

Review

Using Waqf as an Islamic economics institution to present a model of Islamic microcredit compatible with Shia Fiqh

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This study tries to introduce a model for Islamic micro finance which uses Waqf institute as its origin. In fact, by introducing the Waqf as an important and historic Islamic economics institution, the Fiqh possibility for using Waqf in Islamic microfinance is analyzed. In addition, a model for Waqf-based Islamic microfinance is proposed which is in harmony with (and suitable for) Iranian Islamic banking system. In this model, the financing and resource allocation methods are explained separately. The findings of this study which are based upon theoretical analyses show that the concept of Waqf in Islamic economics has the capacity to be considered as an instrument for strengthening the Islamic micro finance initiatives.

Key words: Waqf, micro finance, Islamic microfinance, Islamic economics, Iranian Islamic banking system.

INTRODUCTION

Undoubtedly, poverty and social injustice are considered disagreeable in Islam¹ and hence one of the important goals of Islamic system and thereof, Islamic economics is the removal of these cases. Therefore, in an Islamic society, it is necessary to arrange all economic relationships in such a way to lead to the fulfillment of Islamic goals. On the other hand, Islamic financing system as one of the dimensions of the comprehensive Islamic system is obliged to fulfill Islamic goals and cannot be indifferent or pay little attention to these goals. Therefore, it can be claimed that the effort in the direction of alleviation of poverty and strengthening justice and charity in the society are included as important goals of Islamic finance (Mannan, 2007). So, Islamic banking

should pay special attention to its social goals such as poverty alleviation and enabling low-income groups (Chapra, 1985).

On the other hand, looking into the international experiences in case of poverty alleviation shows that good practices have been achieved in extending financial services to low-income groups under the title of "micro finance". The main purpose of this kind of finance is providing services to those who cannot make use of banking services for various reasons. Strictly speaking, we can describe micro finance as a tool for extending various financial services to low-income groups, such as artisans, farmers and small contractors.

Since these people have usually low credit worthiness, they are not attractive to banks and other traditional financial institutes. In addition, because of high supervision and assessment expenses in extending small loans, lack of collateral and probable default, banks and financial institutes usually do not go for extending small loans to these people (Kaleem and Ahmed, 2011: 3).

It can be claimed that the main reason for the success and expansion of micro-finance is that this kind of financing is based upon two main elements which can be regarded as strong positive points of it. These points are:

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¹ There are many narrations Quran and Hadith in this regard. For example, Imam Sadigh^{pbu} has narrated from the honorable prophet: "poverty is the threshold of blasphemy" (Koleiny, 1363 lunar year, vol. 2, p 417). In another narration honorable messenger orders: "poverty is worse than being murdered" (Majlessi, 1365 lunar year, vol. 47, p 72). Imam Ali^{pbu} ordered: "grave is really better than poverty" (Koleiny, 1363 lunar year, vol. 8, p 21).

“group lending” and “inside peer pressure”. By group lending we mean that in micro-finance structure, people are classified in different groups by their own choice and loans are extended to these groups. The incentive structure of the loans is so designed that extending loan to each member of the group is conditioned to the paying back the loans obtained by other members of the group, and in this way, the challenge of providing collateral for poor people has been removed. By inside peer group we mean the regulations of structure of micro-finance is designed in such a way that each member of the group persuade each other to pay back the loan and therefore, there is no need of external enforcement (Mafi, 2008: 45). The position of traditional micro finance institutes, which operate on the basis of extending interest bearing loans, is somehow between official financial markets (such as banks and financial institutes) and unofficial financial markets and therefore, they have some of the characteristics of both markets. For example, in comparison to official institutes, micro finance institutes provide better access to financial services for low-income groups and have more similarities with unofficial lenders; but on the other hand, they have lower costs in comparison with unofficial markets and therefore, they seek lower interest rates. Meanwhile, they have special method for replacing collaterals; they use group-pressure instead of collateral which is asked by official lenders. In this case, members of micro-finance groups, who have some similarities, guarantee each other and hence if one member defaults, the right of others to obtain loan will be postponed. In this way, group guarantee replaces collateral (which the poor do not possess and therefore they have no access to credit sources).

