Islamic Financial Institutions from the Early Modern Period to the 20th Century

Comparative Perspectives on the History and Development of Cash Waqfs

Edited by
Mehmet Bulut
Bora Altay
Cem Korkut

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CHAPTER 1

Introduction

Mehmet Bulut and Bora Altay

There is no doubt that the institutions founded and developed by the countries are the main factors for economic and social development. The concept of civilization, worldviews, and moral values of the main economic and social actors are also very effective behind those institutions in the societies from the past to the present. Waqfs (foundations) have had the lead among those institutions developed by the Muslim world. As the third sector besides the public and private, the waqfs played a vital role on the needs of societies.

The countries around the world have developed different financial institutions, organizations, and mechanisms to accumulate capital since the early modern period. Waqf was one of the important institutions that organized the redistribution of wealth as well as credit relations.

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Providing alms is one of the most common practices in Muslim societies. Quranic injunctions, Muhammadan precedents, and institutional learning allowed Muslim societies to generate institutional structures and privately founded organizations, particularly in providing alms. The term 'institution' referred to a set of rules that regulated the functions of organizations. The term 'organization,' however, referred to privately established facilities by founders. Each organization played a crucial role in financing various services in Muslim societies from the time of Prophet Muhammed (peace be upon him).

However, from the fifteenth century, the institutional structure of Islamic waqf faced economic and social challenges that led to institutional change, particularly in the Ottoman Empire. Since the waqf institution became an economic organization to finance public services as well as commercial activities in Muslim societies, the institutional change allowed these organizations to conduct credit relations in the Ottoman Empire. Due to the irrevocable nature of certain rules, such as financing various services, profits from credit relationships remained constrained, unlike the financial organizations in European societies. Cash waqf organizations, however, continued to solve many problems such as the lack of shelter, education, good health care, employment, infrastructure, and social aid by providing financial resources. The main beneficiaries of these services were merchants, city dwellers, farmers, students, and the poor. By financing such services, these organizations played an important role in increasing welfare of the society.

Contrary to the beneficial role of these organizations, the recent literature criticized the institutional design that led to limited capital pooling as well as a lack of accumulation of capital through credit relations. Furthermore, these criticisms argued the unproductive nature of these organizations. Two major reasons generated negative socioeconomic effects of cash waqf organizations. The first was the motivation of founders in transferring their wealth to their family members and kin through cash waqf organizations. The second was that these organizations largely devoted resources to non-productive activities and religious services. Hence, within the last decades, there is a growing literature on the emergence and proliferation of cash waqf organizations. This literature, however, is particularly weak in presenting a quantitative analysis of the role of these organizations in the Ottoman economy. In other words, both the former research and latter research are based on generalizations and implicit approaches to the role and services financed by cash waqf organizations in economic development. Furthermore, the effects of cash waqf organizations on modern financial organizations of Muslim societies have been overlooked in the literature.

The main purpose of this study is to provide a comprehensive analysis of the development of cash waqf institution as a financial organization. This research contains different experiences from other societies. This perspective allows economic historians and the interested readers to make comparisons in the same source. This study even provides research and findings on how cash waqf institution is reflected in modern financial organizations in Muslim societies. A significant body of this project focuses on cash waqf organizations that emerged in the Ottoman Empire. The main reason is that these organizations were less common in Arab states between 1500 and 1914. Various historical, social, and economic reasons constitute the main factors that caused their relative rareness during this period.

First, traditional Islamic law (Sharia) favored the earlier forms of waqf organizations, in which capital was based on real estate, such as land and facilities, rather than cash capital. Although Islamic jurists had carried out intense discussions on the emergence of cash waqf organizations for a long period, the classical juridical tradition had a strong support for endowing real estate. The most important reasoning for this view was that endowing real estate was more enduring and less susceptible to misuse of waqf properties. The Arab states, which adhered to traditions different from the Hanafi school, considered that cash waqf organizations were less secure from religious and legal perspectives. Second, considerable control over religious and charitable endowments of the Ottoman central authority probably reduced the incentive for individuals to establish these organizations. Furthermore, the economic conditions of these states were not conducive to the form of cash waqf organizations. Economic challenges and political instability in the Arab world prevented states from achieving stability as the Ottoman Empire. The potential for changing political structures might have discouraged individuals from establishing long-term organizations as cash waqfs. Although charitable endowments did exist within Arab states in various forms, providing financial resources for religious, educational, and social services was a common practice under the traditional waqf institution.

Methodologically, this book contains several studies that use primary and reliable secondary data. Primary data are mostly based on waqf registers of the Ottoman Empire, which are useful to conduct explicit evidence on the emergence and proliferation of cash waqf organizations over time. The secondary data gathered from earlier research are also useful to provide historical evidence for experiences in both the Ottoman Empire and other societies. Furthermore, the history of financial institutions of different societies enables economic historians and interested readers to obtain comparative perspectives from a single source. This methodology generates the rationale of this project. This rationale has two objectives. The first is to examine the historical development of waqf institutions through primary sources and new datasets from a long-term perspective. The second is to provide comparisons by examining the experiences of other societies on the development of different financial organizations.

The organization of this study is based on ten chapters. Chapter 2 examines cash waqf contracts registered by the court officials in the Ottoman Empire. While this research employs these contracts in presenting how these cash waqf organizations operated over time, it also discusses these contracts as a source of modern fintech contract models. Chapter 3 focuses on how waqf organizations operated as philanthropic tools in the redistribution of wealth. In Chapter 4, the main purpose is to examine the role of waqf organizations in education and business sectors. This research conducts a quantitative analysis by employing both historical and modern data. Chapter 5 critically investigates the effects of cash waqf organizations instituted in Ottoman Rumelia on regional development. This analysis seeks to discern a potential correlation between the stated objectives of cash waqf organizations and the broader framework of sustainable development goals. Chapter 6 utilizes cash waqf contracts for a long-term analysis of the emergence and proliferation of these organizations in Ottoman Rumelia. This research also analyzes the commonly known functions of cash waqf organizations across periods between the sixteenth century and the early twentieth century. Chapter 7, for the first time, aims to examine the development of the Qatari banking sector from a historical perspective. This chapter provides a link between earlier forms of cash waqf organizations and modern banking in a Muslim state. Subsequent chapters present experiences of other societies in developing financial organizations, particularly from the beginning of the early modern period. Chapter 8 presents the transformation from private bankers to public banks in the Kingdom of Naples between the fifteenth and the seventeenth centuries. Chapter 9 studies the connections of global financial players with a relatively small state.

This study aims to present the emergence of large-scale financial organizations through these financial connections. Chapter 10 discusses the shift of economic hegemony from the Netherlands to Britain through fiscal and financial organizations. Concluding remarks follow these chapters.

CHAPTER 2

Ottoman Cash Waqf Contracts and the Transactions from the Fifteenth to Nineteenth Centuries: A Source for the New Cash Waqf Fintech Contract Model and SDGs

Nur Shuhada Ishak Yelkenci and Mehmet Bulut

The literacy sources of wa had various terms such as *asl*, *sadaqa*, *habs*, *ghalla*, *hadiyya*, *fai*, and *khums*. Waqf is an asset inherited through a change of ownership, dedicated to perpetual use for the benefit of society, with the founder or owner receiving continuous rewards due to their good deeds. From the time of Islam's glory till the present, the system has contributed to the growth of financing by providing funds for the

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construction of mosques, hospitals, and public schools. In the meantime, Cash Waqf, particularly called as moveable assets, serves a second purpose by indirectly generating profit. Additional money received by the foundation has generated ongoing income and enabled the purchase of new real estate. Solid personal assets were endowed, and the additional rental income earned from these assets was spent on Waqf expenses. An illustrative example can be found in Al-Quran verse 267 from Chapter Al-Baqarah, which is related to the concept of waqf. This verse emphasizes the importance of using the resources bestowed by Allah to assist those in need, a principle that was practiced during the time of Prophet Muhammad (peace be upon him).

Following the Prophet Muhammad (peace be upon him), four Caliphs funded their assets for hospitals' administration and maintenance (Nagamia, 2003). This demonstrates the waqf fund's preference for health care over other priorities. Rufaidah binti Sa'ad organized the first professional health service. She sought the permission from Prophet to treat the soldiers. She also brought along a few volunteers. The Prophet authorized Rufaidah and the team of volunteer nurses to attend to the wounded soldiers (Kasule, 1998). Hospitals, known as bimaristan or maristan, were financed using waqf revenue and functioned as multifunctional establishments, including health centers, libraries, schools, meeting halls, and accommodations for travelers. Bimaristan al-'Atiq was founded by Ahmad Ibn Tulun in between 872 and 874 in Cairo. This bimaristan was a library and a meeting place for scientists. Bimaristan al-Nuri, a library of medical books established in 1154, located in Damascus, was funded by Nur al-Din Mahmud Ibn Zanki. The great Arab physician, Ibn al-Nafis, died in 1288 and left his house, library, and clinic as a waqf to the Bimaristan al-Mansuri (Al-Ghazal, 2007).

The waqf movement, which spanned from the Arab world to the Abbasid dynasty, initially focused on health before expanding to include the medical sciences. One of the best examples of how medical education has been supported through waqf is Al-Azhar University in Cairo, Egypt, which was founded in 972. During the period of Ottoman Empire, many kulliyahs were funded using the waqf funds (Saduman & Aysun, 2009, pp. 272–275). The rulers of empire built kulliyah, which were complexes designed to centralize the ruling system, including mosques, court, educational, health services, kitchens, baths, and libraries. Fatih mosque, Sahn-ı Seman Madrasah and the complex in Istanbul, which was built by Sultan Mehmet II (the Conqueror), is one of those waqfs and kulliyahs. Nurbanu

Valide Sultan, the wife of Sultan Selim II, built a hospital in a kulliyah known as Valide Sultan Kulliyah during the years of 1570s. The hospital was registered in the General Directorate of Pious Foundations as a trust deed of Nurbanu Valide Sultan Waqf (Duzbakar, 2006, pp. 11–20). Bezmi Alem Valide Sultan Hospital served as a multifaceted institution, providing a wide array of social services. These services encompassed the construction of a mosque for religious needs, educational facilities, food distribution, and healthcare. The founder of Bezmi Alem Valide Sultan was the wife of Mahmut II and the mother of Abdulmecit who reigned from 1839 until 1856.

Ottoman Waqf and Cash Waqf (Fifteenth to Nineteenth Centuries)

From the fifteenth to the nineteenth centuries, both waqf and Cash Waqf were actively progressing. The following examples show the essential part Waqf played in distributing free facilities, encouraging entrepreneurship that helped the agricultural and industrial sectors create job opportunities and support religious and educational endeavors. The first empire to establish Cash Waqf was the Ottoman Empire, which is a prime example of a successful financial institution and the adaptability within the Ottoman judiciary. The Cash Waqf was established in 1423 in Edirne by Yagci Haci Muslihudin, who donated 10,000 akçes and a few businesses to enable three laborers to receive one akçe per day for reciting the Qur'an at Church Mosque (Bulut & Korkut, 2019). Many of the scholars questioned the establishment, functioning, and methods of generating income on Cash Waqf. However, the mujthahids of Hanafi School permitted this institution due to solid evidences in waqfiyah. The contract and system of Cash Waqf have been used to benefit the economy. When capital is deposited, the foundation generates a continuous income and can purchase real estate properties. In the fifteenth century, during the era when capitalism was evolving into a modern system in Europe, Sultan Mehmet II established cash waqfs. These institutions, particularly in the Balkans (Ottoman Rumelia), extended to Anatolia, the Caucasus, and the Black Sea, and they played a significant role in promoting social solidarity and maintaining a stable economy (Akgündüz, 1996). According to Çizakça (1998), during the Ottoman Empire, Cash Waqf played important role in infrastructure development, covering all expenses related to health, education, and welfare services. In the mid-1430s, Sultan Murad

II ordered the construction of a large imperial mosque in the city of Filibe. This mosque became known locally and served as the centerpiece of the newly formed Muslim metropolis in Filibe, which is now a region in Bulgaria. Free public bath (*hamams*), imaret kitchens (*aşevi*), and a place where food is distributed to the less fortunate, guests, and complex staff are all available at this location. On the upper level, there were accommodations for visitors or staffs. It had an educational center called *otuzlu medresesi* as well, but under Sultan Süleyman the Magnificent, it was upgraded to *kırklı*. It means the instructors of the madrasa, known as *müderris*, were paid between thirty and forty akçes per day because the center became a major hub for education in the region (Boykov & Kiprovska, 2000). In 1545, the issue of interest rates resulted in the invalidation of Cash Waqf. According to Karataş, H. (2010), the Hanafi legal system and Ottoman scholars approved it. The allegation that waqf trustees were abusing their power to allow usury is debatable. The legal transaction known as Mu'āmele-i şer'iyye, or lending the waqf with interest, is deemed permissible by Ottoman jurists as long as the conditions are met. In the section of waqf contract, terms and arguments will be explained.

