

# Cash Awqaf in the Ottomans as Philanthropic Foundations And Their Accounting Practices

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# Cash Awqaf in the Ottomans as Philanthropic Foundations, and their Accounting Practices

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## **ABSTRACT**

This study is concerned with examining the operation of the money Awqaf (foundations/endowments) through examples. The archival sources of Cash Awqaf (singular: Waqf) are quite rich; however, since this issue has not yet been explored enough, public-domain information on their emergence and evolution in history has not been presented satisfactorily as yet.

Cash Awqaf were sui-generis to Ottoman society. The Cash Waqf was a philanthropic foundation. These funds were established with money to support services to mankind in the name of Allah. Ottoman courts approved these endowments as early as the beginning of the 15<sup>th</sup> Century and by the end of the 16<sup>th</sup> Century they had reportedly become extremely popular all over Anatolia and the European provinces of the Empire.

The gifted capital of the Waqf was "transferred" to borrowers who, after a certain period, usually a year, returned to the Waqf the principal plus a certain "extra" amount, which was then spent for all sorts of pious and social purposes.

In a society where health, education and welfare were entirely financed by gifts and endowments, the Cash Awqaf carried serious implications for the very survival of the Ottoman social fabric.

## **1. Introduction**

Waqf (endowment), in Arabic language, means holding, confinement or prohibition. The word Waqf is used in Islam with the meaning of holding certain property and preserving it for the confined benefit of certain philanthropic use and prohibiting any use or disposition of it outside that specific objective. The Waqf served as a "vehicle for financing Islam as a society" (Hodgson, 1974; 124).

These definitions accord perpetuity to the Waqf, i.e., it applies to non-perishable property whose benefit can be extracted without consuming the property itself. Therefore Waqf widely relates to land and buildings. However, there are Awqaf of books, agricultural machinery, and cattle, shares and stocks and cash money.

### **1.1. Developmental Context of Awqaf**

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Early Muslims were motivated to develop some organization capable of indefinite existence. If nothing else, the huge start-up costs of providing certain durable social services created a need, as it did elsewhere, for an organizational form able to spread those costs over a long time frame. Mosques, fountains, and schools offer examples of structures that are both expensive to build and have an extended economically useful life. One possible organizational solution is the corporation. By virtue of its perpetuity, an incorporated town may build a fountain and then manage it indefinitely on behalf of its residents. That solution was adopted widely in Western Europe.

From the Sharia (Islamic Judicial) point of view, a Waqf may be defined as holding an asset and preventing its consumption, for the purpose of repeatedly extracting its usufruct for the benefit of an objective representing righteousness/philanthropy. Hence, as long as its principal is preserved, the Waqf is a continuously usufruct-giving asset. Preservation of principal may result from its own nature as in land or from arrangements and conditions prescribed by the Waqf founder. This definition covers perpetual Waqf and the Waqf that remains as long as its asset lasts, i.e., for the beneficial life of the assets (Akgunduz, 1996;216).

The above definition of Waqf also allows inclusion of all kinds of assets under Waqf so that land and buildings can be made Waqf for religious purposes, such as a mosque for prayers, or, for philanthropic purposes, such as a hospital, an orphanage or a school. Land and buildings may also be made Waqf for agricultural utilization or for any other productive utilization in industrial and urban areas provided that the net revenues are exclusively devoted to financing philanthropic/righteous causes, such as providing lighting and heating to a mosque, feeding the poor and needy or on the current expenses of a hospital, a school or an orphanage.

It goes without saying that philanthropic services are numerous and there are always new ones as societies grow and develop. Shortly after the death of the Prophet during the period of Caliph Umar, the Companions invented a kind of philanthropy that is directed toward family members and offspring and they started establishing Awqaf, which included land, buildings and palm trees, for the objective of distributing their net revenues to the family and offspring of the founder (Qasmi, 2002, 20). This Waqf has the same characteristic as other philanthropic Awqaf in a sense that the assets themselves are preserved from being disposed of and the usufructs are distributed in a repeated manner. This comes, in a way, as one of the applications of a concept that is well rooted in Sharia: that providing for sustenance and welfare of one's own self, family members, neighbors and friends, is an expression of righteousness and an act of philanthropy that deserves reward from Allah (Celik, 2006; 9).

## **1.2. Ownership of Awqaf**

From a legal point of view, the ownership of Waqf property lies outside the person who created the Waqf. Some Muslim jurists argue that the right of ownership of a Waqf belongs to Allah. Others believe that it belongs to the beneficiaries although their ownership is not complete in the sense that they are not permitted to dispose of the property or use it in a way different from what was decreed by the founder of the Waqf. In this regards a Waqf differs from a foundation since the management of a foundations is usually able to sell its property. This implies that perpetuity is stronger in a Waqf than in foundations (Azad and Zaman,1988;20).