On the other hand, it is a reality that the micro finance practice has been growing in recent decades and according to available data, this special kind of finance has been applied in most developing (and some developed) countries². As an example, Grameen bank of Bangladesh has started micro finance in 1976 as a pioneer and developed the job in three decades so that its founder, Professor Mohammad Younes, gained a noble prize for his activities in micro finance. The study of released data shows that this institute has 113.5% increase in its extended loans and the amount of loans have been increased from 229.14 million US Dollars in 2001, to 448.41 million US Dollars in 2011 (Kaleem and Ahmed, 2011).

It is clear that the main challenge of full application of this practice in Islamic framework is the problem of interest (existence of interest and its high rate). In fact, traditional micro finance institutes obtain and allocate funds by paying and receiving interest and it seems that their interest rate is higher than prevailing interest rate in the economy. For example, some research conducted in

Bangladesh show that even in this country, which is a pioneer in micro finance, most of financial institutes impose interest rate of 25 to 30% on poor people (Hassan and Alamgir, 2002; Sadeq, 2007). In addition, by studying the practices of some micro finance institutes, some research show that in addition to prevailing interest rates, these institutes receive additional indirect charges, which increases the interest rates asked by them up to 40% which is much higher than bank interest rate (Mannan, 2007).

It seems that the successful experience of micro finance has the capacity to be applied in Islamic banking framework. In fact, it is possible to make use of this tool after some adjustments for alleviation of poverty in Islamic countries; the goal which is among the social goals of Islamic finance system. Of course, one of the most important adjustments in applying traditional micro finance in Islamic context, is application of Islamic contracts (such as Gharz-al-hassan) and Islamic institutions (such as Wagf, Zakat, Khoms, Anfal and others) for mobilizing and allocating funds for Islamic micro finance institutes.

Although it is possible to use various Islamic economic institutions in micro finance, but because of the limitations, this study focuses only on one of these institutions which is Wagf and will briefly discuss related issues. After introducing theoretical model of establishment of Wagf-based micro-finance institution and describing fund mobilizing methods, by applying analytical-descriptive method, this study will try to answer the following question: Regarding the views of Imamieh (Shi'ah) scholars, is it possible to establish Wagf-based micro finance institutes?

After introduction, we start with literature review and a short discussion of the history of Wagf in Islam and Iran will be added. Then, the theoretical model of establishment of Wagf micro finance institutes will be presented and then its Fiqhi permissibility will be discussed. The last section concludes for the presented discussion.

PRECEDENT RESEARCH

The review of available literature show that although there are several studies about Islamic micro finance in recent years (Toghiani, 1385 lunar year; Mannan, 2007), but usually these studies are concerned with elimination of interest by Islamic contracts such as “installment sale”, therefore, the concept of applying Islamic institutions, including Wagf, in micro finance, has been rarely considered by these studies. Here are some of these studies:

Arab and Motamed (2003) have put forward the new methods of micro-finance in enabling low income group, especially women. While comparing the characteristics of micro-finance methods of Bank Keshavarzi, this study

² Some of the researches have properly explained micro finance practices in different countries such as Bangladesh, Egypt, India, Pakistan, Malaysia, China, Jordan, Kirghizstan, Malaysia and other countries (Mafi, 2008, p. 3).

has analyzed these credits in the framework of four plans implemented in this bank. Motamed and Nematian (2004) have shown in their paper that although micro-finance is extended as a service by financial institutes, but also can provide gains for the institutes.

Hassanzadeh et al. (2006) have studied the effectiveness of micro-finance on alleviation of poverty and in-equality in different provinces of Iran by panel data method. The results which use interest-free loans as a substitute for total extended micro-finance variable, shows that micro-finance can only alleviate poverty if the lower income group is well distinguished, and the credit is spent for job creation.

Hassan and Ashraf (2010) presented a model in their study in which Zakat and Wagf are mentioned as sources for micro finance. After explaining the characteristics of Zacam and Wagf and presenting a model, they show that the application of their model will reduce the challenges faced by interest bearing micro finance institutes (including viability of the micro finance institute).