Ottoman Cash Waqf continued to operate actively under Sultan Suleyman the Magnificent, who provided tremendous legal assistance through figures such as Celalpaşazade in 1534, Celalzade Mustafa in 1565, and Ebu's Suud Effendi in 1575. On July 29, 1556, Hurrem Şah Hatun bint Abdullah Vakfi, the wife of the Sultan, gave 4000 dirhams to everyone who read the Quran for the final 10 days of Ramadan and gave cold water to students at Hoca Rustem School. In the final 10 days of Ramadan in 1587, Vize Sanjak Bey Ibrahim donated a significant sum of 500,000 akçes, a house, and one-third of his wealth to build Mosque and Zawiyah (Bulut et al., 2021).

Antioch, also known as Antakya, is a province in Hatay that has been ruled by several kingdoms throughout its history, started with Mesapotamian, Hellenistic, Greek, Roman, Armenian, Byzantine, and Ottoman. According to Çakar (2015), Antakya was mainly founded in the sixteenth century as the region of the Sanjak of Aleppo under the Ottoman Empire. Çakar's findings illustrated that there were certain areas changed to be waqf: 5 mosques, 23 masjids or *musallas*, 1 maqam, 1 school, 1 madrasa, and 1 lodge. There were also 13 masjids, 3 lodges, 1 school, and 1 mosque in Antakya. According to information gathered in the book title *Cash Waqfs of Rumelia* in Europe by Bulut et al. (2021), Cash Waqf is growing steadily. Ali Bey Ibn Sinan Aga donated 41,000 new akçes to support the education of five Hafiz who were proficient in reading the Quran. This contribution was similar to the 23,000 akçes donated by Muderis Abd Rahman Effendi in 1646, and in 1647, Kerime Hatun bint Mehmed Aga Waqf also made a contribution. Hatice Hatun bint Sunullah Vakfi allocated 500 Riyal as wages, and Fatma bint Musl Waqf contributed 1500 akçes in 1648 for the *Imam* and *Muezzin*. Al Shishli Children Hospital in Istanbul, which was a waqf project established in 1898, functioned as a welfare system by constructing mobile hospitals across villages (Kahf, 2012). Bursa had 761 cash waqfs in the eighteenth century (Çizakça, 1996, p. 132), and out of an estimated 700,000 residents, the Waqf system's charitable provided food for them every day in Istanbul (Kuran, 2012). However, in the nineteenth century, Çizakça (2004) observed a rapid decline in waqf creation, because Ottoman officials experienced faced wars, political instability, and migration.

Types of Ottoman Cash Waqf Contracts

The Cash Waqf provided the borrower or entrepreneurs a fund by selling insignificant asset as an agreement, and charging deferred payment with a surplus, which presents an opportunity for almsgiving (Özcan, 2010, p. 130). The agreement depicting similar transactions as a sale contract justified the presence of a surplus in Cash Waqf. Since 1490 until 1928, all cash waqfs were recorded in *Vakıf Tahrir Defterleri*. The file recorded only the date of registration, amount of assets, and the annual yield. Besides, the Ottoman has recorded payables book called as *Idane Hucceti* similar to Sharia Court records. This book contained information such as the name and address of the borrower, the amount or nature of the Cash Waqf fund, the time period, the due date, and the name of the guarantor. To qualify for this, a merchant needed a respectable guarantor and a significant mortgage.

1st Cash Waqf Contract: Mu'amele-i Serriye

Mu'amele-i Serriye meets the borrowers' financial needs by assuring profit without violating *riba* (interest) principle. Because of this, the surplus was made acceptable by setting up the transaction as a sale contract. This contract supplied the borrower with the requested amount of money while making a profit by charging the deferred payment with a surplus.

The modus operandi started with: (1) The borrower provides the asset or cash to the Cash Waqf foundation or waqif and requests repayment with an agreed-upon term (no intention of trading the asset); (2) the waqifs contribute the assets to support Cash Waqf entrepreneurial project; (3) start-up entrepreneurs use the cash, earning a profit; (4) entrepreneurs repay the Cash Waqf money with 10–15% additional payment as the term agreed to the waqf; and lastly, and (5) the waqf utilizes the profit generated from Cash Waqf for philanthropic purposes or adds them to the endowment's capital for future projects in the following year. In other words, the merchant engages the property from the Cash Waqf institution for an agreed-upon amount of time and pays rent with the promise that the money will be returned. An example of Mu'âmele-i Serriye in Cash Waqf dates back to 1626 when Ibrahim Kaptan, at Gurra al-Rajab, contributed 62,000 akçes along with some immovable property for various charitable works, with an *istirbah* of 15%. These transactions typically involved trusted, prosperous, and reliable merchants capable of earning profits. The generated profits were allocated to support the poor, the bankrupt, visitors, qadis, teachers, and the sultan's soldiers.

2nd Cash Waqf Contracts: Istiglal, Murabaha, Bida'a, and Mudharaba Contracts

Istiglal was the second Ottoman Cash Waqf contract. It served as a security for the Cash Waqf project. Under this arrangement, merchants used the residence for a fixed period of time and were permitted to live in the collateral property. One distinction between murabaha and muamele-i şer'iyye is that in the Murabaha contract, the borrower's objective is to acquire assets through deferred payments rather than cash. In contrast, in the Bida'a contract, entrepreneurs were granted credit but were obligated to ensure profitability. The term 'Mubdi' is used in bida'a contract because it has legal implications similar to Mudarabah contracts when it comes to any loss (Devellioğlu, 2013, p. 770). While it shares similarities with contemporary Islamic banking practices, such as mudharaba, its use during the Ottoman era was limited due to the risks associated with this equity-sharing contract. In this setup, profits were shared between the mudarib (the waqf's borrower) and the rabb'ul mal (the waqf itself) based on an agreed-upon ratio, and Cash Waqf used it sparingly.

Global Issues of Cash Waqf

Waqf offered social welfare benefits that many countries today struggle to offer. The fall of the Ottoman Empire was the fundamental reason for the prohibition of Cash Waqf. During its existence, concerns had arisen regarding certain contract practices, such as the imposition of fixed interest rates between 10 and 15% and elements involving deception. There have been numerous cases of waqf properties being used inappropriately in Morocco, Egypt, Malaysia, and Andalusia. Corruption, self-interest, selling waqf property, using waqf properties against Islamic law, and disregarding the donors' intentions are all examples of misuse (Mohamad et al., 2012). Muslim community in Malaysia has long neglected waqf as an established institution. The British colonial powers, in India and Malaysia, have effectively fulfilled their roles by downplaying the importance of waqf properties in order to further their own agendas. As previously indicated, colonization, secularism, and governance have resulted in less public disclosure of waqf information compared to historical practices. The Spanish colonists destroyed and desecrated mosques, and other Islamic institutions and changed Muslim tradition as part of their anti-Islamic campaign against the Muslims in the Philippines (Gamon & Tagoranao, 2017). For instance, over 200,000 Christians have moved to Cotabato region over the past 40 years, decreasing the number of Muslims in the province. While the government has developed the lands owned by Christians, Muslim lands remain unproductive.

Other colonized areas in Africa suffer from poor economic conditions, characterized by infrastructure deficiencies, a non-functioning healthcare system, and high unemployment rates, unlike other Asian countries with Muslim majorities like Malaysia, Pakistan, and Indonesia. According to Chowdhury et al. (2013), one of the challenges of waqf accounting is waqf administration. SIRC in Malaysia, serving as the sole trustee (mutawalli) for waqf administration, faces challenges in developing many waqf lands due to a shortage of competent personnel and bureaucratic complications, which can also result in waqf development inefficiencies. According to Kamaruddin (1992), most documentations regarding the administration of waqf without having any proper record waqf revenue are insufficient to bear the operational cost, so waqf properties have no self-generating income and are unproductive (Dahlia & Haslindar, 2013). There are so many waqf assets that people do not know and it is difficult for donors to track their status. The lack of one single platform makes it challenging for donors to know how waqf institutions are using and distributing their donations (Baqutayan et al., 2018). Overall, these issues make people disinterested in waqf and Cash Waqf.

Cash Waqf Toward Islamic Fintech

There are many waqf organizations solely bringing aid for health, education, and human capital. According to Çizakca (2011), in the modern world, Malaysia, Singapore, India, and Pakistan are the countries that actively implement Cash Waqf, despite the fact that the principle and practice have a long history. Hamdard Laboratories (waqf) in Pakistan was established in 1950s for philanthropic activities in Pakistan, India, and Bangladesh focusing on education, health care, and charity (Naeem & Naeem, 2014). The waqf system has been extended to ASEAN countries, as seen in examples like Hamdard Laboratories (Waqf) in Pakistan, which has grown into a major pharmaceutical company dedicated to philanthropic purposes. Later, the waqf spread to Bangladesh and India in 1940s. Mizanur (2013) reveals that out of about 200,000 mosques in Bangladesh, a total of 123,006 are waqf properties. Meanwhile, in Indonesia, Dompet Dhuafa Republika Foundation is one of the successful examples of waqf, as their branches spread widely in foreign countries such as Australia. WANCorp (2020) shows that a tremendous increase in waqf fund from 2016 to 2018 fulfilled certain types of SDGs. The annual report stated that JCorp has achieved success in certain businesses and is able to allocate the profits for distribution through Waqf An-Nur, totaling approximately 1.3 million to benefit the community. This should be related to the company business whereby the value of JCorp property increases to 1.48 billion. In 2016, Waqf An-Nur primarily focused its funding on education, but in 2017 and 2018, it shifted its focus to community funding. However, the institution did not reveal the nonfinancial statement and changed activities without any report about previous year's activities. In Nigeria, the Sokoto Zakah and Endowment Foundation in 2015 reported that the sum of N927. 6 million was expended on the well-being of 7000 people to reduce poverty and unemployment in the State of Nigeria (Muhammad, 2017). Darul Hadith Foundation based in Kano built a mosque, primary, secondary, and Islamiyah schools (Nuruddeen Muhammad, 2010). Katsina Islamic Foundation established Al-Qalam University in Katsina State, the only Islamic

University in Northern Nigeria. Kano Islamic Foundation, in Nigeria, is managing the Al-Nur Hospital for the past three decades.

Revitalize Cash Waqf Through Islamic Fintech

According to the Global Risk Report (2022), the Covid-19 disease has added to both financial and environmental crises. Data and reports provide a valuable solution to this problem. IT experts establish financial systems that support the welfare of society's lower and middle classes by providing loans to small and medium-sized enterprises (SMEs) and promoting the achievement of Sustainable Development Goals (SDGs) through Financial Technology. There are similarities between Ottoman Cash Waqf and the Sustainable Development Goals (SDGs). These findings suggest a positive outcome, indicating that the revival of Ottoman Cash Waqf is aligned with the demands and benefits of the SDGs. Bulut and Yelkenci (2021) compiled the similarities between them: (1) SDG 1 aspires to alleviate poverty in a manner akin to the Ottoman Empire, which supplied all necessities including food, shelter, education, job opportunities, coffins, and cemeteries; (2) waqf boats were frequently used during the Ottoman period for the transportation of 200 grains from the Suez station to Mecca, contributing to the solution of starvation and development, which corresponds to SDG 2; (3) health waqf included the establishment of hospitals known as *Darü'ş-şifa* (hospital) during Ottoman times and medical schools. These institutions preceded SDG 3, which focuses on the physical and emotional health of people of all ages; (4) Sultan Mehmet II (the Conqueror) established waqf schools for Ottoman children, along with special education centers for the navy, army, and transportation sectors. These initiatives align with the objectives of SDGs 4 (Quality Education), 8 (Decent Work and Economic Growth), and 9 (Industry, Innovation, and Infrastructure); and (5) SDG 5 focuses on achieving gender equality, which was a practice in the Ottoman Empire, exemplified by institutions like the Royal Academy for girls and the *Lutheran-ı Hümayun*.