### 1.3. Characteristics of the Waqf

As a special kind of benevolence a Waqf has the following two characteristics:

**-Perpetuity:** It means that once a property, often real estate, is dedicated as a Waqf it remains forever a Waqf. Elimination of Waqf character of a property requires a difficult and lengthy process. It needs an exchange against another property of equivalent value with approval of the local court. Upon completion of such an exchange, the new property immediately becomes a Waqf for the same purpose and beneficiaries of the former one. Hence theoretically perpetuity implies that Waqf properties should not decrease.

Waqf founders and courts made extra precautions in documenting and preserving Waqf deeds. One may be astonished to find that courts in many cities and towns kept detailed records of Awqaf properties as early as the 15<sup>th</sup> and 16<sup>th</sup> centuries. Many of these records are still in existence and historians can explore them in Istanbul, Cairo, Fez, Damascus, Jerusalem, Isfahan, etc (Mannan, 1992; 441).

**- Permanence of the stipulations of the Waqf founder:** Since a Waqf is a voluntary act of benevolence, the conditions specified by the founder must be fulfilled to the letter as long as they do not contradict or violate any of the Sharia rulings. This implies that revenues from a Waqf should exclusively be used for the objective stipulated by its founder and this may not be changed by management or supervisory courts as long as the objective is compatible with Sharia and is still feasible economically. If a Waqf's purpose becomes unfeasible, the revenue of this Waqf should be spent on the closest purpose available and if this is not possible it should be allocated to the poor and needy. Permanence covers all of the founder's stipulations, whether they relate to purpose, distribution of revenues, management, supervisory authority, etc (Aydin and others, 1999; 25).

### 1.4. Legal conditions of the Waqf:

The creation of a Waqf requires certain conditions; the most important ones among them are as follows:

- The property must be real estate or a thing which has some form of perpetuity. Muslim societies have had Waqf land, buildings, camels, cows, sheep, books, jewelry, swords and other weapons, agricultural tools, etc.
- The property should be given on a permanent basis. Some jurists approve a temporary Waqf only in the case of a family Waqf.
- The Waqf founder should be legally fit and able to take such an action, i.e., a child, an insane person or a person who does not own property cannot found a Waqf.
- The purpose of the Waqf must, in the ultimate analysis, be an act of charity from both Sharia and the founder's point of view. Hence a Waqf for the rich alone is not permissible because it is not charity.

- Finally, beneficiaries, person(s) or purpose(s), must be alive and legitimate. A Waqf for the dead is not permissible<sup>1</sup>.

### **1.5. Management of the Waqf**

In principle, the Waqf founder determines the type of management of his/her Waqf. The Waqf manager is usually called mutawalli and his/her responsibility is to administer the Waqf property to the best interest of the beneficiaries. The first duty of mutawalli<sup>2</sup> is to preserve the property, then to maximize the revenues of the beneficiaries. The Waqf document usually mentions how the mutawalli is compensated for this effort and if the document does not mention any compensation for the mutawalli, he/she either volunteers the work or seeks assignment of compensation from the court (Al-Amin, 1997; 18).

The judicial system, i.e. courts, is the point of reference with regard to all matters and disputes related to a Waqf. In the early part of the 8<sup>th</sup> century, a judge in Egypt established a special register and office to record and supervises Awqaf in his area. This culminated in the establishment of an Awqaf office for registration and control which was linked to the supreme judge who used to be called the "judge of judges."

### **1.6. Socio-political role of the Waqf**

The permanent nature of a Waqf resulted in the accumulation of Waqf properties all over the Muslim lands and the variety of its objectives provides support for widespread religious and philanthropic activities. The size of Waqf and its objectives play an important role in the socio-political life of Muslim societies and communities.

Information extracted from the registers of Awqaf in Istanbul, Jerusalem, Cairo and other cities indicates that lands of Awqaf cover a considerable proportion of the total cultivated area. For instance, in the years 1812 and 1813 a survey of land in Egypt showed that Awqaf represented 600,000 feddan<sup>3</sup> (=0.95 Acre) out of a total of 2.5 million feddan; in Algeria the number of deeds of Awqaf of the grand mosque in the capital Algiers was 543 in the year 1841; in Turkey about one third of land was Awqaf; and finally in Palestine the number of Waqf deeds recorded up to the middle of the 16<sup>th</sup> century was 233, containing 890 properties in comparison with 92 deeds of private ownership containing 108 properties (Barkan and Mericli, 1998; 157).

With regards to the use of Waqf revenues, the most frequent purpose is the building of mosques. This usually includes the salaries of imams [prayer leader and speaker of the Friday religious ceremony], teacher(s) of Islamic studies, preacher(s). With the help of this independent source of financing, religious leaders and teachers have always been able to take social and political positions independent of that of the ruling class. For example, upon the occupation of Algeria by French troops in 1831, the colonial authority took control of the Awqaf property in order to suppress religious leaders who fought against occupation.