After discussing economic, accounting and risk management challenges in his study, Habib (2007) shows that if micro finance institute is established by money Wagf and Qharz-al-hassan financing, it would not face challenges facing traditional micro finance institutes (including credit risk, moral hazard, and economic viability).

As it is seen, rather economic dimensions and characteristics of micro finance institutes in case of application of Wagf have been discussed in these studies. Therefore, by presenting a more comprehensive model for mobilizing and allocation of fund and shari'ah feasibility of the model and explaining the economic necessity of establishment of these institutes in Iran and finally briefing challenges and providing solutions by reviewing traditional micro finance practices, this study makes a difference with previous studies and therefore have contribution.

WAGF INSTITUTION IN ISLAM AND IRAN: A HISTORICAL REVIEW

The word Wagf itself means stopping and from Figh point of view means keeping (maintaining) the principal asset and freeing the (usage) profit (First martyr, 1411 lunar year, vol. 2: 12). Wagf has been described as: "keeping the asset and giving the profit" in Iranian Civil Law (Mannan, 2007). "Keeping the asset" means that the Wagf asset should not be transacted, donated, let or inherited. But "freeing the profit" means the profit of the Wagf asset will be freed and separated from the main asset and is dedicated to the purpose of the Wagf.

Although the word "Wagf" is not mentioned in Quran, but in religious texts has been described as "charity" and "current charity" and therefore, we can relate all verses about charity to Wagf. The concept of "current charity" is also a proper explanation of Wagf. Since Wagf is a kind

of no-retune help, it is considered as charity and since it is a permanent source of income, many generations can enjoy from it and therefore, the concept of "current" is adaptable to this concept (Bakhtiari, 2002: 5).

It seems possible to consider an economic definition for Wagf. This can be defined as "changing the utilization of sources from private exploitation to social exploitation for the present and future generations and using the benefits for many people". Therefore, development of Wagf as a non-government institution in Islamic economics decreases consumption and increases saving from one hand and these savings may change into investment from other hand.

This capital can lead to produce personal commodities or social services for the time being and future and thereof, increase gross domestic product (GDP). Because of charity nature, Wagf can strengthen social bases and cooperation spirit in the society which leads to the increase of social capital and total economic efficiency (Bakhtiari, 2002: 7).

Although it is not exactly known when, according to the shari'ah, Wagf became a law, but the first practical action of the messenger after immigration to Madineh was construction of Ghoba and Prophet Mosques according to Wagf institution³. Imam Ali ^{pbu} had Wagf his lands (the revenue of which amounted to 24000 Dinars) before he died. In addition, Wagf institution has a brilliant background in Islamic history (Ashkoury, 1998: 81).

Wagf has a brilliant and long past record as well. While this institution has active background in different periods of time in the economy of Iran, but we can consider Safavid dynasty as the highest period of Wagf development in the country.

At the end of Safavid dynasty, one could rarely find agricultural land or home which was not partly or wholly Wagf (Bakhtiari, 2002: 12). Initially, Wagf in Iran was in the shape of land, garden and the like, but afterwards, happened more in real estate such as shops, commercial places and tools (such as mills, bakery shops, public bathes, coffee shops, chalk furnaces, weaving workshops, commercial ships, books, libraries and money) (Ashkoury, 1998: 87).

In past history of Iran, many production activities were carried out by Wagf institution and many infrastructure installations and cultural and social institutions were made by Wagf of the people without government feeling any responsibility for building them.

In fact, Wagf had many economic and social applications in the lives of the people. One of these cases was free-education which had significant effects on the society. Education today is one of the most important means affecting production of goods and services

³. It should be mentioned that Wagf has a pre-Islamic background. Imam Khomeini (1403 lunar year, vol. 1, p. 572) says in one of his books (Tahrir-al-vasileh) that "wagf is not a shari'ah concept, but it is a rational (intellectual) concept which is prevailing amongst religion and (perhaps) non-religion followers".

directly or indirectly and in many countries, including Iran, education expenditure is the highest expenditure in public expenditures which is paid by government at various levels. But this expenditure was paid through Wagf institution previously. Evidence show that various schools with different sizes were built through Wagf institution and education was free in the history of Islam (Saati, 1995: 3).