Furthermore, during the Ottoman period, there were schools where Christian children received education similar to their Turkish counterparts, aligning with the principles of SDG 16, which pertains to human justice (Sakaoğlu, 2003). There is some literature on how the Ottoman Empire accommodated their people, as discussed in the book "A History of the Ottoman Empire" by Douglas A. Howard (2017). The Ottomans constructed fountains, developed water transportation systems under the guidance of Mimar (Architecture) Sinan, and established shipyards to ensure that people had access to clean water, as mentioned in relation to SDG 6 (Clean Water and Sanitation) goals. Günay and Sulina (1981), as documented in the Waqf lighthouse of 1745 by Yediyildiz (1990, pp. 44–45) in "Institution du Vaqfau XVIIIe Siecle en Turquie Etude Socio-Historique" (Ankara, Turkey: Editions Ministere de la Culture), contribute to the discussion of SDG 10 (Reduced Inequalities) by highlighting the promotion of essential services for all.

In addition, there was a long-standing practice of establishing waqf houses to provide shelter and food for birds and animals, as observed in 1760 by Mehmet Tahir Aga during the Ottoman era. This aligns with the principles of SDG 13 (Climate Action), which focuses on environmental conservation. Nevertheless, there is a need to transition from Mudarabah to Musharakah, as advocated by SDG 17 (Partnerships for the Goals), emphasizing profit and loss sharing to enhance development. In the context of the Ottoman Empire, Mudarabah contracts were employed in the Cash Waqf agreements involving Ali Pasha b. Arslan Pasha, Ayşe Kadın bt. Mahmud Pasha, and Mehmed Pasha (Bulut & Korkut, 2017).

Indeed, financial technology systems like Fintech can provide a viable solution for accurately recording and managing the collection and distribution of waqfs. In blockchain and financial technology, these two can be combined particularly to improve the process of managing waqfs. One valuable tool in this context is the smart contract, a computer protocol that automatically executes contract terms without requiring human intervention. It means, a model of Cash Waqf Fintech is important in supporting waqf-based startup companies. However, the safety of Fintech is a pertinent concern, particularly when it heavily relies on blockchain to automate and improve financial service delivery. The decentralized framework, known as blockchain, operates as a public transaction database. The advantages of this network allows the transactions between two parties directly without any intermediary, which is a considerable saving of cost and time. The decentralized network is operated by a "peer-to-peer" architecture. Hileman and Rauchs (2017) explain that all crypto currencies have the same underlying block chain mechanism and reward system, but they operate in different and isolated transaction networks.

Various cryptocurrencies, akin to Bitcoin but with differing parameters, are a part of blockchain technology. Fintech's role in Cash Waqf is not about profit but social finance. While the original blockchain architecture was cryptocurrency-centric, it's founded on cryptographic tech. Muslims may wonder about the connection between Fintech and Bitcoin trading. Many Islamic authorities find Bitcoin and similar cryptocurrencies incompatible with Islamic principles. It's essential to note that Fintech is a distinct payment system unrelated to Bitcoin. In summary, modern technology must align with Maqasid Shariah for integrity, sustainability, and growth (Chapra, 2008).

Conclusion

Philanthropic initiatives have the potential to create lasting benefits, not only for Muslims but for the entire world. Cash Waqf, like the United Nations' efforts to combat poverty, holds significant importance. In summary, there is potential for future collaborations in the realm of governance, guidance, and management through Fintech. The development of Fintech offers a pathway for Islamic Fintech aligned with Maqasid, emphasizing integrity in business and supporting social finance for the collective good. To address trust concerns and enhance future outcomes, the authors propose a solution involving Cash Waqf in Fintech with integrated reporting, referencing SDGs, and implementing Musharakah or partnership contracts.

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CHAPTER 3

Ottoman Practices of Zakat (Obligatory Alms): A Tax or Charity?

Nurgül Sevinç and Mehmet Bulut

Satisfying people's essential needs is one of the fundamental liabilities of an Islamic state and this was no exception for the Ottoman Empire. To fulfill this obligation and establish a comprehensive social security system, the primary institution/organization was the waqf. Additionally, zakat played a crucial role, especially in aiding those in need. Because this paper's focus is zakat, it further elucidates zakat in the following paragraphs.

While Qur'an emphasizes on "help, kindness, and compassion towards the poor, the orphan and the needy, urging the more affluent to assist

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them in meeting their essential needs," it also makes zakat a legal obligation and points out that "the poor and indigent have a right to the wealth of affluent" (Surah Al-Maarij/24; Kamali, 2009a, p. 70). "Zakat is a special tax which is earmarked for distribution to specific target groups, namely the poor, the needy, insolvent debtors, and other similar sections of the society. Entitlement to zakat and other welfare assistance is generally determined based on need, but government authorities may exercise a certain amount of discretion in determining its size and the manner of its distribution" (Kamali, 2009b, p. 95).

Specifically, the ruler is not obligated to allocate zakat revenue to all eight classes; instead, they can assign it to one or more classes based on the needs and requirements of the beneficiaries. However, when distributing the zakat revenue, the top priority should be to address the basic needs of "the poor, destitute, and people in need." Additionally, zakat should primarily be distributed in the region from which it is collected, as the residents of that area hold a greater entitlement to zakat than others. It's important to note that there is no minimum threshold for the amount to be distributed (Azmi, 2009, p. 357).

Although zakat is mentioned with prayer in the worship section, it is not just a form of worship. It is closer to the treatment, because zakat is included in the financial and social sphere. It is largely a relationship established between the state and the wealthy or between the rich and the poor given when there is no state (Al-Qardawi, 1984, p. 43).

Imam Shatibi states the following: "Regarding the taxpayer, the primary focus in worship is on being taabbudi,[1] regardless of their meaning. In treatments, the main thing is to search for their meanings" (Al-Qardawi, 1984, p. 43). Since the essence of the Shari'ah is to ensure the maslahah (welfare) of the servants in this world and in the hereafter, the Shari'ah provisions of zakat do not change, but the fiqh provisions can change. In this context, for example, according to Caliph Umar, in his time, the interests of Muslims were not to allocate a share of zakat to the mu'allafah al-qulub[2] because within this group, there were individuals with intentions to misuse zakat resources. Another example is when the Messenger of Allah (saw) sent Muadh ibn Jabal to Yemen and said,

[1] The provisions that are not suitable for reasoning and are followed only with the understanding of obedience and submission to Allah.

[2] Those whose hearts are to be won over.

"purchase grain with grain, sheep with sheep, and camel with camel" (Al-Qardawi, 1984, p. 46), Muadh ibn Jabal accepted people to pay for these goods to make it easier. Therefore, these applications aim to consider the Şari's (Ordinant) purpose for zakat (pp. 44–46). As a result, practicing zakat in a manner that preserves its purpose and meaning is feasible, leading to diverse applications in various regions, under different rulers, and in various circumstances.

This study explores the practice of taxation and zakat in the Ottoman Empire. The research relied on a combination of online and printed secondary sources. While there was a wealth of data on the collection of zakat, information on its distribution was relatively scarce. Considering the product groups from which zakat was collected, saime (pasturing) animals, agricultural products, commercial goods, mines, some essential issues regarding which the state was in a difficult situation, and finally, individual zakat examples were given. On the other hand, except for a few sources, no information was found regarding the distribution of zakat. Particularly, there was some evidence showing that zakat had been given to people who were in need. Also, there was no restriction regarding the period covered by the study; the practices from the foundation of the empire to the last periods were included. It was also discussed under what conditions collected taxes can be accepted as zakat considering the fiqh of zakat.

Literature Review

The subject of how zakat was applied in the Ottomans has been independently discussed in a few studies. Genç (2017), and Kaya (2017a, 2017b) explained the types of zakat/tax. Çilingir (2019) partially dealt with the zakat application specific to the navy. There were a few books related to this, such as Kazıcı (2014) and Karamursal (1989). Apart from these, this subject was also addressed in discussions related to tax (Tekin, 2019) and social security (Aykanat, 2015). In terms of subject, our study is closer to Genç (2017) and Kaya (2017a, 2017b); however, in terms of handling the types of zakat/tax, ours is more comprehensive. Furthermore, to the best of the author's knowledge, this study marks the first inclusion of this subject in online English sources.

Tax Law, the Economic, and Social Structure of the Ottoman Empire

Understanding the practice of zakat in the Ottoman Empire, where it was applied as a tax, requires knowledge of the state's legal and tax system.

Ottoman legal legislation consisted of two parts, namely Shari'ah law and Customary law (*kanun*).[3] Shari'ah law was a set of norms based on the primary sources of Islam, such as the Qur'an, Sunnah, *ijma* (consensus), and *qiyas* (analogy), and was compiled in fiqh books (Kazıcı, 2014, p. 24). Shari'ah taxes consisted of zakat, tribute (*haraç*), *öşür* and jizyah, and the other related details (Karamursal, 1989, p. 164). On the other hand, customary law was the set of legal norms based on the will and edicts of the Ottoman sultans and had legal standing in the modern context. Customary laws must have been enacted under the following conditions: (i) A situation outside the Shari'ah must have arisen. (ii) There should be a common practice or understanding regarding this among Muslims. (iii) The sovereign's will must approve it. (v) This provision should align with the good of the Islamic community and justice (Kazıcı, 2014, pp. 29–30). Given that Shari'ah law primarily addressed matters related to worship, halal and haram, spiritual obligations, and moral values, it left a gap, particularly in the realm of public law. Consequently, the development of customary law became an apparent necessity to bridge this gap. In addition, it should be noted that customary law did not conflict with Shari'ah law (Kazıcı, 2014, pp. 26–27); instead, it can be stated that they were complementary to each other.

The customary law of the Ottoman period was shaped slowly and over a long period of time according to the needs. In the meantime, sanjak (city) laws were prepared in accordance with the region's geographical, economic, social, and religious conditions, considering the existing customs and local conditions, especially in the fields of land and tax law. Sanjak laws, which formed and developed over time, were brought together as general laws during the period of various sultans. The main reason was the need to prevent arbitrary punishment by military and administrative officials in the sanjaks and similar behaviors. In addition, it should be noted that the Ottoman sultans did not immediately abolish the customs and traditions that preceded them in the regions they ruled.

[3] The Ottoman Empire was governed by different sets of laws during its existence. The *kanun*, sultanic law, co-existed with Shari'ah law (mainly the Hanafi school of Islamic jurisprudence).

They were carrying out actions to preserve an old and ideal order, which was deemed necessary, and to cleanse it from *bid'at*[4] and re-establish it (Kazıcı, 2014, pp. 26–31).

In the formation of Ottoman tax law, Islamic principles and the experiences of previous Muslim states, especially the Seljuks, Ilkhanids, Ayyubids, Mamluks, and Anatolian principalities, played a significant role. The Ottomans did not adopt these laws verbatim. They considered the climatic and geographical conditions of the region and the economic, social, and cultural characteristics of the society where the laws were to be applied. In addition, taxes imposed by previous administrators without a legal basis were accepted as *bid'at* and removed (Kazıcı, 2014, pp. 65–69).

To briefly touch on the economic and social structure of the Ottoman Empire, the main production activity was agriculture and city crafts, and the main taxable area was agriculture. Regarding its social structure, it had a two-tiered hierarchy as *rai/askeri* (ruling class) and *reaya/raiyet* (ruled class). The ruling class, including the "men of the sword," the "men of the book," and the "men of the pen," was in the administrative position, did not produce, and did not pay taxes. On the other hand, the ruled class constituted a large mass of the people and had the duty to produce and pay taxes. While the townspeople within the *reaya* class were engaged in trade, craft, and industrial activities, the peasants were engaged in agriculture (Tekin, 2019, pp. 53–54).

Fiqh of Zakat

The dictionary meaning of zakat is "increase, purification, praise, and abundance." As a term, it refers to a particular share taken from the wealth of Muslims considered religiously rich, to be spent on the classes specified in the Qur'an. Conditions of zakat for the taxpayer are (1) being Muslim, (2) being free, and (3) being sane. The conditions of existence of zakat in terms of property are (1) full ownership: both the ownership and usufruct rights are under the power of disposal of the owner; (2) profit: it is an increase in a specific good in a real sense, or potentially; (3) *hawaij al-asliyyah* (basic needs): a good must be outside of the essential needs of the person; (4) *nisab*: a good is subject to zakat

[4] Anything that shows up recently/newly.

only when it reaches a certain amount, e.g., 595 gr. silver, 85 gr. gold, 40 sheep, 5 camels, 30 cattle, and *nisab* in other goods is appreciated according to gold and silver; (5) *hawl*: it is the lapse of a lunar year for a property to be subject to zakat; (6) no correspondence to debt: it is the absence of a debt to be paid for an existing property. Goods subject to zakat are (a) gold and silver, (b) trade goods, (c) animals: camel, sheep, and cattle breeds, (d) agricultural products, and (e) mines. Apart from these, although the scope of goods subject to zakat has expanded today, including the industrial sector, stocks, etc., this study specifically covers the items that were subject to zakat during that historical period. The places where zakat needs to be given are specified in the 60th verse of the *Surah al-Tawbah*: (a) the poor and the needy, (b) employers: officials employed in zakat affairs, (c) *mu'allafah al-qulub*: those whose hearts are to be won over, (d) slaves and concubines, (e) debtors, (f) those in the way of Allah: in accordance with Allah's consent, and (g) wayfarers (Erkal, 2013).