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<sup>1</sup> <http://www.al-islam.org/laws/Waqf.html>

<sup>2</sup> Mutawalli: trustee of a Waqf

<sup>3</sup> a unit of land area, it is used in Egypt, Sudan, and Syria. It doesn't belong to the international system of units. Its Arabic name means 'a yoke of oxen': implying the area of ground that could be tilled by them in a certain time. 1 feddan = 24 kirat = 4200 square meters (m<sup>2</sup>) = 1.038 acres

Although religious education is usually covered by a Waqf on mosques, madrasa<sup>4</sup> education in general has been the second largest user of Waqf revenues (Gunay, 2003: 37). Since the beginning of Islam, in the early 7<sup>th</sup> century, education has been financed by Awqaf and voluntary contributions. Even government financing of education used to take the form of constructing a school and assigning certain property as a Waqf of the school. Awqaf of the Ayyubids (1171-1249) and the Mamelukes (1249-1517) in Palestine and Egypt are good examples. According to historical sources, Jerusalem had 64 schools at the beginning of the twentieth century, all of which were Waqf and supported by Awqaf properties in Palestine, Turkey and Syria. Of these schools 40 were made Awqaf by Ayyubi and Mameluke rulers and governors. The University of El Ezher is another example. It was founded in Cairo in 972 and was financed by its Waqf revenues until the government of Muhammad Ali in Egypt took control over the Awqaf in 1812.

Waqf financing of education usually covers libraries, books, salaries of teachers and other staff and stipends to students. Financing was not restricted to religious studies, especially during the rise of Islam. In addition to freedom of education, this approach to financing helped create a learned class that was not descended from the rich and ruling classes. At times, the majority of Muslim scholars were from poor and slave segments of the society and they, very often, strongly opposed the policies of the rulers (Syed, 1989; 258).

The third big beneficiary of Waqf is the category of the poor, needy, orphans, persons in prisons, etc. Other uses of Waqf revenues include health services, which cover the construction of Hospitals and spending on physicians, apprentices and patients. One example of a health Waqf is the Sisli Children's Hospital in Istanbul, which was founded in 1898.

## **2. Cash Waqf (Endowment)**

A Cash Waqf is a Waqf whose corpus consists of cash. Initially, segments of the learned class objected to this type of Waqf on the grounds that the corpus must be immovable. However, following bitter struggles between generations of pragmatists and moralists, the lure of extending the wealth-sheltering advantages of the Waqf to the holders of liquid wealth proved irresistible (Mandeville, 1979; 290). The Ottoman courts approved these endowments as early as the beginning of the 15<sup>th</sup> century and by the end of the 16<sup>th</sup> Century they had reportedly become extremely popular all over Anatolia and the European provinces of the Empire (Cizakca, 2004:1). Cash Awqaf delivered a return on capital by lending at interest, which itself was a controversial topic. A portion of them operated as money lending operations for the benefit of individuals and families. Even here, however, the distinction between a Waqf and a commercial organization was sustained. Whereas moneylenders outside the Waqf sector could pool resources within financial partnerships, which they did for short periods and on a small scale, Cash Awqaf could not merge in order to supply credit on a larger scale. This may be seen as the reason why they failed to develop into banks.

The majority of Awqaf (endowments) were land, where the permanence and security of the act of 'continuous charity', which is central to the Waqf (endowment), is readily realized. Some moveable assets, such as furniture, books or farm animals, may be tied up in a Waqf, but money has not always been regarded as the valid subject matter of a Waqf (Keles, 2001; 190). During the Ottoman period, in the 15<sup>th</sup> and 16<sup>th</sup> Centuries, a particular form of endowment or trust fund, the cash endowment, by which money was settled for social and

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<sup>4</sup> Madrasah or madrasa: theological school attached to a mosque

pious purposes, came to be approved by the courts. The Cash Waqf provided much needed credit and other financial services (UN-HABITAT, 2005; 15)

Cash Awqaf in Bursa, from 1555 to 1823, may give us an idea about what kind of functions the Awqaf engaged in as public service, and to get a better grasp of what kind of an institution the Awqaf were (Cizakca, 1995; 302). Cizakça (2004) estimates that during the eighteenth century about 10 per cent of the total population of the city of Bursa, which averaged about 60,000 inhabitants during that period, borrowed from Cash Awqaf. Cash Awqaf records show that the Awqaf<sup>7</sup> expenditures had been mainly done in the following areas: education, food, family, justice; such as salaries of judges in local courts, and payments to the jails, maintenance of Waqf buildings, mosques, rent, religion, social services such as repair of pavements, social baths, helping the public to pay their taxes, mutawalli's salaries, water works and workers (Baskan, 2002; 13).

