

CIVILIZATION, ECONOMY AND WAQF IN OTTOMAN EUROPE

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Received: 16 Jan 2020

Accepted: 3 Apr 2020

ABSTRACT

The prosperity, stability, and socio-economic balance observed throughout Ottoman history was largely sustained by several key institutions developed in accordance with emerging challenges of the time whilst functioning effectively. Both the Ottoman economic mindset and impact of those institutions on the socio-economic and financial development cannot be ignored. In addition to other significant economic, social and political institutions, the waqf (charitable endowments) played a crucial role in Ottoman society and contributed to the supply of primary social needs, whether related to education, finance, health, economy, infrastructure or social stability. This article seeks to explore the role of waqfs, especially cash waqfs throughout 15th-19th century Ottoman Europe. It concludes that the investment of those waqf-based charity institution in religious, educational, health, and socio-economic sectors allowed for invaluable contributions in social spheres and public welfare in addition to playing a crucial role in the economic and financial stability and sustainability of the Ottoman society over long periods of time.

Keywords: Balkan, cash Waqf, development, endowment, Islamic finance, Ottoman civilization, Ottoman economy.

Cite as: Bulut, M. (2020). Civilization, economy and waqf in Ottoman Europe. *Journal of Nusantara Studies*, 5(2), 48-67. <http://dx.doi.org/10.24200/jonus.vol5iss2pp48-67>

1.0 INTRODUCTION

Civilizations in general embrace all kinds of organized life activities and contributions whether related to economics, politics, education, architecture, art, literature, science, technology, religion, social and civil life, at the level of states, government or societies. Civilizations also pursue the fulfillment of certain goals and objectives whether on the physical, cultural, or intellectual-spiritual fronts which provide them with the soil necessary for life, growth, and development. Just like Eastern and Western civilizations, the same logic also applies to the Islamic civilization. The civilization of Islam has its own peculiar identity, characteristics and vocation. However, among the fundamental principles of the civilization of Islam is to the fulfillment of *tawhid* (unity) and justice (*adalah*) in this world (Ibn Khaldun, 1967; Bulut, 2009; Bakar, 2014).

For most civilizations however, institutions play crucial role in the advance of social, political and economic life as well as contributing to the very objectives of those civilizations. History points to that fact that Islamic civilization highly promoted good economic practices and cultures of solidarity, sharing, philanthropy, social welfare and active establishment and operation of charitable institutions and endowments (*waqfs-awqaf*). In Arabic language, *waqf* signifies *habous/habs* which implies ‘to stop or to make something stop’. Technically however, the concept of *waqf* is to present usable material or physical spaces for the benefit of those without provision. An individual who endows an estate or property permanently halts its functions for anything other than its gains and earnings for the interest of the public. The Islamic tradition strongly promotes the carrying out of good deeds for the benefit of the general public including the endowment of *waqfs* for various community and societal causes. Prophet Muhammed (a.s) is reported to have said: “When a person dies, his acts come to an end, except three things, ongoing charity, useful knowledge (by which people benefit), or virtuous descendants who pray for him.”¹ The Qur’anic exhortation of spending for good causes has had a major impact on the practice and development of *waqfs*².

In Muslim societies, *waqfs* contributed to the provision of a series of public services such as the financing of libraries, madrasahs, schools, scholarships, educational services; building of bridges, fountains, roads, sidewalks, and waterways, as infrastructural

¹ Prophet Muhammad (a.s) is reported to have said: “When a man dies, his deeds come to an end except for three things: Sadaqah Jariyah (ceaseless charity); a knowledge which is beneficial, or a virtuous descendant who prays for him (for the deceased)” Muslim. Riyad Us Saliheen. Book 13: Hadith 8.

² The Qur’an states: (Never will you attain the good [reward] until you spend [in the way of Allah] from that which you love. And whatever you spend - indeed, Allah is Knowing of it) (3: 92).

services; as well as masjids, lodges, and zawiyahs. Waqfs also helped in the survival of caravanserais and inns which helped lower the cost of accommodation for merchants, thus allowing trade to flourish. Shops, baths, libraries, markets, and bazaars (bedestans)³ were established as waqfs and were part of ensuring the sustainability of commercial and financial life. Because of their structured nature, and especially during times of state weakness, upheavals, or unfavorable economic and political conditions, waqf institutions never cease to offer their services; this secured the continuity of educational life, infrastructural needs and religious services, at worst with minimal interruptions.

Muslim waqfs fulfilled many responsibilities and services of modern states, and for this, were largely able to alleviate the state's financial burden. For instance, waqfs assisted the poor and needy and provide for their various needs, continued to function throughout social unrests, and were also valuable to the establishment of socio-economic justice. Like many other Muslim communities, the Ottomans gave waqfs remarkable importance and instrumentalized them in the way of development and civilization building; that explains the naming of the Ottomans, '*the civilization of waqf*'. Towards the end of the 18th century, there were 20000 waqfs in the Ottoman Empire, which made up one third of the total economy. In addition to the traditional property-based waqfs, the Ottomans also introduced new forms of transferrable waqfs known as Cash Waqfs. This practice first appeared in the Ottoman Europe during the first quarter of the 15th century.