In short, it can be concluded that Wagf had considerable role in production of goods and services and creation of job opportunities in the past, and many public goods and tasks, produced and carried out by modern governments today (which are one of the government challenges and so they try to privatize them by structural adjustment policies) were carried out by Wagf institution in Islamic societies (Bakhtiari, 2002: 7).

Wagf properties form a large portion of sources in our country even at the present time. Wagf belonging to the Astanegods of Imam Reza in various cities is just a sample of the large share of Wagf in this country. According to the Vice President of Wagf and Charity Organization of Iran, the value of Wagf assets in the country amounts to 100 trillion Toumans (one hundred billion dollars) and had 840 milliard Rials of earning in 2008 which show its low turnover which is 8/10000 (Sarmayeh newspaper, March 16th, 2009: 6)⁴.

In spite of the large capacity of Wagf properties, the reality of the economy of Iran shows that Wagf does not have the previous position (especially in some periods) in solving economic difficulties. Of course, one of the reasons of this reality is the traditional and non-scientific management of Wagf properties and not taking the advantage of historic potential of Wagf capacity in implementing Islamic goals.

Therefore, it seems necessary to make use of especial characteristics of Wagf, and by applying international experiences, present a proper model for reconstruction of the role of Wagf institution in the economy of Islamic societies. In other words, in addition to traditional methods of the Wagf and using the earned income in the direction of the benevolent people's goals, it is necessary to use new methods for absorbing and allocating funds. We try in this research, by applying practices of traditional micro finance at international level, to introduce a native (adapted) model to employ Wagf institute in micro finance.

WAGF-BASED ISLAMIC-IRANIAN MICRO FINANCE MODEL

Wagf micro finance institute is a non-profit institute which

⁴. Some researchers have rightly shown that Wagf turnover is much lower than similar non-Wagf assets. For example, Islamic scholar, Mr. Souri in his PhD thesis called: "The study of the position of profit making real estates: a case study of south of Tehran Wagf Department" shows that the earnings of Wagf real estates are low; or the rent of Wagf shops in Tehran Bazaar is lower than real rent (Souri, 2004).

finances a main portion of its sources from Wagf properties. In other words, in mobilization main part of its activities enjoys Wagf institution. In fact, a Wagf micro finance, for mobilization of funds (debt part of its balance sheet) makes use of Wagf institution and for allocation of resources (asset part of its balance sheet) of Islamic tools and therefore, it is different from interest-based micro finance institutes from various dimensions. Next, we will review the characteristics of this kind of micro finance institute in two parts of allocation of resources and mobilization of funds.

Resources allocation

As it was mentioned before, allocation of resources in traditional micro finance institutes is based on (Riba) interest bearing loans. But, regarding the prohibition of Riba in Islamic economics, it is necessary to use Islamic contracts in Islamic micro financing. These contracts (which are also used in Islamic banks) can be classified in four main groups which are: sharing contracts, transaction contracts with fixed return, transaction contracts with variable return, and gharz-al-hassan contract. The first three cases are particularly used for production and trade activities, and the fourth is usually used for consumption facilities. We will discuss these classes of contracts in the following (Mousavian, 2004:166-175).

Fixed return transaction contracts: In this group of contracts the Wagf micro finance institute will finance an economic activity totally or partially; with the difference that the profit of economic activity is defined before starting the activity. Therefore, the future economic developments or changes of regarded economic plan do not affect the profit of the institute. These contracts are: selling by installment, debt purchase, and rental mortgage.

Transaction contracts with variable return: In this group of contracts also the Wagf micro finance institute will finance an economic activity totally or partially. Because of the nature of these Islamic contracts, the profit earned by the institute is variable according to economic developments and relative prices in real market. In some cases, even there may be losses in which the institute will be sharing⁵. These contracts include forward deals and Joalah.