## 2.1. The Management of the Cash Waqf

Register of a typical Cash Waqf from 18<sup>th</sup> Century contains the following information:

- The name of the Waqf and the purpose for which it was established.
- 2. The name of the mahalle<sup>5</sup>; district, in which the endowment was registered.
- The name of the trustee.
- The time period covered by the census.
- Original capital of the Waqf.
- Later additions to the capital of the Waqf either by individuals or by other Awqaf.
- The balance of the new capital thus formed.
- The return obtained from the investment of the endowed capital at the end of the year.
- The purpose for which the annual return was designated<sup>6</sup>.
- The names of the borrowers.
- The amount of capital they borrowed.
- The mahalle where the borrowers lived.
- The religious denomination of the borrowers and,
- Their gender.

The invaluable wealth of information contained in the Waqf census registers stems from the standardized entry of data kept on hundreds of endowments across a time span of nearly three hundred years. Leaving aside the usual changes in the paleography, there are only two distinctions discernible between a record kept in the 16<sup>th</sup> century and one of the 18<sup>th</sup> century; profit (or revenue) was called *irad* in the former period and *murabaha*<sup>7</sup> in the latter, and whereas in the earlier period there is no information supplied about the borrowers, this information is made available in the latter. With the exception of these differences, a 16<sup>th</sup> century Waqf census entry contains exactly the same type of information as the one from the 18<sup>th</sup> century (Cizakca, 2004; 5)

## 2.2. Perpetuity Debate

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<sup>5</sup> mahalle: group of houses which make up a distinct region, a neighborhood

<sup>6</sup> In other words, the expenditure or *al masarif*.

<sup>7</sup> *Murabaha* is defined as a particular kind of sale, compliant with Sharia, where the seller expressly mentions the cost he has incurred on the commodities to be sold and sells it to another person by adding some profit or mark-up thereon which is known to the buyer.

By the 16<sup>th</sup> Century, pious endowments in the form of cash were becoming more common. More than half new Ottoman Awqaf were cash, reflecting concerns to protect individual wealth and substitute the functions of banks. A Cash Waqf was the form preferred by ‘cash-rich’ individuals wishing to endow public services such as schools and by those with liquid wealth (e.g. moneylenders, merchants).

A Cash Waqf earned revenue through interest bearing loans. This credit provision aspect of Cash Awqaf raises interesting questions for Islamic law and has proved a modern debating point for jurists and historians. Did Cash Awqaf violate the Islamic prohibition on *riba* (interest)? Some historians have claimed that the Cash Awqaf lent money on interest, or used transactions which were designed to get around the strict legal prohibition on *riba* but produced an ‘interest-like’ payment (Cizakça 2004, citing Barkan and Ayverdi 1970, Mandeville 1979 and Gerber 1988).

In short, if the corpus of the Waqf was cash, this amount was invested and the returns generated were used for charity or social services. The investment occurred by lending the capital of the Waqf to the borrowers. Since these credit transactions yielded, if not *de jure, de facto* interest, the Ottoman economy could not eliminate *riba*<sup>8</sup> (Cizakca, 2000:16).

Critics argued that Cash Awqaf violated the Waqf tradition of immovable property and Islamic injunction against interest collection. Defenders (including clerics) did not deny religious objections but argued for the practice on the grounds of practicality and economic need. On the other side of the debate, it is argued that since the Ottoman courts examined these endowments they must be legal and that the return paid to the Waqf by the borrower was a share of profit as opposed to interest. This form of credit declined, as did the endowments themselves when they came under increasing state control, being replaced by modern banks. However, there is a renewal of interest in the cash endowment (Waqf) (Sait and Lim, 2006:167)

The Cash Waqf form was not followed in other contemporary Muslim territories. The practice remained hotly debated among legal and religious scholars and, despite the controversy, remained popular among those who saw a need for protecting ‘liquid’ wealth and flexibility in directing charitable investments (loans permitted moving funds across economic sectors). Interest charged on loans by Cash Awqaf was often fixed to ‘comply’ with Sharia

### **2. 3. The Accounting Method Used in the Cash Waqf**

Cash endowments were an important source of credit, with the endowed capital being lent to borrowers. In the accounting of the Cash Waqf, a relatively easy and simple accounting method was employed instead of specialized accounting. Cash Awqaf used the single-sided entry method in accounting books. Endowed money or capital of the Cash Waqf was written as *qurush* and *para*; below this number came daily income and expenditures, and next to these numbers explanations were written. The returns were used for charitable purposes, after any deductions for expenses incurred by the *mutawalli* or *nazir* and any taxes. If any excess return

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<sup>8</sup> *Riba*: The Islamic expression for interest. Typically, prohibited under Islamic law. *Riba* is usury. Usury is commonly understood as the lending of money at illegally high rates of interest. But *riba*, or usury, in Islam is the lending of money on interest, regardless of the rate of interest.

was left over, the remainder was then added to the original capital of the endowment the following year.