Throughout the history, empires and states, both in the East and West, dominated larger areas and outlived the Ottoman Empire. However, the state with the longest duration, as a single dynasty, was the Ottoman Empire. Empires are long term structures of the stationary agricultural periods of pre-modern ancient traditions. The Ottoman State is among the largest and longest standing states founded and sustained by Turks and Muslims in history. The state founded and sustained by the Ottomans for more than six centuries which continues to live in modern times in such time of rapid change and transformation, required indepth examination. The study of the causes of long living civilization appears represent for many social scientists in the geography one of the highest research priorities. There is no doubt that the very institutions they founded and developed, in addition to the values, worldviews they embraced and view of humanity and society, have had clear impact on the longevity of the Ottoman state

³ Bedesten is a covered bazaar usually established near a mosque in order to transfer the rental income to the Mosque's needs. Artisans, merchants and others carry out business in the bedesten.

and the very civilization they built and developed. What is interesting in the long-term structures is the consistent integrity between the mindset and institutional structure. The tendency to think in longer terms for the work they do and institutions they established, which appears to echo the notion of “*respect for scholarship and scholars*”, all made within the conceptual framework of “*Make humans live so that the state lives*” is what draws the attention of many researchers today. Within this in mind, “*waqf*” institution appears to represent one of the most important institutions in the Ottoman world, with an approach that look at the eternal gain, “*that will continue forever*” and accordingly, and with priorities making “the most profitable investment”.

This review paper is instrumental especially given the need of Muslim societies today to effectively transform some of their current institutions according to unique dynamics and development paradigms. Among those transformed and perhaps long-lasting institutions are charity institutions which historically have proven their capability of consistently sustaining themselves and make core contributions to the socio-economic and intellectual life of the Muslim communities. One of the key institutions that emerged in the Ottoman world during such a process of transformation were charity funds which started in the 15th century, with numbers continuing to increase in the centuries to come. As the intensive debates continue to unfold amongst Muslim scholars on the legitimacy of those institutions, the number of charity funds rapidly increased and particularly in the 17th century because of the new developments and changing conditions of the global then economy and financial order.

With growing volumes of trade, developments in warfare technology, long distance journeys and increasing population, the economic structure evolved from in-kind to cash economy. The emergence of financial institutions established on the basis of a new interest-free charity concept emerged in order to provide the necessary cash for production and trade, and also to ensure stability in the credit and financial markets throughout the many cities of the Ottoman Empire. This came as a result of the moral and legal acceptance of interest-based banking institutions, along with the influence of the American gold and silver in the West. In particular, with respect to the transformation of the money and financial markets, the Ottoman Empire achieved this very transformation, however, within a flexible structure, remaining loyal to the society’s beliefs, value system, ethical norms, and worldview. As a result of this transformation, Cash Waqfs emerged in the 15th century in the Ottoman Empire, and thus micro-finance institutions grew widespread in the following centuries.

Since their emergence however, Cash Waqfs (charity institutions) have had significant impact on the Ottoman religious, spiritual, socio-economic, and intellectual life. In this regard,

the economic importance of charities and their impact on finance, economy and society have drawn interesting discussions according to which, analyses made on charity institutions and also Ottoman studies, have concluded that expenditures on education, health, industry, trade and infrastructure were financed through those very institutions with market roles of financial and credit institutions. However, the emergence of charity funds in the face of changing economic and financial conditions brought forth different arguments, such as for example the perception of those institutions in affiliation with affluent individuals of the Ottoman society who used their charities to bequeath their wealth upon family members.

The paper critically reviews the effects of charities on socio-economic life and sheds light on the debates on charity funds. It focuses on the endowment deeds of charity funds established in the Balkan region of the Ottoman State which were selected in the light of their importance as trade and industry zones of the empire. The latter has attached importance to this geography as a result of its proximity to Europe. The Balkans persistently sustained its existence within the Empire since the period of its annexation. For those reasons, examples of charity fund whose endowments deeds have been identified in the Balkan geography have been selected for examination. Following the examination of the socio-economic structures of the charity founders in the light of the data from endowments deeds, the distribution of charity capital and yield rates and returns, as specified by the deeds of endowments, are also examined.

While the world GDP has reached near 100 trillion USD, more than three billion humans continue to endure deplorable living conditions. Waqfs hold the potential to play a major role in solving much of those enduring issues today. However, more research is needed on the current strategies and means used to revive the waqf for the purpose of problem solving, in addition to how the Ottoman waqf model, which towards the end on the 18th century represented 1/3 of Ottoman economy, be further explored. Presently, Muslims are keen to invest in the development of new institutions without neglecting their traditions and past heritage. However, the following interesting questions emerge: 1) Given that waqf is a productive institution, how could one draw on the Ottoman waqf heritage in order to rejuvenate and develop brand new productive sector?; 2) How would waqf today resolve current socio-economic challenges, and especially pertaining to alleviating poverty and sustaining social justice; 3) How can the Ottoman cash waqf model be integrated into plans of economic and financial sustainability; and finally, 4) How can Cash Waqfs be used for micro-financing and productivity optimization?

2.0 OVERVIEW OF SCHOLARLY WORKS

Civilizations build their institutional structures in line with the concept of humanity and society. This exhibits itself in all spheres, whether pertaining to education, economy, army, culture, politics, literature, or finance, and both in daily life and in institutional structures. In this respect the Ottoman civilisation in general, have been studied by several authors (e.g. Barkan, 1980; İnalçık, 1997, 2006, 2009; İhsanoğlu, 1994; Genç, 2000; Tabakoğlu, 2008; Pamuk, 2010; Kazıcı, 2014). One may argue that the Ottomans built a civilization of waqfs in Europe, after they moved from Anatolia to the Balkans. However, works on Ottoman Balkan civilization are still very limited (Lowry, 2008; Eren, 2018; Bulut, 2017). Moreover, the Ottomans included Cash Waqfs in their conception of waqfs services, which played crucial functions and role in the Ottoman Balkan civilization.