Collection of Zakat

Zakat was not collected by the state and was not obligatory in the Ottoman Empire; the sources reached a consensus on this issue. In addition, zakat payers could donate their zakat to various waqf institutions. If the state collected taxes from items subject to zakat and did so at a rate equal to or exceeding the zakat rate, they were considered as zakat in religious rulings (fatwas) as soon as the intention was to give it as zakat (Aykanat, 2015; Genç, 2017; Kaya, 2017a). The issues on which a consensus was not reached were product groups from which zakat was collected, the name of the collected zakat—as they change depending on the groups—and the *nisab*.

According to Kaya (2017a, p. 232), while it can be interpreted that zakat was collected from *saime* animals in some fatwas, many fatwas show that what was collected from them were taxes. Accordingly, a fatwa stated that no tax would be collected from the baby sheep unless they had *hawl* (a lunar year that has to pass after the baby was born). We can state that this tax is similar to zakat since a baby sheep must be at least one year old to be subject to zakat. In another case, different tax rates were determined for soldiers; the soldiers did not pay taxes on the sheep unless they reached one hundred and fifty (pp. 233–234). Since the minimum amount to be given zakat on sheep is forty, we can say that it was a tax. In addition, Kaya

(2017b, p. 328) stated that according to the General Code of the 2nd Bayezid period and the Karaman State Code of the Yavuz Sultan Selim period, *resmi ganem* was one coin for two sheep. However, according to the Code of Amid Sanjak, during the reign of Yavuz Sultan Selim, it was one sheep and six Ottoman coins for every hundred sheep. Therefore, considering the following fatwa: "Zayd, will the *akçe* taken *miri canib* (by the state) as the zakat of the sheep be considered as zakat? If he gives it with that intention, it will be zakat" (Düzdağ, 1972, p. 63), and the varying rates specified in those codes; it is evident that different zakat rates were applied in different provinces.

On the other hand, Genç (2017, p. 255) also mentioned the existence of zakat, which was called zakat received from *sevaim* (plural of saime) animals. However, he stated that *nisab* and rates were applied differently from the theory of zakat. Different records stated that taxes were collected on sheep, goats, and camels under various names such as *adet-i zekat*, *ağnam zekatı*, and *sevaim zekatı*. With the decrease in *ağnam* incomes, it was seen that non-Muslims were also taxed in the 1690s (Aykanat, 2015, p. 97).

The *adet-i ağnam* tax, which was known as *resm-i ganem*, *resm-i merai*, and *resm-i koyun*, was a tax that Muslims were obliged to pay. In the beginning, it was collected in kind like zakat in many places, but later it started to be taken as *akçe* per sheep and goat. Due to this change, Ebussuud Efendi issued a fatwa that taxes given for sheep with the intention of zakat would be considered as zakat (Kazıcı, 2014, p. 134). According to the regulations of Fatih *Kanunname* (code of laws), this tax was one *akçe* per three sheep and one *akçe* for two sheep until 1595. However, in *jamaziyyal ahir* month of the same year, Grand Vizier Çağalazade Sinan Pasha (1547–1605) ensured that one *akçe* was taken per sheep in places that were included in *mukataa*[5] and *hass-ı humayun*[6] due to financial difficulties. However, according to the old law, it continued to be taken as half *akçe* per sheep (p. 135).

Available ağnam (sheep and goats) were categorized into five types: kıvırcık, karaman, dağlıç sheep, and angora and hair goats (kıl keçileri). Adet-i ağnam, ondalık ağnam, and resm-i ağnam collected from them

[5] Giving part of taxes belonging to the state to *iltizam* in return for some money.

[6] The rest of the income after the shares are allocated to the viziers and beylerbeys from the great *dirliks* such as *has* and *zeamet*, and it belongs to the state.

were initially taken as zakat, both in kind and at the same rate, in many places. However, in certain regions, they were collected in cash, starting at one coin per sheep or goat and using various methods based on the prevailing market prices of the time. Over time, coins were replaced with para, and para eventually transitioned to kuruş (Karamursal, 1989, p. 176).

The fact that the tax of *öşür* was equivalent to zakat is not as clear as the *resm-i ağnam*. The reason for this is that *öşür* was not seen as a separate tax but as a sub-title of *harac-ı mukasem* tax or land rent (Aykanat, 2015, p. 97). *Harac-ı mukasem* was a tax determined to be taken from the revenue of the land between one-tenth and half according to the productivity of the land (Kazıcı, 2014, p. 85). Ebussuud Efendi stated in one of his fatwas that *miri* land was *haraci* land, and therefore, the tax given was not *öşür* but *harac-ı mukasem*. *Öşri* land was the area around the *Kaaba,* and the *öşür* taken from there was allocated to the poor (Aykanat, 2015, p. 97).

Similarly, Genç (2017, p. 256) noted that the taxes collected from the land ranged from 12.5% to 20%, and none of these taxes qualified as zakat. According to Kaya (2017b, pp. 333–334), since the state did not collect *öşür*, when determining rates based on the product, it could levy taxes at rates such as one-fifth or one-eighth, depending on the land's productivity. Furthermore, the following practices distinguished it from zakat: There was no requirement for the cavalryman collecting this tax to be poor, nor for the farmer paying it to be rich. This income can be used for any legitimate expense. And nothing was taken from the crops obtained from the gardens around the settlements called *tetimme-i sükna*.[7]

Kazıcı, on the other hand, explained the *öşür* more comprehensively. According to him (2014, p. 113), *öşür* was always taken in kind in the Ottoman Empire. In addition (pp. 108–109), the *öşür* was a tax levied on agricultural products at specific rates according to Islamic tax law. In the establishment period of the Ottoman Empire, as in other Muslim states, *öşür* was the sole tax collected from privately-owned land. At that time, land was divided into two categories: One was *öşriyye,* and the other was *haraciyye*. However, starting from the last quarter of the fourteenth century, certain changes were implemented for various reasons, leading to the classification of a portion of the land as *emiriyye* (*miri* land). This

[7] Half acre places on the edge of villages and cities.

situation later evolved into a system that would be expressed as "*sultaniyye* land in the Ottomans," excluding the Hijaz region. Therefore, for the areas other than the Hijaz region and the *haraciyye*:

It is neither *öşriyye* nor *haraciyye*; they refer to it as *arz-ı memleket and* it falls under the category of haraciyye. However, when it is distributed among multiple heirs, with each receiving a small portion, it becomes challenging, if not impossible, to determine and allocate their *haraç* (land tax) based on their individual shares. It is instructed to keep *rakabe-i arazi* for the Muslims' *bayt al-mal* (public treasury) and give as *amanah* (trust) to the *reaya* for them to cultivate vineyards, orchards, and pay *harac-ı mukasem* and *harac-ı muvazzaf* from the yield. According to the jurists of main schools, the land of Sevad-t Iraq is of this type (p. 110).

In this case, when the word "*öşür*" is mentioned, it can refer to different concepts: One is revenue from the *mülk arazi* (property land) during the establishment period, the other is the real *öşür* collected in *Hijaz* region, and finally, the tribute that is specific to the *arazi-i emiriyye*. The public often colloquially calls this *öşür* as *galat-ı fahiş*, which is commonly understood as *harac-ı mukasem* (p. 111).

According to the seventh article of the *ilmuhabirs* (certificates) sent to the Treasury from the *Divan-ı Humayun* regarding the *Tanzimat-ı Hayriye*, the *öşür* was collected in different names,[8] amounts, and in various methods. The *öşür* was decided to be one-tenth, in accordance with the wording and meaning of it, in the places where the *aşar* system was applied, as per the *Tanzimat-ı Hayriye* in year 1839 (Karamursal, 1989, p. 168).

The Ottomans used to collect customs duty from merchants, and many shaykh al-Islam had fatwas stating that if merchants pay the customs tax on the trade goods with the intention of zakat, it will replace zakat (Kaya, 2017b, p. 325). One of such fatwas was: "If the traders give their *gümrük* as *akçe* with the intention of zakat, will it be considered as zakat? Yes" (Düzdağ, 1972, p. 63).

Kazıcı (2014, pp. 161–162) provided the following definition for customs tax: It is levied when crossing the political borders of a country, either when entering or exiting the customs line, or after entering this border from one point, traversing the entire country, and paying the tax on the transferred goods of foreign origin. Abdürrahman Vefik stated that

[8] *Resmi dönüm, resmi zemin, basma akçesi, boyunduruk hakkı, ağalık hakkı, kulluk hakkı* (Karamursal, 1989, p. 168).

it was unknown under what conditions this tax was applied before the reign of Sultan Mehmet the Conqueror. However, in Islamic tax law, it was applied in the form of "*zekat-ı aşir*" first followed by taking into account the principles set by the previous rulers in the conquered places. Internal customs were taxes that were formed by the state itself and were imposed from time to time. They were either registered independently or taken at the rate set by the previous rulers. The rate varied depending on time and region. In some places, it was between 3% and 5% depending on the value of the goods, and in some places, it ranged from 1 *kuruş* to 10 *kuruş* per load, depending on the load calculation and custom (p. 162). On the other hand, external customs involved the collection of taxes from the import, export, and transit foreign goods. The ratio of the tax collected was between 3% and 5%, although it varied according to the agreements (p. 163). Customs duty consisted of *amediye, reftiye, masdariye,* and *müruriye* (p. 164).

Amediye was levied on goods transported from one place to another, *reftiye* was levied on goods transported from one place to another and then re-routed to another place without being consumed, *masdariye* was levied on goods sent to a place where they were consumed—later renamed as export, import, and *sarfiyat* respectively—and *müruriye* or *bac-ı ubur* was levied on goods brought from foreign countries to Ottoman states and re-routed to other foreign countries without being consumed (Karamursal, 1989, p. 191).

According to an import tax example in Anhegger and İnalcık (1956, pp. 40–41), Muslim and non-Muslim merchants and *haraçgüzars* needed to pay three *akçe* for each hundred *akçe* as customs duty for the fabric that was brought from foreign countries and sold in Bursa. If they bought a fabric and brought it to another country, they paid the same, i.e., three *akçe* for each hundred *akçe*. The practice was different in İstanbul. Non-*haraçgüzar* and non-Muslims must have paid five *akçe* for each hundred *akçe* as customs duty, while *haraçgüzar* and Muslims must have paid four *akçe* for each hundred *akçe* for fabric and barley, wheat, corn, and similar ones that were imported goods. Some goods such as yoghurt, chicken, egg, bread, sheep, and their kinds were excluded from this tax (Anhegger & İnalcık, 1956, pp. 47–48).

In addition, there were taxes collected from external customs. Till 1693–1694, the state collected *suisat* inkind from cereals, which were stockpiled for future use, and after that year, it began collecting *suisa*t in cash. Also, for each *okka of* coffee, Muslims paid eight *para*, reaya paid ten *para,* and in Edirne both paid six *para* during the era of Süleyman the Second. The tax known as *bidat-ı kahve* was set at five para during Mustafa the Second's reign in 1697–1698. The state also imposed customs duties on silk and various articles made from silk, along with other taxes like *mizan, ruhsatiye, and imaliye,* which applied to coffee, silk, and silk-made items. There was also the *temettü* tax, which merchants paid based on their incomes. Additionally, *ihtisap resmi* was collected at specific rates from merchants and craftsmen for consumable goods, minerals, jewelry, textile products, and more (Karamursal, 1989, pp. 191–194). These taxes were collected under various names, including "*damga*," "*mizan*," "*evzan*," "*ekyal*," "*yevmiye-i dekadin*" and "*pazar bacı*" (Tekin, 2019, p. 61).