Sharing contracts: In this case, the Wagf micro finance institute will finance an economic activity (production, trade or service) totally or partially and finally, the obtained profit will be divided between them according to

⁵. It should be mentioned that usually the return of these Islamic contracts are practically fixed by some action and so they change into contracts with constant return (Moisavian, 2004, p 187). Therefore, we can consider second and third group as transaction contracts with constant return.

the contract signed with the entrepreneur. In Iranian usury-free banking system⁶ these contracts are: Civil partnership, Legal partnership, Mudarebah, Muzareah, and Musaghat.

Gharz-al-hassan: In this contract, the institute finances needy families according to Gharz-al-hassan contract and in return, receives only banking commission (the fee needed for transaction by the intermediary). The goal of these facilities is just fulfilling the consumption needs of the poor.

Mobilization of funds

Traditional micro finance institutes mobilize funds through accepting interest bearing deposits on the basis of loan, or using outside sources (such as government or international donations)⁷. But Islamic micro finance funds can use Islamic contracts (including participation, transaction and gharz-al-hassan contracts) for absorbing deposits. In addition, they can make use of Islamic economic institutions (institutions such as Wagf, Khoms, Zakaat, Anfal, and others) for funding. In the proposed framework of this study, the main source of funding is considered to be Wagf of movable and immovable assets, shares, money and issuance of Wagf papers. Beside this, they can accept gharz-al-hassan deposits as a secondary source of fund. It should be mentioned that, since gharz-al-hassan contract is a possessory contract, and depositor transfers his possessory right of the fund to the micro finance institute to use it for charity purposes, mixing these two sources of funds do not create any problem for the institute.

FIGHI ISSUES OF WAGF-BASED ISLAMIC-IRANIAN MICRO FINANCE MODEL

It is necessary to go through the study of mobilizing and allocation methods of funds. Regarding the allocation of funds, correct application of transaction, sharing and gharz-al-hassan contracts are permissible according to Figh and this issue has been explicitly mentioned in Usury-free Law (Mousavian, 2004: 98-111). However, regarding the sources of funds for the Islamic micro finance institute, we need to have a short Fighi

⁶. It should be mentioned that the Islamic micro finance offered in this article is based upon Shia'h and Iranian usury-free banking model (Usury-free Banking Law). But we know this banking model is not the only model of banking of this kind. There are various banking models because of the existence of various Fighi differences among various Islamic groups. For example, while Mudarebah is a general and wide range contract according to Sunnite's Figh, it is only applicable to allocation of funds in commercial activities in shia'h Figh. In fact, in this case Mudarebah is a limited or pressed contract (Mousavian, 2004, p7). But it is possible to discuss the model explained in this article in the framework of other Islamic banking models. This will not cause major differences in our analysis.

⁷. Habib, 2002.

discussion. In fact, it is necessary to discuss the Figh rules regarding gharz-al-hassan deposits and also all four Figh source of raising fund from various sources (including Wagf of properties, shares, money in cash and Wagf papers) for micro finance institute. Of course, accepting deposit on the basis of gharz-al-hassan Islamic contract is completely according to shari'ah and even mostahab⁸, and it does not need any further discussion; therefore, we will continue to discuss about the other sources.

The Fighi review of Wagf shows that in order to have a correct Wagf, four conditions should be fulfilled: the Wagf item should be real or original, it should be possessed by the one who do the Wagf, it should be durable itself and its profit can be possessed (Najafi, 1397 lunar year, 13; First martyr, 1411 lunar year: 87; Mohaghegh-e-Helli, 1403 lunar year: 23). By making use of available Wagf literature, we will review these conditions for the four sources of Wagf funds in the following.

Property Wagf

One of the sources of funding of Wagf-based micro finance institute is receiving and using movable and immovable assets which have the afore-mentioned four conditions and are donated by benevolent people for helping the poor. In fact, the institute as the custodian receives the assets according to Wagf contract and commits to use the assets in the direction of solving problems of the poor.

Regarding the micro finance nature and its goals for helping the low income groups and solving the problem of poverty in the society, the Wagf micro finance institute can only cooperate with those consecrators who Wagf their possessions for solving poverty problem. Therefore, those consecrators who have other goals such as helping mosques, repairing roads and bridges and the like, cannot cooperate with the proposed Wagf-based micro finance institute. Of course, as it was seen in the previous discussion, historically most Wagf have poverty alleviation goals.