Çizakça (1995) studied the Ottoman Cash Waqfs in Bursa (Anatolia). Similarly, Özcan (2003) discussed the Ottoman Cash Waqfs established in Üsküdar (Anatolia, Istanbul) during the sixteenth century. Peri (1992) analyzed the role of waqfs and the Ottoman welfare policy in general. There are some studies on Ottoman waqfs that focused rather on the different effects of those institutions on the socio-economic development. One argument is that those charities institutions hindered the accumulation of capital in a single pool, which represented a significant obstacle to economic development (Kuran, 2003). Another argument sees that the trustees, who represented the high-level executives of charity funds, borrowed from the endowed money and transferred it to big merchants with higher profit rates (Çizakça, 2000; Pamuk, 2004). Answering these arguments within the limitations of this study may further expand the boundaries of the subject matter and pave the way for new research horizons. However, it would be appropriate to stress that most of the charity fund returns were distributed in the form of fees. Moreover, in terms of civilization paradigm, we are in need of a much holistic approach to the study of Ottoman waqf mindset, values, system, organization, and culture.

3.0 OTTOMAN WAQF CULTURE

Nevertheless, endowment institutions were not first founded by the Ottomans, they however used waqf institutions as one of the main drivers of their economic and social structures (Peri, 1992). Waqfs operated as a third sector, in addition to both the public (state) and private sector. The Ottomans established thousands of waqfs which served both the public and animals, resulting in the formation of an unprecedented waqf based social structure. They were also successful in the complete integration of waqfs into their socio-

economic life system. Waqfs was also institutionalized and extended to remote areas. In the 18th century, waqf generated incomes equaled a substantial portion of state revenues (Yediyıldız, 1984) which implied that waqfs held both economic and social contributions.

The Ottomans used waqfs as a public policy instrument in view of its major role in their socio-economic development. Waqfs helped in the construction and establishment of Ottoman cities and further provided municipal services in the absence of institutional municipalities. Major state officials established major waqfs which secured basic municipal services such as bridges, roads, sidewalks, and waterways. Moreover, caravanserais, inns, shops and other business helped further the economic development of Ottoman cities.

Waqfs also ensured prevention of violations on property rights against potential government and state officials, preservation and financing of rich Islamic architectural and cultural heritage, dealing with heavy taxation during depressions and wartime, preventing the break-up of land due to Islamic law, providing pensions for the elderly and disabled, founding of basic social security and insurance systems, building of and preserving the continuity of alms houses, bridges, cisterns, fountains, roads, harbors, libraries, lighthouses, mosques, schools, sidewalks, soup houses, waterways, and weirs etc. (Bulut & Korkut, 2016).

The role of larger waqfs in economic development was significant. A single large waqf was at times capable of developing an entire city. For example, the Waqf of Bosnian Governor Hüsrev Bey was one of those. Hüsrev Bey endowed 15,000 gold coins of miskals (equal to 55,000 dirhams), 200 miskal of pure gold (equal to 133,000 dirhams), 120,000 dirhams, 13 Bedehşan pearls, 80,000 dirhams (equal to 62 valuable pearls), 50,000 dirhams (equal to 70 round pearls), 20,000 dirhams (equal to 100 pearled prayer beads), 90,180 dirhams (for ornate swords and daggers, gold ornamental knives and other various jewelry), 1,570,000 dirhams and 3 villages of Zihne known as Kurumişte, Vitaçeşte and Kusiritur, 3 villages of Drama District known as Nesiyye, Davud and Zigosni, farms, mezraas, pastures and more than two hundred cattle and sheep on these pastures at Serez District, mezraas, farms, pastures and meadows, mills, houses, shops, and beehives in various districts, towns and villages for the repair costs, staff wages and other expenses for the mosque, soup house, lodge and madrasah that he built in Sarajevo in addition to other charity services⁴. This waqf still continues its activities in Sarjevo to this day.

⁴ The waqfiyah of the Waqf of Bosnia Governor Hüsrev Bey, Waqf Record Archive: Register: 1595, p. 1, no:1; Register: 633, p. 139, no: 48; Register: 633, p. 142, no: 49.

Although large waqfs were important for the economic development of cities, one of the greatest contributions of the Ottomans to the waqf institution was to pave the way to the poor also to establish waqfs. In the past, only the rich could establish waqfs using their possessions and property, however the Ottomans were able to develop a system that allowed the poor to establish waqfs and were able to create such opportunities using Cash Waqfs.

4.0 OTTOMAN CASH WAQFS

Cash Waqfs denote waqfs based in cash money as capital. The Cash Waqfs differed from other waqfs founded on the basis of real estates set for rental income. The source of Cash Waqfs did not originate from the rent of endowed real estates, instead, the source of income was donated money. Like other waqfs, Cash Waqfs were also established to serve people for the sake of Allah. The capital of Cash Waqfs were generally given as one-year loans to borrowers. The return of the capital was spent for the various purposes of the waqf. The benefit of the Cash Waqfs was not just limited with the purposes of the waqf, those waqfs also offered loans to entrepreneurs in the market (Çizakça, 1995). Therefore, those objectives of waqfs were twofold: 1) financing and holding the purposes of the waqf as a social effect, and (2) extending loans for entrepreneurs as an economic effect.