From the establishment of the Ottoman State till *Tanzimat-ı Hayriye*, one-fifth (*khumsu shar'i*) of the mines was taken. They were not allocated elsewhere but were always taken on behalf of the treasury. After the *Tanzimat*, with a law enacted in 1857, all the mines in the land of the *miri* and waqf were transferred to *bayt al-mal*. Also, the prices of the places where these mines were located were to be given to the governor (*mutasarrıf*), and only one-fifth of the mines to be mined in the other land would belong to the state, and four-fifths belonged to the person who finds them (Karamursal, 1989, p. 180). While no direct fatwa on mines was found, this practice is included as the tax rate aligns with the zakat rate.

Above, the tax/zakat imposed on saime animals, agricultural products, commercial goods, and mines has been elucidated. In addition, there is evidence that zakat was collected by the state on issues closely related to the state's struggle for existence. Ebussuud Efendi issued a fatwa, stating that if the navy faced severe defeat and Muslims spent to uplift the faith, it could serve as a substitute for zakat. This interpretation is considered valid, acceptable, and legitimate (Çilingir, 2019, p. 69). This is because "the decline and collapse of the state and the decline and collapse of religion-Islam were equated" (p. 58). Çilingir (2019) stated that an approach asserting that zakat can be spent on specific areas in certain situations, just as in the case of the navy, represents a middle ground (p. 77).

In addition, there are records of the zakat given by some individuals in the Ottoman Empire. Bezmialem Valide Sultan gave her zakat to 2450 students studying at 155 madrasahs in the capital. Also, it is recorded that the zakat of Yemen's people was given to widows and orphans who were in need (Aykanat, 2015, p. 99). "If Zayd possesses eight hundred *akçe* apart from his *hawaij al-asliyyah*, would it be necessary to give zakat over a year? Yes, if it becomes eight hundred and forty." "If Zayd gives honey, oil, and raw meat to the poor from his house for zakat purposes but does not confirm that it is zakat, will it be valid for zakat? If he hands over the food, it will be zakat, but if he serves it, it will not" (Düzdağ, 1972, p. 63). "If Zayd gives a precious item at a price of one gold, for a price of two gold or hundred *akçe* to Amr, and he accepts it, will it be accepted as zakat? No" (Düzdağ, 1972, p. 64). These fatwas can also be a proof that individual zakat was practiced.

Distribution of Zakat

As it was stated before, the data collected for this study regarding the distribution of zakat are limited. Available data show that zakat revenues were distributed mainly to the needy (*faqir* and *miskin*) and soldiers (*tımar* and *zaim*).

Kaya (2017b, p. 336) provided insights into the allocation of zakat revenues collected by the state. Approximately 75% of central budget revenues were derived from non-Muslims, with the remaining 25% coming from Muslims. Military salaries constituted about 60% of the expenses. He added that there is no harm in paying the salaries of the military class, who do not have any other assets or income, from the zakat fund.[9] He further emphasized that there was no formal institution known as the "zakat fund" or designated "zakat agents" within the state's organizational structure responsible for zakat collection (p. 328).

Contrary to Kaya, Aykanat and Karamursal mentioned a separate fund from which zakat revenues were collected and the existence of zakat officers. Dede Cöngi divided the budget into four main headings in the pamphlet he prepared on the state budget titled "Income sources, types and expenditure sections of revenues of *bayt al-mal*." One of them was "charity *bayt al-mal*." It consisted of tax revenues in the form of zakat; only those in need could benefit from it (Aykanat, 2015, p. 115). In addition, a share of zakat was given to the collectors of *ağnam resmi* called

[9] It probably refers to the sum of tax revenues including zakat.

cabi. Besides, there were zakat officers called customs[10] and collection (*tahsil*) officers (Aykanat, 2015, pp. 101–102).

According to Karamursal (1989, p. 164–165), *adet-i ağnam, ondalık ağnam*, and *ağnam resims*, collected from animals, were linked to *tımar* owners, *zaims,* and other landholders as part of their *dirlik*. In some regions, these *resims* were allocated to the treasury. In places allocated to *tımars*, these *resims* were taken directly by them; and in places where they were allocated to *havass-ı humayun*[11] and the treasury, they were administered by the officials as trust (*amanah)*, either in kind or for a price. In another part of the same book, it is stated that *zekat-ı sevaim*, *aşar,* and customs revenues taken from Islamic merchants were spent on poor people, *mesakin,* and *muhassıls* (*amiller*) (p. 117). In addition, Karamursal (1989, p. 176) stated that although various names were given to zakat officers, in addition to *cabi, muhtesip, muhassıl, kabzımal,* and *tahsildar* (collector), their duties were the same.

Dogarawa (2008, p. 2) confirms that it has been the tradition of Islamic states to allocate a fund or an account in the treasury for zakat till the end of the Ottoman Empire. Furthermore, secret giving is crucial in Islam; it might have also been practiced.

Discussion

The reason why the word zakat was not used directly in the Ottoman records may be as follows: Since the Ottoman subjects consisted of diverse ethnic and religious groups, Shari'ah taxes were applied under different names (Aykanat, 2015, p. 96; Kaya, 2017a, p. 251; Tekin, 2019, p. 69). Another reason might be the Ottoman State's preference for retaining the authority to determine the nisab, tax rates, and eligible taxpayers at its discretion (Kaya, 2017a, p. 251). Additional reason for this preference may be the collection of taxes through *iltizam*[12] system. Under this system, a specific income from a particular region was auctioned as a *mukataa*. Managing the same income with different methods and officials for collection from the Muslim reaya would have added an extra layer of

[10] It probably refers to the officials who collect customs duty.

[11] Personal property, land, annual income and *dirliks* belonging to the sultan, members of the dynasty, and high state officials.

[12] Giving the state's tax revenue to a private person.

administrative complexity. In addition, the transfer of zakat revenues to a *mültezim*, especially a wealthy military officer, by tender rather than being collected by an officer appointed as an agent, could pose a problem regarding legitimacy (Kaya, 2017b, p. 337).

Another aspect to consider in this context is the Ottoman perspective on the matter of zakat. As explained by Genç (2017), the Ottomans aimed to avoid creating a system that would necessitate extensive giving and receiving of zakat. Within a society composed of *reaya*, merchants, artisans, and soldiers, the land was distributed equally among the *reaya* as much as possible, and the *reaya* were asked to pay a moderate rate (12.5–20%). The villagers were not allowed to sell the land, make grants or establish waqfs, or leave it as an inheritance. If the peasant did not cultivate the land for three consecutive years, the land was given to another peasant who needed land instead. As for merchants and artisans, thanks to the presence of trade associations, the state could regulate profits to remain at a certain level, approximately 10%. There was also the military group, whose income increased astronomically as their position raised, and they ended their income with mission expenditures. Consequently, some individuals within these groups were able to offer zakat (pp. 256–259).

In this paper, we aimed to explain the collection and distribution of zakat in the Ottoman Empire, considering the zakatable items, their tax/zakat rates, whether they were taken from Muslims, and to whom the revenue of zakat was distributed. As we explained, for taxes to be accepted as zakat, all conditions of zakat in terms of *mukallaf* (obligator) and *mal* (property) had to be met. Additionally, the revenue should have been distributed to the groups specified in Surah al-Tawbah/60.

If the taxpayer was Muslim, then it means the zakat condition in terms of *mukallaf* was met assuming that the individual was free and considered a taxpayer. The zakat conditions regarding property, *nisab,* and *hawl* needed to be ensured—assuming full ownership, profit, *hawaij al-asliyyah*, and no corresponding debt (as explained in "Fiqh of Zakat" part above). Regarding the validity conditions of zakat, *niyyah*[13] (intention) and *tamlik* (transfer of ownership) are specified.

[13] Niyyah is a condition in Hanafi school since zakat is considered worship, while it is not a condition in other three schools since zakat is considered tax.

While it is challenging to ascertain the taxpayer's intention, we may assume he had zakat *niyyah*, as there were fatwas supporting this perspective. To sum up, once a taxpayer was Muslim, had *nisab*, and satisfied the conditions of *hawl* and *tamlik*, then we could categorize their payments as zakat. Consequently, it can be asserted that as long as obligated Muslims contributed their taxes from zakatable items, either at the zakat rate or higher, while fulfilling the conditions of *niyyah*, *hawl*, and *tamlik*, these payments could be acknowledged as their zakat.

Conclusion

The diversity of taxes stemmed from the multitude of subjects and products subject to taxation, as well as varying circumstances. In addition, different tax rates were applied in different cities and periods. Therefore, there was a tax practice in which differences were taken into account, which is critical in terms of justice. Initially, it looks like a complex system, and the taxes seem too much. However, when examined in detail, it can be said that there was an effort to be fair and not to reduce the tax revenues of the state and to make people pay a tax as much as they can afford. Despite the limited instances where the term "zakat" was directly used as a tax title, it is inconceivable that zakat was not practiced in these lands, given that the Ottoman Empire was an Islamic state. Although this study is grounded in secondary sources, future research, particularly through archival studies, has the potential to provide more substantial arguments.

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CHAPTER 4

Nano Entrepreneurship and Saving-Based Finance Concept in Waqf Literature: A Systematic Review and Future Research Direction

Rashed Jahangir and Mehmet Bulut

The notion of this study is based on the concept of nano entrepreneurship and savings-based finance (SBF), asserting the former as a derivative of the micro, small, and medium enterprises (MSMEs), which is one of the major driving forces for economies of countries across the globe, especially countries from Asia, Africa, and Latin America. The contribution

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of this sector to the economic performance is substantial (Weldeslassie et al., 2019); for example, MSME has a considerable impact on job vacancies (Herman, 2012; Hussain et al., 2017; Južnik Rotar et al., 2019), poverty alleviation (Adebayo & Nassar, 2014; Geremewe, 2018; Nursini, 2020), and economic development (Manzoor et al., 2019). It is worth mentioning that nano entrepreneurship is generally considered under the micro-enterprise domain; there is no universally accepted definition for this concept, except for some author-self-explanation. In fact, no full-fledged academic article regarding this term was found after the initial search, which encouraged researchers to investigate the term thoroughly and contribute to the literature to nudge future researchers to concentrate on this tremendously important sector of an economy. Due to the absence of theoretical discussion on nano entrepreneurship, this study explains the concept through the lens of MSMEs to develop a theoretical ground in the academic arena.

Nano entrepreneurship is a kind of business that is smaller than micro-businesses. According to the International Labour Organisation (1999), an enterprise with 1–10 employees is called a micro enterprise (Ebitu et al., 2016). However, the definition of nano enterprises can vary from one region to another. In the case of Nigeria, the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), which is the Federal Government's agency for Micro, Small, and Medium Enterprises (MSMEs), defines a nano enterprise as one with only one employee and assets valued at less than N100,000 (approximately $226 based on the Central Bank of Nigeria's exchange rate as of November 14, 2022). According to Abiodun Amuda-Kannike (2021), "nano entrepreneur" refers to someone who owns a small retail business, operates a micro wholesale enterprise, or makes a living as a street vendor.

This sector, including MSMEs, significantly influences the economic growth of countries across the globe (Taiwo et al., 2022). Both developed and developing countries consider this sector as the catalyst for the development of the economy and nation (Fatai, 2011); a strong correlation between MSMEs and poverty reduction is observed in countries such as USA (Gebremariam et al., 2004), Pakistan Sharafat et al. (2014), and Nigeria (Adebayo & Nassar, 2014). Studies show that MSMEs make up 38.57% of the total Indian industrial production; micro and small enterprises (MSEs) contribute more than 5.94% to the gross domestic product (GDP) (Tekola & Gidey, 2019). Between 2012 and 2017, MSMEs contributed 59.74% to Indonesia's GDP (Suhaili & Sugiharsono, 2019).

As of the fourth-quarter of 2017, MSMEs in Nigeria employed roughly 76.5% of the country's workforce and contributed about 49.78% to GDP (SMEDAN, 2017).

Along with this significant performance of MSMEs regarding the economy, the response of this sector to crisis is also substantial. All types of businesses, including MSMEs, have been adversely affected by disasters. The vulnerability of MSMEs to natural hazards is greater than that of large companies due to the following reasons: operating in less advantageous locations, having precarious financial conditions, maintaining niche target markets, receiving fewer recovery programs or stimulus packages, and intending to implement fewer disaster risk reduction (DRR) measures (Samantha, 2018; Zhang et al., 2004). For simplicity, we consider these reasons to be applicable to nano entrepreneurship regarding the crisis.