Simply, annual fiscal position of the Cash Waqf was as follows:

Annual Fiscal Position of the Cash Waqf = Endowed Capital + (Incomes - Expenditures)
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This calculation method was a very wise way to keep accounting records when there was no opportunity of finding professional accountants.

Information, like the list of assets of Awqaf, incomes and expenditures, how much income the Waqf has and how much income the Waqf earns from them, how much money the Waqf lent out, amount of accretion, type of hypothec, names of the guarantors, can be seen in the book of accounts.

In order to determine the financial conditions and way of operation of Awqaf, inspections were made from time to time. Books kept for this purpose were called “Vakif Tahrir Defterleri” or the Cash Waqf censuses. Financial conditions and the way of operation of foundations were formed by the comparing and inspecting of old and current books of records.

During the inspections, a series of “Vakif Tahrir Defterleri” was formed by recording the founder of the foundation, the date of foundation and registry, type and amount of properties, annual income obtained from these properties, annual expenditures by day, month and year, income-expenditure totals and, if available, the difference between them. These records cover a 451 year period (1490-1928).

Cash Waqf records were generally kept along with the other documents. However, as in Davutpasha court, it has been seen that a separate book of accounts had been prepared for the act of foundation and the accounting records. Additionally, there were also separate “Idane Hucceti” books (payables book) interspersed among Ser’i Sicil records or Shari’a Court Records.

Information such as this below is available in books called “Idane Hucceti”

- Names and addresses of people who borrow money from the Waqf
- Amount of money borrowed, payback time, lending period
- The specifications of properties hypothecated
- The specifications of real property hypothecated
- Sale of properties or goods, after collecting the receivables of foundations paying the money left to the owner in the case of default on the credit
- Determination of information about the guarantor, if there is a guarantor for the debt, and lending after “kefil ve zaminiz” (guarantor, surety) promise is taken
- In the case that the debt is not paid back, records showing that receivables of the Waqf have been taken from guarantors if available, and if the guarantor had died before the foundation collected the debt, receivables have been collected from the estate of the guarantor.

To illustrate how a Cash Waqf actually functioned an example will be most appropriate:<sup>9</sup>

*“A typical 18<sup>th</sup> Century Cash Waqf entry would read like this; “the account of the revenue and expenditure of the Muslim endowments for the purpose of (assisting) the avariz and nuzul taxes<sup>10</sup> for the (residents of the) Orhan Gazi<sup>11</sup> district of the city of Bursa during the trusteeship of Esseyid Halil Aga<sup>12</sup>, the trustee of the said endowment from the year 1200 in Hegira<sup>13</sup> (1785) until the end of Zilhicce of the same year”. This particular Cash Waqf was endowed with an initial capital of 2377.5 Grus. To this, the “profit” of the previous year was added which increased the capital to 2544 grus. Later, we have three other Awqaf further contributing to this 2544 Grus. The first contribution, 50 Grus, was provided by the Waqf of the Ayse Hatun<sup>14</sup> for the purpose of reciting the mevlid<sup>15</sup>. The second one, 85 Grus, came from the Waqf of Hakim Hatun, for the same purpose. Finally, the third contribution, 50 grus, also came from the Waqf of Hakim Hatun this time, for the purpose of buying candles for the Orhan Gazi Waqf. The total capital of the endowment thus, increased from the original 2377.5 grus to 2729 grus, a total addition of 351.5 grus. This enhanced capital of 2729 grus was then distributed as credit to 20 individuals. These investments generated a return of 257.5 Grus, murabaha fi sene-i kamile, which represented 9.4 per cent of the invested capital. Out of this return of 257.5 Grus, a total of 86.5 Grus were spent to assist the payment of avariz and nuzul taxes, to recite the mevlid, to buy candles, to pay the trustee and the bookkeeper, and for miscellaneous expenses. The remaining 171 grus was called the ziyade ez masraf and was added the following year to the capital of the endowment.”*

#### **2.4. Some of the Income and Expenditure Items of Cash Awqaf**

Within the income of foundations, taxes taken from agricultural products, revenues of businesses operated by foundations, rental incomes can be listed. In addition to these, revenues obtained from baths, mills and various factories can also be considered as income of foundations. However, the main income sources of foundations have been taxes and rent income from land holdings of foundations. Charitable bequests have also been among the income sources of the Cash Waqf. Cash Awqaf incomes were collected by “cabiler<sup>16</sup>” and recorded as “asl-i vakf<sup>17</sup>”.