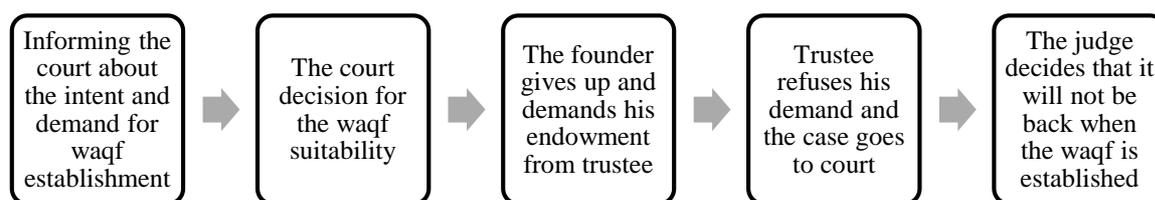
It is worth mentioning that the Ottomans sought to abide by the principles and values of their Islamic faith, and ruling of their Sunni legal Hanafi tradition, to which many belonged, and were of the view of considering both economic and social practices. This tradition originated from the Seljuks. The appointment of qadis from the Hanafi denomination and the application of Hanafi fiqh in the courts was the predominant politics of the Seljuks and their Ottoman successors. The Hanafi denomination was applied in the Ottoman courts in Anatolia and Rumelia Provinces in order to provide legal unity and stability until the 16th century. Occasionally, the views of other denominations were also borrowed in specific situations as required by social necessity and equity law. However, this practice was limited. The defendants, however, did not have the right to choose out of the four legal denominations in court.

Following the 16th century, it was clearly stated that court decisions were given according to Hanafi denomination at the qadi and mufti certificates. This practice continued without pause in the Anatolia and Rumelia provinces. A Hanafi head-qadi was appointed in the regions which belonged to other denominations such as Mecca, Medina, Aleppo, Quds and Cairo, etc. In this way, locals could solve their problems within the framework of their denominations (Aydın, 1995; Bardakoğlu, 1997). The Ottomans also followed the Hanafi fiqh

in the practice of Cash Waqfs. The discussions and establishment processes of Cash Waqfs were all held under the Hanafi denomination. In both the court decisions and *waqfiyyahs*, those discussions and establishment phases are clearly visible.

Although Abu Hanifa was the founder of the Hanafi denomination, the Ottomans drew mainly on the views of his students on waqf related issues, and especially on Cash Waqfs. The first debate was related to the waqf of movables. The second debate was about what was to be considered as movables. The last discussion was related to the withdrawal after the establishment of the waqf. Abu Yusuf and Imam Muhammad are of the opinion that movables can be endowed as the waqf capital. They also argue that the way of endowing movables was to attach them to a real estate as in the example of endowed copper boilers and trays with a house. Imam Zufar was hold the view that one is allowed to donate money this way and proposed the *mudarabah* method as the way of operating money.

Following those initial discussions, other discussions were held over the establishment process. Abu Hanifa supported the view that waqf may be terminated by the founder or her/his successors, who have the right to take endowed property back. This, in his view, was because an endowed goods or real estate of a waqf were not the property of the waqf in perpetuity. Other mujtahids however, held different views. Abu Yusuf for example was of the view that the property rights on endowed good come to an end. He based his argument on that tradition that Prophet Muhammad and his companions did not turn back on their decisions upon endowing some of their properties. The Ottomans who used the flexibility of the fiqh system solved this problem as follows (Çizakça, 1995):



Source: Bulut (2019)

Figure 1: Legal processes for waqf/cash waqf establishment

Besides those discussions of prominent Hanafi imams, Ottoman scholars were not in full consensus on the Cash Waqfs. For example, Ibn Kemal, Ebussuud, Bali Effendi supported the establishment and operations of the Cash Waqfs. On the other hand, Çivizade and Birgivi opposed the idea of Cash Waqfs. As the shaykh al-Islam, Çivizade forbade the Cash Waqfs

and sent his decision to the ruling class and religious officials. The results of the ban were devastating. Bali Effendi wrote letters to the Ottoman Sultan and Çivizade in which he described the problems resulting from the ban and requested that the ban be lifted. Those letters are interesting as they show the social structure of society. Birgivi's criticism of Cash Waqfs was rather about the aspect of practice. He claimed that the methods used in Cash Waqfs were not appropriate for Islamic rules and were, in fact, interest bearing transactions.

However, Ebussuud, the then shaykh al-Islam of Ottoman Empire for a period of nearly thirty years, ended the discussion by allowing the establishment of Cash Waqfs in a legal process. The cash waqf found religious and legal base and support with Ebussuud's decision (Okur, 2005; Öge, 2010; Özcan, 1999, 2003; Şimşek, 1985). All of those discussions highlight the sensitivities of the Ottomans to comply with the Islamic rules. The Ottomans received support from the religious authorities on the Cash Waqfs. Especially during the banning of Cash Waqfs between 1545 and 1547, the refusal of people to establish waqfs was a sign of clear religious and spiritual sensitivity of the larger society. Therefore, the effects of religious authority on society were not limited to the religious area, but also affected society's economic and social life together. This effect also touched *waqfiyyahs* and led to the legalization process and writing of views and fatwas of mujtahids.

Waqfiyyahs provide a general framework of the waqfs including: the name of waqf founder; region of registration name of trustee; capital of waqf; methods of cash operation; borrowing/financing rate; waqf purposes; general description of people who can and cannot borrow from the waqf; legalization process according to the views of mujtahids; 181st verse of Chapter Two of the Qur'an⁵; date of registration; names of the witnesses are written in a simple *waqfiyyah* of a cash waqf. Thus, thanks to *waqfiyyahs*, not only the economic dimension of the waqf, but also the social and religious aspects are recorded and understood.

