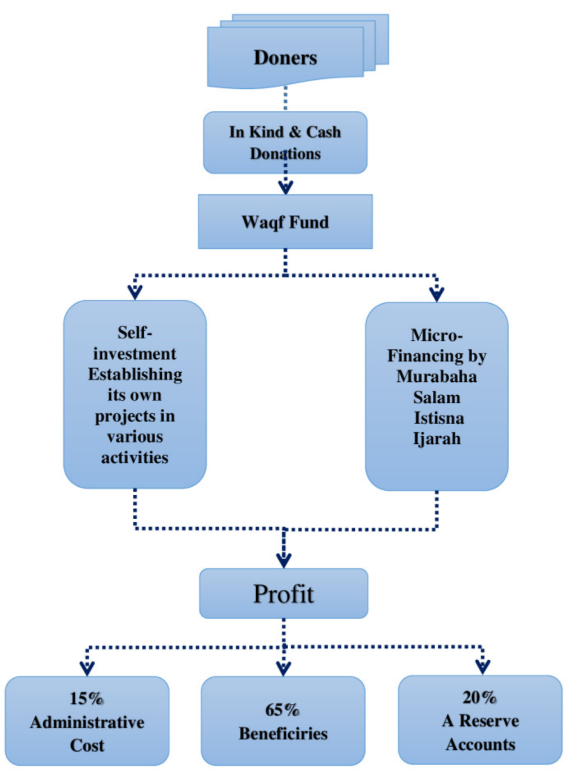
Distribution of Generated Profit: The fund can divide the profit that is generated from investing its assets into three parts: the first part, which is 15% of the profit, will be used to cover administrative costs, and the second part, which is 20% of the profit, will be used to establish a reserve account that will be used as a buffer to shield it against market disasters, such as inflation, and other economic crises that lead to declining or eroding the value of the fund's assets. Beneficiaries receive the remaining 65% of the profit made. Table (1) below illustrates the manner in which the waqf fund's proceeds are allocated.

Table 2: Distribution of the fund's proceeds

Total proceeds 100%	Distribution of proceeds
65%	It will use in providing devices, treatment, and rehabilitation needed by the cancer patient.
15%	It will use to cover administrative fees
20%	It will use to establish a reserve account

Beneficiaries (Al-Mawaqoof Alayh): The Fund will distribute 65% of the proceeds annually to beneficiaries who are cancer patients, as the fund coordinates with the specialized centers to determine what these patients need in terms of treatment, medical devices, equipment, and preventive tools and works to provide these needs.

Figure2: The Proposed Waqf Fund Model



XI. CONCLUSION

The study produced several intriguing findings. The research showed that 88.5% of the private sector in Libya is made up of small enterprises. The research revealed that Libyan small business owners and managers rely largely on internal sources (own savings, family, comrades, retained earnings, and partners) in addition to trade credit to provide capital for their businesses during the beginning up and expansion stages. The research presented that in Libya, the banking sector remains the main and only external finance provider for small enterprises, and access to this source is challenging for these enterprises due to several challenges and limitations, including high- rate of interest, the necessity of having a tight relationship with bank decision-makers, overly burdensome bureaucracy, stringent standards for collateral, an enormous quantity of paperwork, and slow decision-making (highly centralized). In addition to all these hurdles, religious considerations regarding interest should not be overlooked. The study found that the adoption and implementation of the idea of endowment funds in Libya are possible because Libya adheres to the Maliki school of thought, one of the most well-known sects that accept cash waqf, and the current law of waqf contains some significant rulings and legal articles that pave the way for the possibility of adopting this idea.According to these findings, the study presented several recommendations. The first and foremost is to reform the administrative system of the Awqaf Authority, which is predominantly religious in nature, correct the misconception that the Awqaf is only a governmental religious administration that takes care of the affairs of mosques and their employees, and work to transform this institution into an economic investment institution that should be managed on an economic basis by qualified, experienced, and competent persons in the fields of management, finance, and investment, as well as Islamic finance. Second, preparing and implementing a wide media plan through workshops and awareness campaigns using all technical means to introduce and raise awareness of the importance of cash endowments in general and the importance of these proposed funds in particular in developing and financing small projects. Third, operationalizing and modernizing the waqf system, integrating it into the financial and economic system, and adopting it as a source of funding in Libya. Fourth, taking advantage of the experiences of the leading countries in the field of endowment funds in terms of methods of investing the fund's money, risk management, management methods, and various technical aspects in order to avoid any negatives and build a real and applicable model. Fifth, establishing specialized endowment funds to finance small projects in all major cities as an initial stage and treating these funds as an institution that has a legal personality, is subject to the supervision of government agencies, and is committed to all means of transparency to cultivate confidence between it and the members of society and the various institutions

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