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<sup>9</sup> This example quoted from Cizakca’s paper that Cash Awqaf Revisited: The Case of the Bursa 1555–1823, Foundation for Science Technology and Civilization, June 2004

<sup>10</sup> The avariz and nuzul levies were among the most important of the regular sources of government revenue in the Ottoman empire during the 17<sup>th</sup> Century

<sup>11</sup> The Ghazi, victorious fighter for the Islamic faith, veteran

<sup>12</sup> Aga is a great lord or chief master in Ottoman, It is used also as a title of respect

<sup>13</sup> Being an Islamic society the Ottomans employed the calendar based on Hegirah (the emigration of Prophet Mohammed from Mecca to Median in the year 622 AD). Thus there is a 622 year difference in the dates to begin with. Since this calendar is based on a 12 month year of 355 days every 37 years another year is added to the difference. The twelve months of the Ottoman calendar are Muharrem, Safer, Rebiulevvel, Rebiulahir, Cemaziyevvel, Cemaziyelahir, Receb, Şaban, Ramazan, Şevval, Zilkade, Zilhicce.

<sup>14</sup> Hatun: khatun, lady, woman or wife

<sup>15</sup> the night of the birth of the Prophet Muhammad (the twelfth night of Rabi I)

<sup>16</sup> Formerly, in the Ottoman Era, person who receives or collects zekat (due religious alms) and revenues of cash Waqf

<sup>17</sup> Obtain property by the Cash Waqf from the beginning to the end

Foundations had to undertake some expenditure in order to perform their aims. There were different expenditure items according to the kind and aim of the foundation. The payment for a service was called “vezaif (singular), vazife (plural)” and people performing these activities were called “ehl-i vezaif or murtezika”. Payments for these services and aids for poor people composed some part of these expenditures. Depending on the condition of a foundation, payments for murtezika were paid monthly, quarterly, semi annually and annually.

Building, repair and lighting expenditures were ordered according to the sequence of priority and financial power of the foundation. Terms like imare<sup>18</sup>, rakabe or slave, meremmet and termim (repair or restoration)” were used related to repair services.

There were expenditures of payments to scientists, payments made on religious days and celebrations, payments for foundation expenditures - and these expenditures were covered by zevaid<sup>19</sup>.

Alms Houses were supported as a social service and some medicines were supplied for “Daru’s-sifa”, or nursing homes, by using the excess of incomes. Such expenditures were recorded as “Al-Masarifat”, or, expenditures to Waqf account (Kurt, 1996:96)

Another series of books is Tereke Defterleri<sup>20</sup>. These books are books showing the full list of estates that deceased people left behind, and court decisions showing the distribution of the estate between the surviving family of the deceased. These series of books were also placed in the Sharia Court Records (Kurt, 1998:180).

Additionally, Harç defterleri (Fee Registries) were also maintained where records of the charges paid by claimants to cover court expenditures take place. Thus, court fees can be followed from these series of books.

Information in “Accounting Registries of Awqaf of Kadiasker<sup>21</sup> Mehmed Vahid Effendi, Shaikh al-Islam Esbak Omar Husamuddin Effendi and Mehmet Asım Effendi”, recorded with the registry number of 1698 and involving the records covering the period 1221-1806 may guide our subject. Therefore, we need to inspect these books of endowment accounts. These account books contain information about how much money an endowment has, who owes money to the endowments and information regarding how much was lent to whom for what purpose.

The record entries state, next to the amount of money lent by the Cash Waqf, the name of the debtor, whether this money was given by hucet (with deed) or istiglal (with guaranty), or both by hucet and istiglal, or by istiglal and guaranty (or bail) and the amount of the loan. In other words, if the money given from the foundation has been lent by hucet, acknowledgement or by istiglal or both by document and guaranty.

There is also important endowment account information in “Registries of the Conditional Awqaf of Tevliyeti Fatwa Office”, which was kept between 1312 and 1330

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<sup>18</sup> soup kitchen or location that provides low-cost or free meals to the needy

<sup>19</sup> Zevaid is the name of excess income left after the expenditures of foundation incomes.

<sup>20</sup> Probate inventories or inheritance registers, registrars of the personal effects of the deceased for inheritance purposes.

<sup>21</sup> Chief judge

(registry number 1696). In this book 23 Cash Awqaf were named. In the report dated 20 Rebiu'l-evvel 1332 and titled "Umum Vakıflar Hakkında Ma'lumat" or "Information about Awqaf", subjects like how much money 16 foundations had, how many years it took to reach those amounts and whether money had accrued or not, were recorded.

In the continuation of the same book, a commentary on the amount of foundation income and how much money had been spent with the permission of Shaikh al-Islam Esbak Omar Husamuddin Effendi Cash Waqf between 1868 and 1869 was stated.