5.0 FUNCTIONS AND EFFECTS OF CASH WAQFS IN THE OTTOMAN WORLD

The Ottomans enjoyed a comprehensive economic and financial system with a different form of economic and financial mindset than Europe at the time. They established a financial system based on an altruistic model with Cash Waqfs right at the center of this model. The basic aim of Cash Waqfs was not to take profit. This does not suggest that they were not productive. Its

⁵ The Qur'an states: (Then whoever alters the bequest after he has heard it-the sin is only upon those who have altered it. Indeed, Allah is Hearing and Knowing) (2 :181).

effectiveness and productivity should be grasped within the worldview of the Ottoman altruistic economic mindset and balance in the society.

Like the other types of waqfs, the establishment of Cash Waqfs were entirely dedicated to the arising needs of society. Cash Waqfs did not only provide the services offered by today's modern states, but also engaged in financial intermediation like just like today's Islamic banks. Cash Waqfs were essentially based on four distinct principles in order to fulfill their relevant functions: (1) They operated with Islamic/ethical methods while providing loans; (2) The loans were not great amounts but rather in the form of micro-credits; (3) Cash Waqfs did not have branches spread across the country, but rather represented regional institutions; and (4) they were established according to the needs of society (Bulut & Korkut, 2019). The activities of Cash Waqfs had been molded according to these principles which also represent the fundamental characteristics of the Ottoman finance system. This system can be defined as an altruistic or philanthropic financial model whose foundation was made possible through waqfs.

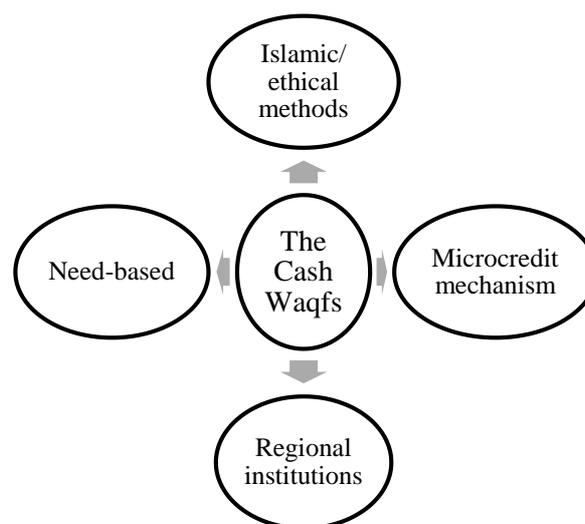
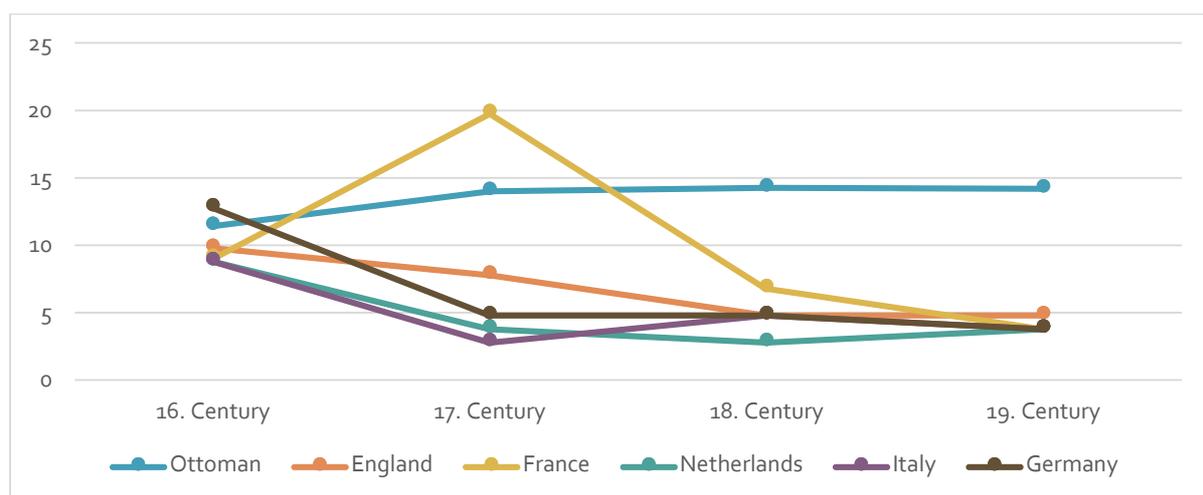


Figure 2: Principles of the Ottoman Cash Waqfs

The Cash Waqfs used interest-free methods in loan transactions. Islamic prohibitions had bound the limits of these methods. As mentioned earlier, criticisms concerned the methods applied in Cash Waqfs as interest bearing transactions. However, one can safely say that when the context of society's Islamic sensitivity and the various conditions recorded in *waqfiyyahs*, the Cash Waqfs sought to avoid the interest-bearing transactions and even risk of interest. This, of course, might not apply to all Cash Waqfs. However, it is also not possible to state that Cash Waqfs were lending by interest. The cost of borrowing at Cash Waqfs was generally between

10% and 15%. The fact that the borrowing rate was determined by law reduced the occurrence of usurers in the financial market. This rate remained stable for years. Thus, financial stability was secured in the market and entrepreneurs could foresee the borrowing rates. This rate also prevented capital accumulation because it was very close to the profit rates in the trade market (Bulut, 2017). One of the factors that prevented the accumulation of capital in certain groups and persons in Ottomans was the borrowing rate in the Cash Waqfs.