Similar to the first concept, the second one, i.e., SBF, also significantly impacts a country's economy. The term SBF has recently been used in academia; however, it has a long history, traced back to 200 BC (Ardener, 1964; Jahangir et al., 2022; Mushuku & Mayisa, 2014). There are 105 countries around the world that call SBF by different names (Dinç et al., 2022), such as Azerbaijan, lotto; Bangladesh, samity; China, hui; India, chit funds; Nigeria, Adasi. In academia, it is widely known as the rotating savings and credit association (ROSCA), which was first coined by Geertz in 1962. As with nano entrepreneurship, no universally accepted definition is articulated for ROSCA or SBF. The study uses the terms SBF instead of ROSCA repeatedly for simplicity and to eliminate complexity. According to Ardener (1964, p. 201): "An association formed on a core group of participants who agree to make regular contributions to a fund which is then distributed, either in full or in part, to each contributor in a rotating manner."

When it comes to social norms regarding socioeconomic conditions and solidarity among countries, SBF seems to be the most appropriate type of financial contract for individuals (Ambec & Treich, 2007). There is a strong link between SBF and the women-owned micro-businesses' growth as it has been perceived as a source of secretive income for women (Sedai et al., 2021). It plays a crucial role in building social capital and trust (Etang et al., 2008) and alleviating the effects of shocks for destitute individuals (Hoddinott et al., 2009). Most importantly, this concept facilitates the source of financing for informal businesses, including nano entrepreneurship.

Since both concepts or sectors impact a country's social and economic development, it deserves considerable concentration from researchers, especially in nano entrepreneurship. The study endeavors to answer the following question: How frequently the concept of nano entrepreneurship and SBF is used in waqf[1] literature? Indeed, some literature applied systematic review or bibliometric analysis regarding MSME sector (Gherhes et al., 2016; Hurley, 2018; Mulibana & Rena, 2021; Yanti et al., 2022); however, none of them concentrated on the concept of nano entrepreneurship and SBF.

For this reason, this study aims to ascertain the concentration of researchers on the notion of nano entrepreneurship and SBF in waqf literature as well as comprehend these two concepts for the benefit of academia. Notably, this paper does not provide any theoretical ground to define the nano business concept or propose any waqf-centric SBF model for nano entrepreneurs or offer any distinct differences between nano and micro enterprises, except the utilization of the concept of nano entrepreneurship and SBF in literature.

To address these two concepts in research, the study adopts a PRISMA-compliant systematic literature review and thoroughly examines the connections between articles, citations, and keywords so that the outcomes can deliver complete details on the research sector (Feng et al., 2017; Handayani et al., 2021). In addition, the VOSviewer text mining application and Scimago Graphica are used to identify clusters of research areas and offer readers powerful visualizations to aid in future research, respectively.

The remainder of the paper is organized as follows. The review methodology section systematically analyzes the sample topic related to literature in the waqf arena. The findings and analysis section explains and

[1] Waqf or Awaqf is a prominent Islamic social finance (ISF) mechanism that has benevolence nature to ensure social well-being. According to Islamic Development Bank, "Awqaf (also spelled awkaf, singular waqf/wakf) is an Arabic word meaning assets that are donated, bequeathed, or purchased for being held in perpetual trust for general or specific charitable causes that are socially beneficial. In many ways, the concept of waqf is similar to the Western concept of endowment" (IsDB, n.d.). There are an estimated 100 billion to 1 trillion dollars in waqf assets, mostly real estate (The World Bank Group, INCEIF, and ISRA, 2019).

interprets the ascertained results, and the discussion section critically clarifies the overall findings. Finally, the conclusion and future agenda section summarizes the overall study and provides future research direction for potential researchers.

Review Methodology

To ensure clarity, full coverage, and delicacy of topic-related literature for this study, an alternative approach to a narrative review—i.e., Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA)—is applied to conduct a systematic literature review. Research topics are addressed through systematic reviews (SLR), introduced by Moher et al. in 2009, that collect and assemble data based on pre-specified eligibility criteria. An established protocol and systematic approaches are used to reduce bias. The PRISMA framework generally uses the four stages of identification, screening, eligibility, and inclusion, to examine the literature (Jahangir et al., 2022).

Formula and Flowchart of SLR

The section begins by illustrating and explaining the mathematical formulas of the phases used in the PRISMA-compliant SLR. We adopted the following formulas that were first introduced by Jahangir et al. (2022). The aggregate formula is given as follows:

$$Inc(SLR_n) = \sum I - \sum S_1\{(dup)C_1\} - \sum S_2\{(titleabst)C_2\} - \sum E\{(Fulltext)C_3\}$$

where

$Inc(SLR_n)$	"Total number of studies selected and included for systematic literature review."
$\sum I$	"Number of studies recorded after the Identification process."
$\sum S_1\{(dup)C_1\}$	"Number of studies recorded after removing duplicated ones from $\sum I$ along with conditions [1st screening]."

$\sum S_2\{(titleabst)C_2\}$ "Number of studies recorded after removing studies from $\sum S_1\{(dup)C_1\}$ considering the title and abstract along with conditions [2nd screening]."

$\sum E\{(Fulltext)C_3\}$ "Number of studies recorded as eligible after removing studies from $\sum S_2\{(titleabst)C_2\}$ based on specified conditions."

Sub-formulas—identification stage

$$\sum I = \sum Ind(BscS_n) - \sum Ind(AdvS_n) - \sum Ind(FfiS_n)$$

i. ***Basic Search***:

General formula

$$Ind(BscS_n) = \sum DB_1\{C_1\} + \sum DB_2\{C_2\} + \sum DB_3\{C_3\} + \dots\dots\dots\dots\dots\dots \sum DB_n\{C_n\}$$

Applied formula

$$Ind(BscS_n) = \sum SCP\{C_1\} + \sum WoS\{C_2\} + \sum TF\{C_3\}.$$

ii. ***Advanced Search***:

General formula

$$Ind(AdvS_n) = \sum DB_1\{C_1\} + \sum DB_2\{C_2\} + \sum DB_3\{C_3\} + \dots\dots\dots\dots\dots\dots \sum DB_n\{C_n\}$$

Applied formula

$$Ind(AdvS_n) = \sum SCP\{C_1\} + \sum WoS\{C_2\} + \sum TF\{C_3\}.$$

iii. ***Full-filtered Search***:

General formula

$$Ind(FfiS_n) = \sum DB_1\{C_1\} + \sum DB_2\{C_2\} + \sum DB_3\{C_3\} + \ldots\ldots\ldots\ldots\ldots\ldots \sum DB_n\{C_n\}$$

Applied formula

$$Ind(FfiS_n) = \sum SCP\{C_1\} + \sum WoS\{C_2\} + \sum TF\{C_3\}$$

where

$\sum DB_n\{C_n\}+$	"Number of databases used for data identification with applied conditions."
$\sum Ind(BscS_n)$	"Total number of identified studies after basic search including conditions."
$\sum Ind(AdvS_n)$	"Total number of identified studies after running an advanced search on studies found through basic search [including conditions]."
$\sum Ind(FfiS_n)$	"Total number of identified studies after running a full-filtered search on studies found through advanced search [including conditions]."

$\sum SCP\{C_1\}$ = "Number of studies identified in Scopus with conditions"; $\sum WoS\{C_2\}$ = "Number of studies identified in Web of Science with conditions"; $\sum TF\{C_3\}$ = "Number of studies identified in Taylor & Francis with conditions."

Search Strategy

We used a systematic search technique to find related studies on the chosen topic. Three (03) prestigious academic databases from across the world—i.e., Scopus, Web of Science, and Taylor & Francis—were considered to cover the research's scope and identify the most pertinent and suitable studies. In the identification process, we used two search criteria: (i) advanced search [including basic search] and (ii) full-filtered search.

The following keywords were used in the basic search: "waqf" OR "Waqf" OR "WAQF" OR "Awqaf" OR "awqaf" OR "AWQAF." A total of 2573 pieces of literature were identified and recorded in the

Table 4.1 Search query for advanced search

Database	*Search query*
Scopus	TITLE ("waqf" OR "Waqf" OR "WAQF" OR "Awqaf" OR "awqaf" OR "AWQAF") AND (LIMIT-TO (PUBYEAR, 2022) OR LIMIT-TO (PUBYEAR, 2021) OR LIMIT-TO (PUBYEAR, 2020) OR LIMIT-TO (PUBYEAR, 2019) OR LIMIT-TO (PUBYEAR, 2018) OR LIMIT-TO (PUBYEAR, 2017) OR LIMIT-TO (PUBYEAR, 2016) OR LIMIT-TO (PUBYEAR, 2015) OR LIMIT-TO (PUBYEAR, 2014) OR LIMIT-TO (PUBYEAR, 2013) OR LIMIT-TO (PUBYEAR, 2012) OR LIMIT-TO (PUBYEAR, 2011) OR LIMIT-TO (PUBYEAR, 2010) OR LIMIT-TO (PUBYEAR, 2009) OR LIMIT-TO (PUBYEAR, 2008) OR LIMIT-TO (PUBYEAR, 2007) OR LIMIT-TO (PUBYEAR, 2005) OR LIMIT-TO (PUBYEAR, 2003) OR LIMIT-TO (PUBYEAR, 2002) OR LIMIT-TO (PUBYEAR, 2001) OR LIMIT-TO (PUBYEAR, 2000)) AND (LIMIT-TO (DOCTYPE, "ar")) AND (LIMIT-TO (LANGUAGE, "English")) AND (LIMIT-TO (SRCTYPE, "j"))
Web of Science	"waqf" OR "Waqf" OR "WAQF" OR "Awqaf" OR "awqaf" OR "AWQAF" (Title); Refined By: Publication Years: 2021 or 2022 or 2019 or 2020 or 2018 or 2016 or 2017 or 2015 or 2014 or 2013 or 2012 or 2011 or 2010 or 2009 or 2008 or 2006 or 2007 or 2004 or 2003 or 2002 or 2001 or 2000. Document Types: Articles. Languages: English
Taylor & Francis	[Publication Title: "waqf"] OR [Publication Title: "waqf"] OR [Publication Title: "waqf"] OR [Publication Title: "awqaf"] OR [Publication Title: "awqaf"] OR [Publication Title: "awqaf"] AND [Article Type: Article] AND [Language: English] AND [Publication Date: (01/01/2000 TO 12/31/2022)]

basic search; however, the number significantly reduced to 547 after the advanced search and full-filtered. The following keywords and criteria were used for the advanced search (Table 4.1).

At the end of this stage, we used a full-filtered method to standardize [or minimize] the number of literatures by using the following keywords: author's name, title, year, and document type. The search was conducted on June 21, 2022.

Inclusion and Exclusion Criteria

The article selection was primarily based on the concept of waqf related to entrepreneurship and SBF. The timeframe of the search was between 2000 and 2022. The research considered only journal articles, excluding book, book chapters, review articles, and proceeding articles. The inclusion and exclusion criteria of the articles are as follows (Table 4.2).

Table 4.2 Advanced criteria for refining scholarly literature

Database	*Refined by*				
	Subject area	*Document type*	*Source type*	*Language*	*Year*
Scopus	Business & Economics, Development, Entrepreneurship, Environment, General, Governance, Healthcare, Higher Education, History, Law, Literature review, Poverty Alleviation, Shariah, and Social	Article	Journal	English	2000–2022
Web of Science		Article	Journal	English	2000–2022
Taylor & Francis		Article	Journal	English	2000–2022

Selection, Quality Assessment, and Data Extraction

As mentioned in the earlier section, published articles in the English language were selected for this research. To avoid reiteration of papers for analysis, we applied Excel's duplication-removing technique as follows:

$$
ClickHome > ConditionalFormatting > HighlightCellsRules \\ > DuplicateValues
$$

In this process, a total of 127 articles were removed, resulting in 420 articles being recorded for further screening. Later, the title and abstract of the documented papers were carefully reviewed based on the scope of the study—i.e., a total of 186 full papers—and the rest were removed (234 articles). Under this stage, papers related to higher education, general, health care, law, history, literature review, and Shariah were excluded. We included papers on entrepreneurship, business and economics, governance, poverty alleviation, development, and the environment. The selected 186 full articles under this screening process were then reserved for the eligibility stage.