On pages 56-63 of the books of Awqaf of "Kadiasker Mehmed Vahid Effendi and Shaikh al-Islam Esbak Omar Husamuddin Effendi Waqf" the amount of money lent, dates of idane (debt or loan), delivery dates, period of idane as months, amount of accretion as percentage, names of debtors, amount of properties and accretion, explanation showing that the debt is paid back, information concerning money collected by forced selling and document numbers were shown; on pages 68-70, accretion collected, grand total of endowed money or capital and the amount of expenditure was recorded.

While some account books of foundations were prepared for only a Waqf, it is seen that some of them were prepared for 8 or 10 Awqaf. This situation highlights a lack of bookkeeping entries for those account books prepared for 8 or 10 Awqaf.

## **2.5. Contribution of the Cash Awqaf to Economic and Social Life**

The existence of Cash Awqaf or endowments has had a very important role in the Ottoman market economy in the following ways:-

\* Using the money allocated to the foundation to supply a continuous income, to purchase real estate properties like houses, inns, land etc. Thus capital deposited has been introduced to the economy in this way, steady personal assets have been endowed and additionally rent incomes obtained from these assets have been spent for expenditures of the Waqf.

\* During the Ottoman period, educational, public works, health and religious services were financed by Cash Awqaf. Educational services, which are today financed by the Turkish government through a budget, were financed by foundations in the Ottoman Empire.

\* In cases where funds allocated for Awqaf were insufficient, the capital increase method has been used, by either increasing the amount of money endowed or implementing a price increase similar to the capital increase system applied by today's companies.

\* Cash Awqaf have also been used as a means of social security. For example, many cash foundations were established under the name of "Orta Sandığı" (middle fund) among the members of "Yeniceri Ocagi" (Janissary Barrack) and it executed mutual aid and social security services among those members.

\* Foundations like "Eytam sandiklari" (fund for orphans), which have been used for reserving the rights of orphans' on inherited properties until they reach the legal age and "Memleket and Menafi Sandiklari<sup>22</sup>", founded for farmers mutual aid, worked in a similar manner to money

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<sup>22</sup> The Menafi Sandigi system (fund for public improvement), formed in 1883,

foundations. In these foundations, the money collected was used for burial services, supplying religious costs, supplying food, fuel and clothes for unemployed people and helping people who have been exposed to disasters like flood, fire, earthquake etc. In addition, the money collected in these foundations was used:-

- To loan money, as “karz-ı hasen” (lending without interest), to people who couldn’t afford to pay the money back and to loan money to people who could afford to pay the money back in installments.
- To supply financial support for those who suffer from capital problems.
- To supply gratuitous aid for poor people.

\* It is also known that Cash Awqaf were also established to aid lone people, widows, orphans and debtors, to feed and clothe students, to supply ink for their ink holders and to pay the cost of goods like glasses and bowls which were broken by servants etc.

\* Avarız Awqaf were established for supplying financial aid to people of a village or a district, who couldn’t afford to pay their taxes, providing for common expenses of a village or a district, providing sustenance for people who were not able to work and construction, maintenance and repairing of village and district roads (Kurt, 1997:535).

\* It is a fact that in every society there are both poor and rich people and starting from this fact every nation tries to implement a policy to alleviate poverty that is suitable to its structure. Similarly, during the Ottoman Empire period, Cash Awqaf were endowed in order to cover the expenditures of poor people and in this manner fight poverty. Money was also endowed to finance necessary services like feeding and clothing and providing fuel for the incarcerated poor and their families.

\* Establishments like Awqaf and guilds were managed by administrators. This provided employment to people who were charged with administering these Awqaf and guilds. When today’s unemployment problems are taken into account, contributions of such endowments on employment are evident.

## **2.6. The Decline of the Cash Awqaf**

The Cash Awqaf charged a fixed rate of economic interest that did not change in the long run. The rigidity of this rate was a result of conditions stipulated by the founders at the time of the establishment of these endowments. Once determined, these rates could not be changed in response to the changing economic circumstances and any attempt to do so was considered to be against the law. This is a clear case of information asymmetry: the rates were determined by the founders, who had no information about the economic circumstances that would prevail in the future. While the rates charged by cash endowments thus remained fixed, other sources of finance that developed were not hampered by such limitations. The sarraf, moneychangers, charged rates that were determined by the supply and demand for money. Under these circumstances, it would make sense to borrow money from Cash Awqaf that supplied relatively cheaper capital and then sell this to the sarrafs who would re-sell it with a markup to the public. Also, mutawalli of the Cash Awqaf were in an ideal position to perform such transactions and, indeed, it was shown as evidence for the above argument that they were emerging as major borrowers of capital from the very endowments they controlled (Cizacka, 2004:14).