Although very large Cash Waqfs were established, they usually provided small amounts of loans. People who used credit from Cash Waqfs were entrepreneurs like artisans, farmers, and traders etc... That means that they operated rather as microcredit institutions. The Cash Waqfs has had a vital prescription in the period when money supply was limited. New investments, production and trade were possible with loans provided by Cash Waqfs to the market. Despite being Europe's neighbors, the Ottomans did not create embedded conventional bank institutions in the Ottoman economic realms or Ottoman financial system until the second half of the 19th century, thanks to Cash Waqfs. The Cash Waqfs provided serious alternative for conventional banks for years. Those institutions also played a key role in the stability of the financial markets in long run. As shown in Fig. 3, in the long run, in spite of the stability of the borrowing rates of the Empire, the cost of borrowing in Western European nations was generally lower than that of the Ottoman world. The accumulation of capital was higher in Western Europe than the Ottoman Empire in the early modern times.



Source: Bulut (2019)

Figure 3: Comparison of borrowing rates

Cash Waqfs were regional institutions and primarily effected regions in the Balkans where they were founded. The purpose of Cash Waqfs also focused on regional institutions such as a madrasah, village mosques, masjids, or bridge located in the same region of the waqf. In this respect, Cash Waqfs played active regional roles of social development. Moreover, thanks to the staff working in the institutions they financed, they also had effects on the regional employment market. Thus, Cash Waqfs were also decisive in the regional wage market. Although Ottomans gave importance to strong centralized authority, they also enjoyed very flexible structure in meeting regional needs. The Cash Waqfs were successful in solving of regional problems rapidly, as the establishment process was easy and the transaction costs were relatively low.

Like other types of waqfs, Cash Waqfs were established for specific purposes such as education, infrastructure, religiosity of the society and so forth. The Cash Waqfs financed a lot of structures and institutions from mosques to schools and madrasahs, bridges to sidewalks, fountains to waterways, etc. In this way, they took over some of the government's tasks and even lightened up the state burden. The one who choose to establish a cash waqf set its mandate and purposes in accordance with the needs of the region where founded. In addition, Cash Waqfs also responded to the need of financing entrepreneurs. Since the Cash Waqfs operated under the purposes of the waqf, they were one of the institutions that met diversely critical needs of society which had a financial side.

6.0 CASH WAQFS AS PIONEERS OF ISLAMIC FINANCE

There was no example of a country or a society that could remove interest bearing transactions through legal regulations. Even Islamic modern financial institutions were not very successful. These institutions generally preferred the *murabahah* method rather than *mudarabah* or *musharakah* methods based on partnership. Considering the criticism of the method of *murabahah*, it is a fact that the interest debate had been going on for centuries. One way to overcome those issues is the non-profit waqf institution. Especially in Cash Waqfs, there are no interest or high profit targets as is the case of banks. Nevertheless, Cash Waqfs conducted the same transactions as banks. The accumulated capital of philanthropists was used to finance charity works without any expectation of profit whatsoever. Additionally, entrepreneurs could find the chance to take loans from the Cash Waqfs. In this way, the cash waqf does not only help reduce interest by boosting competition in the loan market and lightening the state burden, but also secure justice in income distribution (Çizakça, 1998). The

Ottomans used these features of the Cash Waqfs from the 15th century until they the time when they got dissolved in the beginning of the 20th century.

The Cash Waqfs operated both under Ottoman laws and Islamic jurisprudence. Thus, the funding practices of Cash Waqfs were arranged without interest. The mostly used methods like *bey'i istiglal*, *bida'a*, and *mudarabah*. As per the archived *waqfiyyahs* documents, those methods are eight: *bey'i istiglal*, *bida'a*, buy for renting again, *istirbah* in military court, *mudarabah*, *murabahah*, operations/transactions at Ministry of Awqaf, and *qard hasan*. Some of those methods are also used by modern interest-free financial institutions. There are controversial methods as well. However, cash waqf founders set the conditions of interest-free activity at loan transaction in the *waqfiyyahs*. The income of the foundation is defined as profit⁶, not interest (Döndüren, 2008). As can be seen, the methods used by Cash Waqfs have set an example for modern interest-free financing methods. It should be noted that Cash Waqfs provided financial intermediation services, even if they were essentially charitable institutions with no aim for high profit.

Both Cash Waqfs and modern interest-free institutions are dependent on partnership models, not debt-based system. At this point, the *murabahah* method may be confusing. But the main methods such as *bida'a* and *mudarabah* were based on partnership. In some *waqfiyyahs*, a detailed description of borrowers was an indication of this. In particular, the condition that craftsmen and merchants were only on the borrower side showed a basic use of partnership-based financing at Cash Waqfs⁷. Hence, those waqfs were based not on risk-transfer but rather risk-sharing. Moreover, their legal basis was firstly rooted in the Quran, Sunnah, consensus, legal analogy (*qiyas*) and secondly in the Waqf Regulations⁸.