It is also necessary to mention that these institutes can provide the chance for consecrators to Wagf their possessions in general, or for special group of poor people (such as poor workers); in the second case, the institute is obliged to use the donated possessions only for that special group. In addition, the institute provides the chance for donors to decide between consumption and non-consumption (production and trade)⁹; this is because, as we will notice in the next discussion, these institutes extend both kinds of loans.

⁸. According to shari'ah, mostahab is an action which is allowed and advisable.

⁹. It is necessary to mention that consumption facilities means loans extended for fulfilling consumption needs (such as loan for purchasing a commodity for consumption). But production facilities are those loans which do not aim consumption, but are used as capital for production of goods or services.

Stock Wagf

Regarding the possibility of consecrating stocks, it should be mentioned that these assets have the earlier mentioned four pre-conditions for Wagf permissibility. In fact, stock is in the possession of its owner (second condition) and it is possible to use its profit with keeping the principal (third condition). But regarding the possibility of receiving and taking it into possession, we can say, traditionally and according to law (Articles 39 and 40 of Iranian Commerce Law) it is possible to take the possession of the stocks. The only condition which may cause dispute is substance of the stock (Najafi, 1981, vol 28: 14). Some studies on this subject show that by "stock", we do not mean a piece of paper, but we mean part of real asset of a company which is represented by this piece of paper and is offered to people. Therefore, the condition of stock to be substance is also fulfilled (Mesbah and Shokri, 2007: 916).

According to the earlier discussion, it seems that consecration of stocks can also be considered as a source of financing Wagf micro finance institutes. In fact, benevolent people donate company stocks which they possess for charity purposes by making the Wagf institute as its administrator. Here again, donors should Wagf their possessed stocks for poverty alleviation purposes and can decide on extending production/consumption facilities and general/special group facilities.

Money Wagf

Regarding consecrating of cash money, the two pre-conditions of possibility of transaction and being in the possession of the donor are commonly acceptable. But, regarding the durability of the Wagf asset and its being "substance", Islamic scholars have different views. Some of them according to shari'ah rightly believe that "keeping or durability of the original (value) asset" should be observed rather than "keeping or durability of the substance" (Mesbahi et al., 2009: 11). In other words, two kinds of "keeping" can be considered: one is keeping of the substance which is referred to commodities, and the other is keeping the value (purchasing power) of the Wagf asset, which is specialized to cash. Therefore, in consecrating commodities, durability of the commodity while its profit is used, is essential; but, keeping the value or purchasing power of cash money is essential. Therefore, regarding paper money which has no inherent value, if we could use it in such a way that its purchasing power is maintained, while it is creating benefit (such as keeping it in a fund and extending gharz-al-hassan loans to the poor), it is possible to Wagf the benefits (Saadat Far and Dadgar, 2007: 16; Mesbah et al., 2009: 13). So, consecrating cash money can be explained as another source for Wagf micro finance institute. In fact,

benevolent people consecrate their funds for God's sake and put an administrator to use its benefits in the way they ask for. The institute (administrator) uses these funds to finance consumption and production projects in such a way that its purchasing power would not change. Here again, the consecrators should Wagf funds for helping the poor; they also have the choice to select between production and consumption facilities, and general or special use of funds.

Issuing Wagf Sukuk

Another method for absorbing funds by Wagf micro finance is issuance of Wagf papers. These kinds of papers are among the non-profit Islamic papers (non-investment sukuk). The possessors of Wagf papers are those people who want to Wagf their small or large assets for any reason (Soroush, 2008: 5). It seems that Islamic micro finance institute at least can use two kinds of Wagf papers. The first kind is related to consecrating cash money which is correct if consecrating cash money is correct. The second kind of these papers is based upon consecrating commodities which can be called as "group Wagf papers". For issuing money Wagf papers the Wagf micro finance institute operates as institutor. In fact, by establishing an intermediary institution, the institute will issue cash money papers. In this kind of papers, the institute is obliged to spend the raised fund according to the Wagf agreement. Here again, the consecrators have to Wagf their money for poverty alleviation purposes and have the chance to Wagf their money in general, or for special group of people, and also for production or consumption purposes.