Briefly, at the turn of the century the Cash Awqaf were put under the control of a separate department, the Directorate of Endowed Money, or, Nukud-i Mevkufe Mudurlugu, which was to function as an agent of the Ministry. A few years later, the bulk of endowed money controlled by the directorate was used for purchasing shares of a newly founded bank, the Bank of Pious Foundations (Awqaf), Evkaf Bankasi. Since the Ministry bought the majority of shares, it in fact controlled the new bank. This control was assured by the composition of the board of directors, the majority of whom were appointed by the Ministry (Cizakca, 2004:17).

## **Conclusion**

While the millions of Awqaf throughout the world varied, the majority of endowments fell into the five basic welfare categories of food, housing, health, education and religion. The beneficiaries of Awqaf could be exclusively family members of the endower, but the governing charitable ethos ensured that a high proportion were devoted to general welfare. The Waqf provided services that the modern welfare state offers and it had the tacit support of the state. The Waqf was intended by classical Islamic jurisprudence to be a ‘third sector’ of philanthropy or civil society, which existed independently of both the state and the for-profit private sector.

By organizing such things as financing expenditure on education, health, welfare and a host of other activities, cash endowments fulfilled services that are today financed by the State or local authorities. During the Ottoman period, education, public works, health and religious services were financed by Cash Awqaf. Educational services financed by the Turkish government today were financed by Awqaf in the Ottoman Empire. Cash Awqaf were also used as a means of social security; thus, they played a vitally important role in the Ottoman social fabric and did so without any cost to the State.

In cases where funds allocated for Awqaf were insufficient, the capital increase method was used by either increasing the amount of money endowed or implementing a price increase similar to the capital increase system applied by today’s companies.

Establishments like Awqaf and guilds were managed by administrators providing employment opportunities. When today’s unemployment problems are taken into account, these institutions’ contribution to the economy becomes clearer.

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## **Annex I**

Transcriptional accounting book records of Shaikh al-Islam Esbak Omar Husamuddin Effendi Waqf in the Istanbul Sharia Registers Archives

Fund Book of Endowed Money by the Late Shaikh al-Islam Esbak Omar Husamuddin Effendi

One Hundred Eight Ottoman Liras and Twenty Seven Mejidie<sup>23</sup>

<b><u>Gurush<sup>24</sup>:</u></b>	<b><u>Para</u></b>	<b><u>Explanations</u></b>
6.871.	30	Final Accounts of Endowed Money of the Waqf
<b><u>Mahalli (Place)</u></b>		
<u>4.071.</u>	<u>30</u>	(-) Loan to Serafuddin Effendi
2.800.		Mevcud-ı Sandik, remaining amount from endowed money of the Waqf at 15 Saban 1329 in Hegira
<u>1.651.</u>		(-) Additional loan to Serafuddin Effendi in addition to that mentioned above on 4 Cemaziyel evvel 1330
1.149.	30	
1.149.	30	(+) Principal amount received from Serafuddin Effendi from the above loan, 16 Receb 1330
6.480.		(+) Nema (interest) receipts from Serafuddin Effendi from the above loan
<u>8.320.</u>	<u>30</u>	(+) Revenues from land property of Waqf above mentioned
17.098.	90	Mevcud-i Sandik, statement of account of the Waqf
<u>10.834.</u>	<u>30</u>	(-) Payments to the employees working in the Waqf
6.264.	60	
<u>8.854.</u>		(+) Revenues from land property of Waqf above mentioned on 1 Cemaziyel evvel 1331
15.118.	60	
<u>13.972.</u>	<u>20</u>	(-) Payments to the employees working in the Waqf, on 26 Saban 1331
1.146.	40	Mevcud-i Sandik, statement of account of the Waqf
<u>2.963.</u>	<u>20</u>	(+) Revenues from land property of Waqf above mentioned, on 6 Safer 1332
4.109.	60	

<sup>23</sup> fine of 50 gold mejidie, an Ottoman coin

<sup>24</sup> The new Ottoman gurush was then fixed at 120 akches or 40 paras. For this reason, the para, more than the akche, served as the basic unit of account for small transactions a quarter dirham (20.0 grams) and contained close to 60 percent silver The early gurushes weighed six and a quarter dirham (20.0 grams) and contained close to 60 percent silver..

<u>3.000</u>		(-) Loan to Retired Akil Pasha from Firikan on 23 Rebiulevvel 1332
1.109.	60	
9.963		Revenues of from land property of Waqf above mentioned at 1332, on 19 Cemaziyel ahir 1332
<u>4.393</u>		Amount came from Izmir Orphans Fund, on 19 Cemaziyelahir 1332
15.465.	60	
<u>1.500</u>		(-) Loan to Zekiyye Hanim, on 19 Cemaziyelahir 1332
13.965.	60	
<u>9.417.</u>	<u>20</u>	(-) Payments to the employees working in the Waqf, on 15 Saban 1332
<b>4.548.</b>	<b>40</b>	Mevcud-i Sandik, statement of account of the Waqf, end of the year