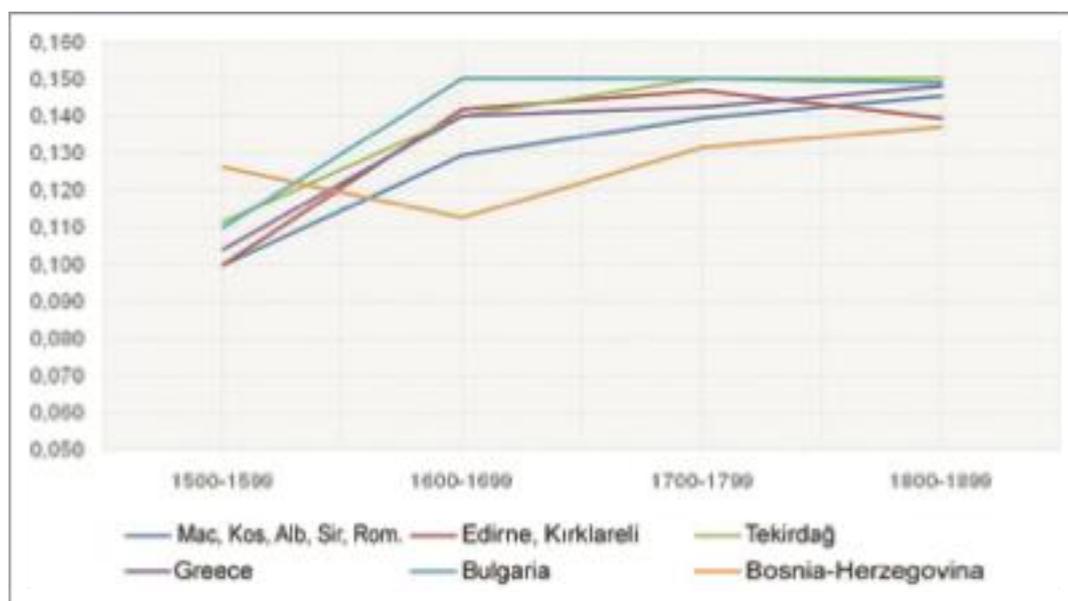
The cash waqf income made from operation was not to be given to certain groups or people. The profit was distributed according to the purposes written on the *waqfiyah*. Those purposes are generally divided into four groups: (1) needs of institutions such as libraries,

⁶ Profit is mentioned in *waqfiyyahs* as *ribh*.

⁷ The *waqfiyah* of the Waqf of Haji Bali b. Mehmed, Waqf Record Archive: Sarajevo Gazi Husrev-beg Library, V-150568: ...*Meblağ-ı mezbûr üç yüz bin akçe evkâf-ı mezkûre ve hayrât-ı mestûreye mütevellî olan kimesne mübâşeretî ve nâzır-ı pür-mefâhîr ma'rifeti ile tarik-i şer'î kavim ve nehc-i mer'î müstakîm üzere rehn-i kavî ve kefil-i melî veyâhûd muktezâ-yı hâl üzere ikisinden birini alub ri'âyet-i şerâ'it-i şer'îyyede ikdâm-ı tâm ve ihtimâm-ı tamâm idüb her on akçesi her senede on bir akçe olmak üzere ale'l-vechi'l-helâl istirbâh ve istiğlâl için mu'âmelâtü sahîh-i mün'am ve mütemevvil tüccâr-ı zevi'l-iktidâra ve erbâb-ı sanâyi' ve ehl-i pazara ve yerlerinde dağ gibi mukîm ve mu'âmelelerinde ser ü bâğ gibi müstakîm olub edâya kudreti ve kazâya mikneti olan kimesneler ile mu'âmele oluna ve erbâb-ı tüccâra ve sair ehl-i sefere ve zümre-i ummâla ve ehl-i tezvîr ve ihtiyâle ve ehl-i hevâ ve ricâlsiz tâ'ife-i nisâya virilmeye... (Eng. The 300.000 akches endowed capital was given only to artisans, craftsmen and merchants who are honest and resident at same district as loan with a 10% borrowing rate. Non-residents, state officials, dishonest people, and single women cannot borrow cash from the waqf.)*

⁸ Regulations about waqfs were arranged with *Evkaf Nizamnamesi* (Eng. Waqf Statute) in the Ottomans.

masjids, mosques, schools, etc. financed through waqf; (2) salaries of employees at funded institutions; (3) salaries of employees at the waqf; and (4) charity works such as providing financial assistance to poor and needy, distribution of foods, financing dowries of poor girls etc. Thus, the Cash Waqfs fulfilled a significant social service as funding institutions and making charity works while contributing to the employment and financial market.



Mac.:Macedonia, Kos.: Kosova, Alb.: Albany, Sir.:Sirbia, Rom.: Romania

Source: Bulut (2019)

Figure 4: Course of yield rates in centuries per regions in the Balkans

As seen in Fig. 4, the yield rates specified in the deeds of endowment remained and for many years between 10 to 15 percent, as a determinant of financial stability. This ensured long-term financial stability in the Ottoman Empire, and that entrepreneurs would know in advance about the costs of the sources they would obtain to finance their investments. It can also be seen as in Fig. 4 that a constantly decreasing return/yield rate for a 100 year period between 1500-1600s in Bosnia and Herzegovina. Besides, it is observed that the return rates per periods (for 400 years) remain at the lowest levels in Bosnia and Herzegovina, as compared to all other regions in the Ottoman Balkans. In Bulgaria, however, it is understood that they remained at the highest levels.