Under the eligibility stage, a total of 137 papers were removed based on the following criteria: (i) articles not offering models, (ii) unavailability of full text, and (iii) undetected articles during the screening stage. Finally, we selected 49 papers for data extraction and principal analysis under the included phase (Table 4.7, Appendix D), which is approximately 9% of the identification stage, and 26% of the screening and eligibility stages. It is worth mentioning that we only considered studies that proposed models in business and related fields for the final analysis. Furthermore, papers from Taylor & Francis could not pass the eligibility stage for analysis, leaving only two databases for the analysis: Scopus and Web of Science.

We extracted the data based on the following 21 items: *Authors name; Title of article; Journal's name; Year of publication; Volume; Issue; Citation; Publisher; Database; Research area; Country; Research type; Data collection method; No. of respondents; Applied technique; Data type; Study nature; Model proposed or test; Proposed model or applied test; Focus group; Focus area*. Figure 4.1 illustrates the entire reviewing stages of SLR.

Analysis Tools

The dataset was documented, screened, cleaned, assembled, and subjected to analysis using an Excel spreadsheet. After extracting the data, we employed SCImago Graphica[2] and VOSviewer[3] applications to conspicuously visualize the linkage between the obtained variables. The former method shows the general representation of the variables through various figures; the latter one, on the other hand, analyzes the variables using text mining functionality to produce maps to evince the connection between the factors—e.g., most frequently used focus area in the literature.

[2] An application to produce sophisticated and attractive graphics.

[3] An application for creating and visualizing bibliometric networks. Citation, bibliographic coupling, co-occurrence, co-citation, and co-authorship interactions may be used to build these networks, which can include journals, researchers, and individual articles (Van Eck & Waltman, 2017). The software also has the functionality of text mining that allows a user or researcher to develop term maps from a corpus of texts (Van Eck & Waltman, 2011).

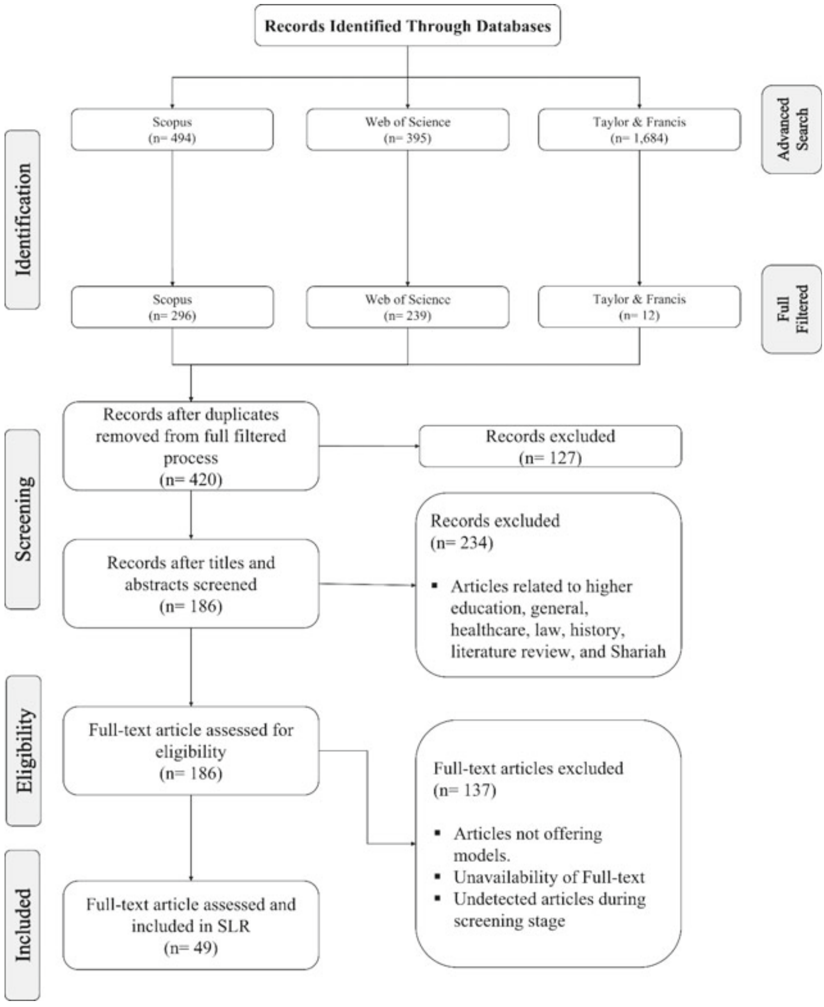

Fig. 4.1 PRISMA flow diagram (systematic review stages)

Findings and Analysis

We found several outcomes from SLR and text mining functionality. Ascertained findings from the included articles through SLR are explained based on descriptive classification, literature classification, and statistical analysis. On the other hand, text mining functionality illuminates the construction and visualization of co-occurrence networks of significant terms taken from the chosen sample of academic papers.

Descriptive Classification

Under the descriptive classification (Fig. 4.2), the number of articles based on the country [a], database [b], year [c], and data collection method [d] is illustrated. Among the sample articles, the highest number of published papers was concentrated in Malaysia during the sample period, and most of the articles are ESCI (Web of Science) indexed, almost double that of Scopus. In some cases, they are indexed by both Scopus and ESCI; however, we prefer to show them individually to segregate them. It is observed that the year 2021 has the highest number of published articles, followed by 2022, 2016, 2017, and 2018. Most of the articles considered a "survey" (SV) for data collection method, followed by a semi-structured interview (SSI), review (Review), interview (IN), structured interview (SI), focus study (FS), documentary study (DS), and structured questionnaire (SQ).

We also articulated the number of articles based on journals (Table 4.4, Appendix A) and the top 15 cited papers (Table 4.5, Appendix B). The *ISRA International Journal of Islamic Finance* published the highest paper during the sample period, followed by the *Journal of Islamic Accounting and Business Research, the International Journal of Islamic and Middle Eastern Finance and Management*, and *International Journal of Ethics and Systems.* Masrizal et al. (2022) received the highest citation during the sample period, followed by Ab Shatar et al. (2021), Iman and Mohammad (2017), Sadeq (2002), Miran (2009), Yakob et al. (2022), Raimi et al. (2014), Mohd Thas Thaker et al. (2021), Hapsari et al. (2022a), Haji Mohammad (2015), Ali and Kassim (2020), Afroz et al. (2019), Mohd Thas Thaker et al. (2018), Hapsari et al. (2022b), and Mohd Thas Thaker et al. (2016a).

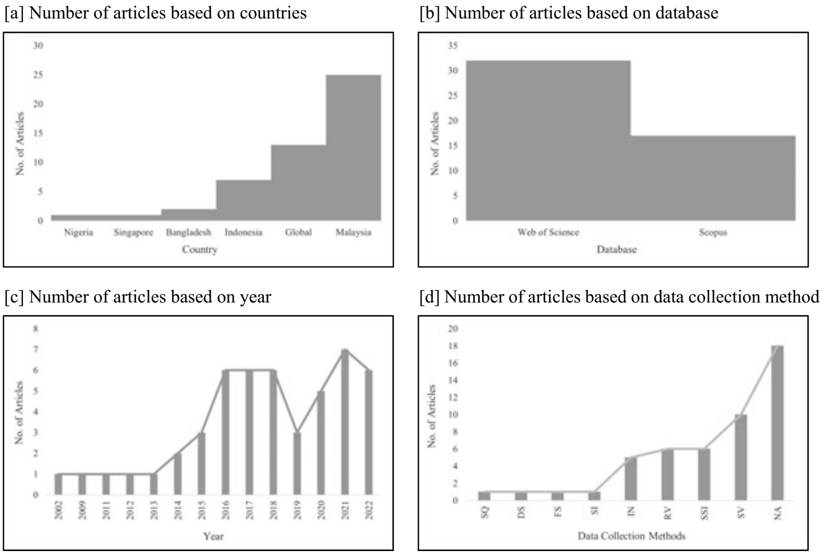

Fig. 4.2 Number of articles based on country, database, year, and data collection method

Literature Classification

Regarding literature classification, we analyzed the articles based on country, research area, research type, data collection method, no. of respondents, applied technique, data type, study nature, proposed model or applied test, focus group, and focus area. Figure 4.3 shows the number of citations of articles based on country, database, research area, research type, study nature, and year. The highest number of citations is based on Malaysia-centric articles, followed by global, Indonesia, Bangladesh, Singapore, and Nigeria [a]. Between Scopus and Web of Science, the latter received the highest number of citations [b]. Most cited articles are business and economics oriented, followed by entrepreneurs and development [c]. Regarding the research type and study nature, researchers mostly cited qualitative articles [d] that are primarily conceptual [e]. Noticeably, papers published in the recent decade of the twenty-first century received more citations than the previous one [f].

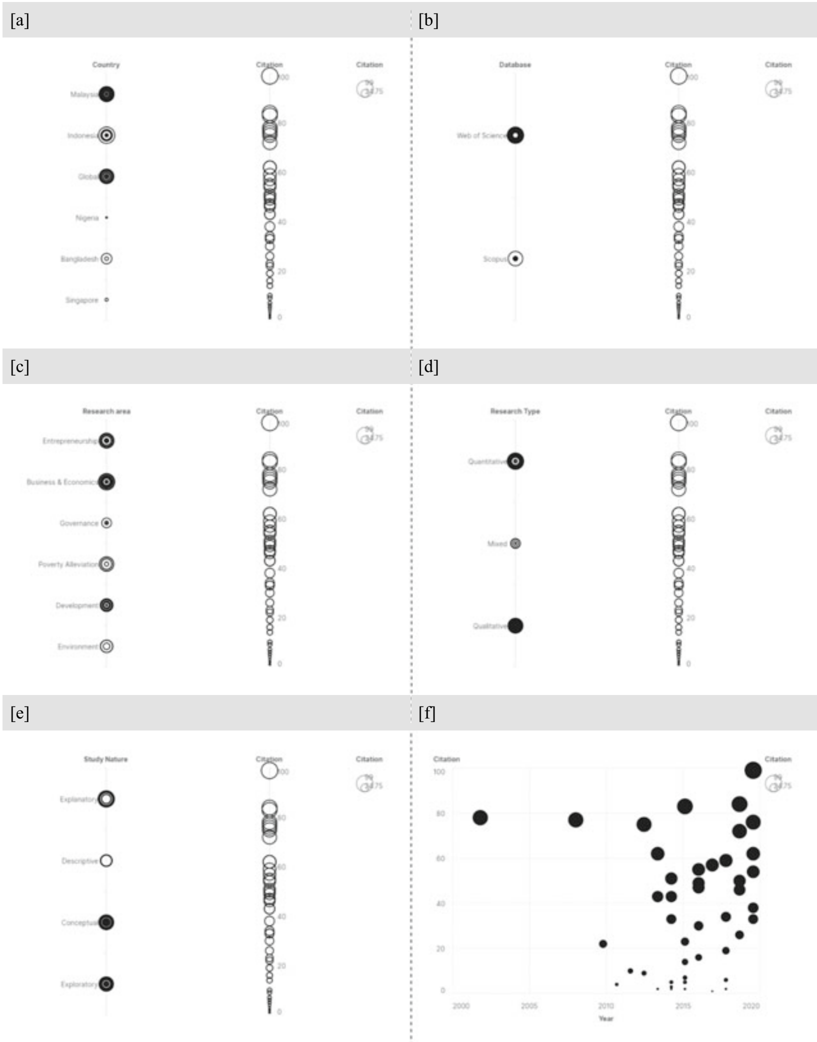

Fig. 4.3 Number of citations based on country, database, research area, research type, study nature, and year

Figure 4.4 illustrates that the sample country-based papers were primarily indexed by Scopus, followed by Web of Science [a]; Malaysia-centric papers cover the most diverse research area after global or general-oriented articles [b]. These country-wise papers were predominantly concentrated on exploratory, followed by conceptual, explanatory, and descriptive [d], which were mostly indexed by ESCI (Web of Science) [f]. Figure 4.5 demonstrates the information of chosen articles related to the country, applied technique, data type, and no. of respondents. The highest number of respondents were used for structural equation modeling and logistic regression model, followed by the partial least square method [a]. Malaysia-centric papers considered the most diversified applied techniques, followed by global and Indonesian; structural equation modeling (primary data) was a highly applied technique (data type) among the researchers during the period [b, c].

Based on the main motive of this SLR, Table 4.6 (Appendix C) articulates the offered models by the selected articles during the sample period and summarizes the focus areas and groups that were ascertained from those papers. It is seen that the frequency of applying *integrated cash waqf micro-enterprises investment model* was the highest among the researchers, followed by the *crowdfunding waqf model* and *corporate waqf model*. Regarding the trend of year-wise applied models, researchers' preferences for using models are diversified; no specific pattern of using models is found. However, after critically observing, it seems that the published papers were predominantly inclined to the entrepreneurship, crowdfunding, and cash waqf concept in recent years. Through this analysis, no study was found that has applied nano entrepreneurship and SBF concept in waqf literature.