Another kind of Wagf Sukuk is group Wagf papers. The main difference of these papers with money Wagf paper is that they are for capital goods. For example, a Wagf micro finance institute receives an application of buying a tractor from a group of farmers. After conducting preliminary studies and confirming the background of the group, the institute issues Wagf papers to raise fund. In fact, if the cost of this purchase is 100 units, the institute issues 100 Wagf papers and offers them to consecrators. By buying each paper, each consecrator consecrates a portion of the tractor. As it is seen from this example, these papers are based on the concept of group consecrating.

CONCLUSION, POLICY RECOMMENDATIONS AND FUTURE RESEARCH PERSPECTIVE

In fact, Islamic banking system in Iran and at global level has been focusing on its shari'ah and execution problems and has neglected its social, humane and Islamic goals such as alleviation of unjust social inequality and poverty. The practice of traditional micro finance can be used by

Islamic banking with necessary adjustments and can help Islamic banks in fulfilling their tasks. In fact, micro finance practice can be introduced as another dimension of Islamic banking in the country.

The adapted micro finance model on the basis of Wagf institution is presented in this study. In fact, while presenting the proposed model and describing fund raising methods (including movable and immovable property Wagf, Wagf of stocks, money and paper Wagf) and also expressing allocation methods (transaction, sharing and gharz-al-hassan contracts), Fighi permissibility of establishment of these institutes were discussed. The findings show that the Wagf institution in Islamic economy has the enough Fighi capacity to be considered as a source of income for micro finance institutes. It seems that the proposed model of this study will provide the background for economic development of Islamic countries, including Iran. In fact, it will cause restoring the position of Wagf in the Islamic history in nowadays Islamic countries and Iran to some extent.

According to the theoretical analysis presented, the policy recommendation of this study is that institutions active in Wagf and micro finance in Iran, such as Wagf and charity organization, Islamic Economic Organization (which has the responsibility of supervision of gharz-al-hassan system), Central Bank (which is responsible for supervision of all active institutes of money markets of the country) and Imam Khomeini^{pbu} Help Committee (which is responsible for alleviation of poverty and deprivation), try to improve the Wagf system of the country by establishment of Wagf micro finance institutes. These efforts can be one of the dimensions of Islamic banking system. In addition, from legal point of view, by amending the prevailing rules and regulations, it is possible to design Gharz-al-Hassan system in such a way that gharz-al-hassan institutes, by meeting some conditions, be able to change into Wagf micro finance institute and in addition to extending consumption facilities, be able to offer group production facilities.

In this regard, we propose that rules and regulations concerning Wagf micro finance institutes must be introduced in Iran and then, by cultural activities through mass media and considering tax and other incentives, the necessary conditions for converting the present gharz-al-hassan funds into Wagf micro finance institutes be fulfilled. It is necessary to mention that there is no need for those gharz-al-hassan funds which convert into Wagf institutes to allocate a main portion of their sources to production/trade facilities; but they can allocate a small share of the sources for extending production facilities for a short time, and if this practice was successful, they can gradually increase these facilities.

The subjects described in this study can be expanded in different ways. Exactly speaking, future studies can answer the following questions:

1) Is Fighi-economic feasibility of development of the proposed model possible by using other Islamic

institutions (in addition to Wagf), including gharz-al-hassan, anfal, khoms, zakat and other similar financial sources?

2) What are the risks facing Wagf micro finance institutes? What is the proper risk management model for these institutes?

3) What are the proper reserves in the proposed model for confronting probable challenges (such as inflation)?

4) What is the optimum model for establishment of Wagf micro finance? What are the convenient relation of these institutes with Islamic Economic Organization, gharz-al-hassan institutes, gharz-al-hassan bank, Islamic banks, Wagf Organization and the Central Bank?

5) What is the optimum model for assigning administrator and supervisor and defining their relation and characteristics?

6) What is the optimum supervision model for the activities of Wagf micro finance institutes and which organizations are responsible for it?

7) What is the optimum model of using traditional Wagf (which are Wagf with the aim of poverty alleviation)? How can we use the structure of the institute for guiding new Wagf?

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