As charity institutions, Cash Waqfs were not established as entities required for social and religious services only. Necessary economic organizations were established to sustain those religious activities in a stable manner in the long term, and their financing requirements

were met separately (İnalçık, 2006). Separate charities were established to finance the established lodging facilities, bazaars, shops, and to meet the economic resource needs of other social activities. Ottomans established hermitages, caravansaries and lodging facilities for merchants and their caravans on specific and significant points of trade routes. Thanks to those structures, trade within the borders of the Empire was both secure and less costly for merchants (Bulut, 2009). It was found that by the year 1530, there were 622 hermitages in Anatolia only (İnalçık, 2006). Financing of schools, madrasas, social complexes, roads, bridges, hospitals and etc., and other critical structures and those which have a direct impact on the social life, were all provided by the institutions established under charities, which had financing returns. Accordingly, one can safely say that the charity institutions used profits they made primarily for services that increased social welfare, balanced the distribution of wealth while reallocating the remaining profits and savings for investments and transferred them to high returns-producing activities. That means that based on efficient management, the Ottomans were able to create a sustainable waqf model in the Balkans which expanded to all other corners and part of the Empire in the following centuries.

The Ottoman Empire continued to keep its central position in the full spectrum of economy and managed to keep its strong grasp on the economic institutions like guilds and markets, for a long period of time (Bulut, 2008). In addition to those institutions, charities were supported and promoted by the central administration. Basically, the primary goal was to ensure a self-sufficient economic structure. And, in addition to the natural economic institutions, charities assumed a critical role in terms of ensuring self-sufficiency and redistributing wealth, in a closely related way to the economic policies of the Ottoman Empire.

Cash Waqfs emerged as an extension of charity institutions set to finance the investments made to maximize social benefit and social welfare. Investments mostly financed regional expenditures such as health, education, and infrastructure. Charity funds are institutions that were established and developed mostly by individuals of high welfare levels in the society, in consideration of both investments for this world and the gains in the afterlife. Resources endowed by the charity founders were used for the provision of charity works, investments, public expenditures, credit, and financial transactions. In the credit transactions, capital was transferred to the debtor with a contract that guarantees debt payments at a ratio between 10- 15% (Figs. 2 and 3). The returns that arose in the borrowing relationship were used for realization of the purposes of the charity. Therefore, cash waqf became widespread institutions in a wide spectrum of settlements, from villages to large cities, with significant roles in creating the basic components of many villages and towns in the Ottoman Empire.

7.0 CONCLUSION

Cash Waqfs played key role in the history of the Ottomans and Islamic civilization. While only wealthy people could establish waqfs at first, Cash Waqfs made it possible for many to establish waqf using small deposits only. In addition to Cash Waqfs keeping their waqf values alive, more important was their many effects on economic and social life. The institution of Cash Waqfs shows unique economic mindset. The Ottomans resisted transformation within their own institutions, while capitalist institutions in their neighbor Europe were active in addition to capitalism increasingly affecting the map of the world. Rather, the Ottomans ruled with a distinct economic mindset and paradigm at a time when the idea of more gain and profit making became the priority. The Ottomans interest in improving the societal well-being was demonstrated through real yet very successful practices. This policy largely focused on increasing people's prosperity and balance in society⁹. While the capital was accumulated in private sector and individuals in Europe, the Ottomans did not encourage this to happen in their homes. The state did not exercise an oppressive influence on individuals for capital accumulation in Ottoman society. Institutions of waqfs provided this opportunity. Thanks to the waqfs, the Ottomans built a system in which neither the capitalists nor the state had complete control over it. They distributed the surplus income and wealth to all members of society rather than to an economic class like as is the case of capitalism or state elites like in socialist system.

Cash Waqfs were involved in the Ottoman system, both in terms of social and financial aspects. Not only individual entrepreneurs, but also craftsmen, farmers, merchants, tradesmen got the needed credit from the Cash Waqfs, providing for healthy economic circulation. The surplus income was spent in line with the objectives of the waqf so to avoid unjust individual fortune making. In addition, those institutions established Islamically-based financing mechanisms facilitating for those in need to obtain cash in accordance with their religious beliefs and values. While some of those methods may be considered objectionable by some religious scholars, the Cash Waqfs is still pioneering in term of today's Islamic financial institutions. The Cash Waqfs that met the financing needs of the Ottoman society for a period of five hundred years also showed the flexibility of the Ottoman law system. Unlike real estate waqfs, income was easier to get through Cash Waqfs. The transaction costs were lower and profits were higher. In this respect, more resources were transferred to the waqf works. Despite all of the economic and financial aspects, the basic priority of Cash Waqfs was charity services

⁹ This policy is also known as *ibadullāhın terfî-i ahvâli* (Eng. to improve the status of the servants of God).

and waqf purposes. The Cash Waqfs were altruistic financial institutions shaped within the frame of the Ottoman economic mindset. Having continued their activities until the last term of the Ottomans is an indicator of their success. Thanks to the unique institutions such as Cash Waqfs, the Ottomans secured balanced society and sustained one of the longest empires in the world.

In the period when the European states acquired many colonies around the world to feed their home capitalist economies, the Ottomans were neither colonized nor colonized others despite their geographic proximity to Europe. They rather provided aid to poor and exploited states. Based on the Ottoman economic philosophy, Cash Waqfs put charitable purposes first. However, there is also financial dimension to Cash Waqfs and because of that, Muslim traders, producers, and entrepreneurs were able to borrow money using halal avenues which was very crucial for sustainability of waqfs and long term operation. That also highlights the importance of profitability and sustainability management of Ottoman cash waqf system. Moreover, such a model can be thought of as an altruistic finance system. Today, Muslims need to resolve their current financial problems with both the institutions they have historically established and the Islamic economic philosophy. Muslim scholars also need to analyze the practices and institutions in order to ensure the success of their theoretical models in the current climate. In particular, the cash waqf should be given proper attention as it stills represents a viable alternative to the current financial and economic system and moral dilemmas.

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