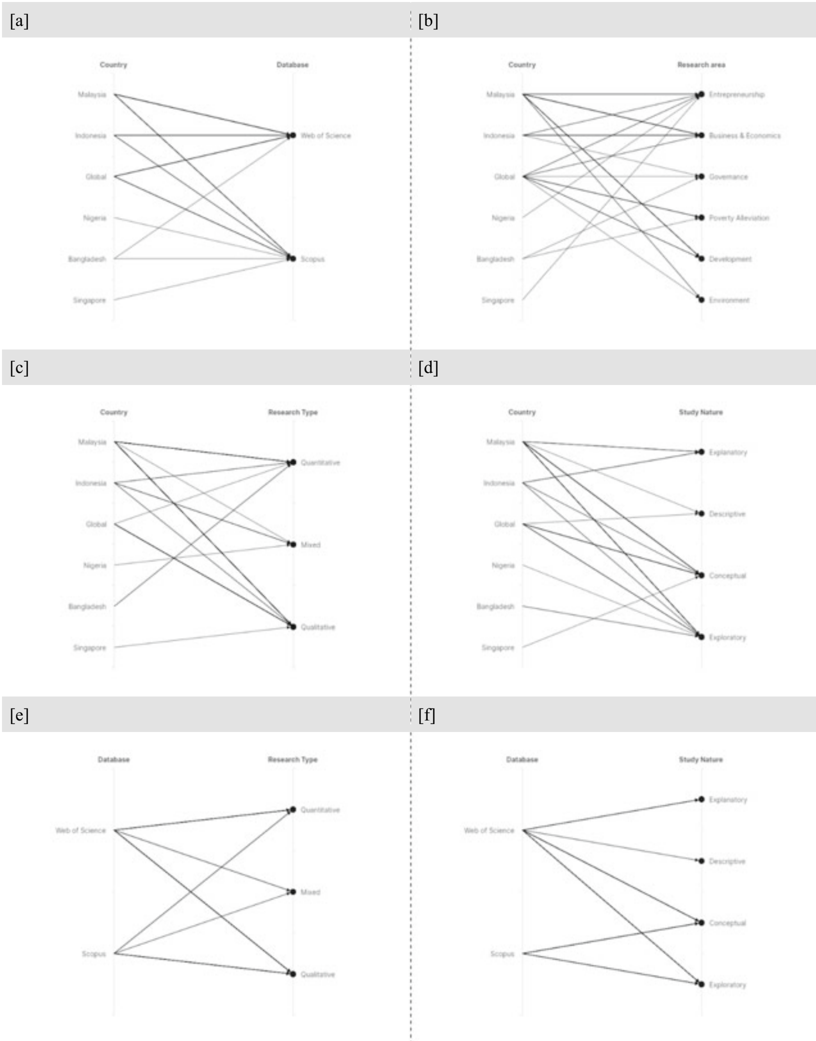

Fig. 4.4 Relationship between country, database, research area, research type, and study nature

Relationship between country, database, research area, research type, and study nature	Relationship between country, database, research area, research type, and study nature
Relationship between country, database, research area, research type, and study nature	Relationship between country, database, research area, research type, and study nature
Relationship between country, database, research area, research type, and study nature	Relationship between country, database, research area, research type, and study nature
Relationship between country, database, research area, research type, and study nature	Relationship between country, database, research area, research type, and study nature

Fig. 4.5 Relationship between country, applied technique, data type, and no. of respondents

Co-occurrence Networks Analysis

After analyzing the titles and abstracts of the selected articles and considering the full-counting method, we found several items or terms that are grouped based on four themes—i.e., entrepreneurship; business and economics; governance, development, environment, and poverty; aggregated articles (Fig. 4.6).

Under the threshold selection, 3, 3, 3, and 5 minimum number of co-occurrence of a term is used for entrepreneurship, business and economics, governance-development-environment-poverty, and aggregated articles, respectively. Of the 480, 582, 733, and 1478 terms, 60, 71, 96, and 115 meet the threshold. Based on the number of terms choice, a relevance score is calculated for each of the meet threshold terms, and 60% most relevant terms are selected, resulting in 26, 39, 52, and 61 terms, which are clustered into 6, 5, 8, and 8 themes and created 91, 230, 268, and 505 links, respectively.

Considering the aggregated co-occurrence network analysis, eight significant clusters merged the terms which contain the keywords as follows: crowdfunding waqf model, micro enterprise, social enterprise, cash waqf fund, crowd funder, society, waqf property, poverty alleviation, microfinance, management, business, sustainability, characteristics, and economic growth.

Based on the illustrations, observations, and explanations, we detected only a few papers related to entrepreneurship; however, none of them focused on nano entrepreneurship and SBF concept.

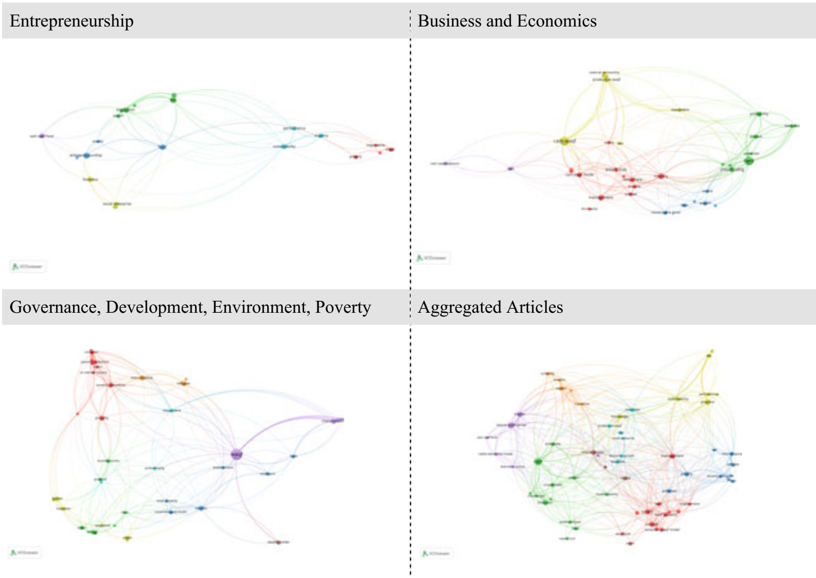

Fig. 4.6 Illustration of occurrence of terms among selected articles

Statistical Analysis

In this final analysis, the extracted data collected through SLR approach is tested through two prominent statistical techniques—i.e., correlation and regression—to observe the relationship between the selected variables.

In terms of correlation, the pair of "year and no of articles" shows the highest positive relationship (73%), meaning that the number of articles on the selected items has increased over the years. On the other hand, the highest negative correlation is observed in three pairs (−53%), such as "year and data collection method," "year and data type," and "no. of articles and data type." For example, the relationship between no. of articles and data type denotes that increasing published articles decreases the type of data used in the article.

Unlike correlation, regression provides the impact of independent variables on dependent ones. Table 4.3 shows that "no. of articles" (published) is a dependent variable. In contrast, the independent variables are as follows: year, database, research area, country, research type, data collection method, no. of respondents, data type, and study nature.

This section only explains coefficient and R square values to understand the relationship between indicators. There are only two variables that have statistically significant coefficient value regarding the measured variable or dependent variable at a 5% (0.05) level of confidence—i.e., year and data type. For example, the coefficient value of year (0.317694872) denotes that one unit increase in year or the change of year leads to an increase in the number of articles published on the sample topic by 0.317694872 unit, considering other variables remaining constant. On the other hand, the R-square value 0.634850112 denotes that all selected independent variables can explain 63.35% variance in no. of article (published).

Discussion

Ascertaining the concept of nano entrepreneurship and SBF presence in waqf literature is the primary goal of this study. For this reason, general keywords related to waqf were used to avoid any missing article(s) that comply with the notion. In this process, a significant number of articles were found that are directly linked to business, economics, and entrepreneurship; however, some papers have an indirect relationship with the topic, such as governance, poverty alleviation, development, and the environment.

The data extracted through the SLR method and the results from the collected data have added a significant knowledge stream to the literature. As seen in the findings, most of the studies related to the sample topic were Malaysia-centric; denoting the concentration of academia on the waqf-based business models is higher in Malaysia than in any other country across the globe.

It is worth mentioning that the trend of publishing papers on waqf-based business models shows an upward slope during the global health crisis (Covid-19), which indicates the emergence of social finance mechanisms in that period, especially Islamic social finance (ISF) instruments, such as waqf. The study does not intend to show the inclination toward the ISF mechanisms; rather, it claims the importance of the concept in entrepreneurship. After analyzing the selected sample, the use of entrepreneurship is observed in the literature; however, no waqf-centric literature is found considering the concept of nano entrepreneurship and SBF. One of the reasons behind this finding seems to be the inclusion of nano entrepreneurship into MSMEs, which requires future studies to separate nano entrepreneurship from this sector.

Table 4.3 Correlation and regression analysis

Particulars	*Year (%)*	*No. of article (%)*	*Database (%)*	*Research area (%)*	*Country (%)*	*Research type (%)*	*Data collection method (%)*	*No. of responders (%)*	*Data type (%)*	*Study nature (%)*
Year	100									
No. of article	73	100								
Database	27	25	100							
Research area	−10	−9	18	100						
Country	−26	−31	−28	5	100					
Research type	−10	−13	−25	8	5	100				
Data collection method	−53	−38	−27	25	24	42	100			
No. of respondents	17	11	24	6	−16	−47	−34	100		
Data type	−53	−53	−19	13	7	23	61	−26	100	
Study nature	−27	−4	−15	12	7	6	28	−19	30	100

No. of article/particular	*Coefficients*	*Standard error*	*t Stat*	*P-value*
Intercept	−636.0122136	124.8397995	−5.094627002	9.2871E-06
Year	0.317694872	0.061754357	5.144493242	7.93059E-06
Database	0.183065221	0.438906836	0.417093575	0.678897037
Research area	−0.050841034	0.119369918	−0.42591161	0.672513691
Country	−0.256574831	0.160202066	−1.601570048	0.117320817
Research Type	−0.195029477	0.329418912	−0.592040925	0.557240085
Data collection method	0.156177258	0.131952382	1.18358802	0.243740541
No. of respondents	−0.000447565	0.000926335	−0.483156517	0.631686039
Data type	−0.530527928	0.215280711	−2.464354214	0.018237768
Study Nature	0.480986459	0.260601389	1.8456788	0.072540336

(continued)

Table 4.3 (continued)

Particular	*df*	*SS*	*F*	*Significance F*
Regression	9	110.4639195	7.53393947	2.72184E-06
Residual	39	63.53608049	*Regression statistics*	
Total	48	174	R Square	0.634850112

Source Authors [Excel]

The findings through this PRISMA-compliant SLR have several implications. One of the most important and immediate implications is to provide motivation to future researchers to work on the ascertained research gap—i.e., no study on nano entrepreneurs and SBF in waqf literature. There is also a long-term implication of this research. Since nano entrepreneurship and SBF play a crucial role in a country's economic growth, they require an academic concentration to develop the sectors. This academic focus will strengthen the sectors by developing social or business-oriented models or frameworks, which may ultimately contribute to developing a country's social and economic domains.

Conclusion and Future Agenda

This paper aims to investigate the use of nano entrepreneurship and SBF concept in waqf literature by PRISMA-compliant SLR. In doing so, a protocol is developed from identification to screening to eligibility to inclusion process. Through this approach, only 49 papers passed the eligibility stage and were included for analysis. The included papers were analyzed in four ways: descriptive classification, literature classification, co-occurrence network analysis, and statistical analysis.

There are several factors to retrieve information from description classification; however, we considered only four variables—i.e., year, country, database, and data collection method—in contrast to "no. of article" (published). Through the description classification, we found that most of the published papers are Malaysia-centric, Web of Science indexed, the highest number of papers were published in 2021, and the "survey" is the most frequently used method for data collection during the sample period. In terms of literature classification, the study deeply analyzed the articles based on the following keywords—e.g., country, research area, research type, data collection method, no. of respondents, applied technique, data type, study nature, proposed model or applied test, focus group, and focus area. Finally, eight significant clusters containing different keywords or terms were grouped based on the co-occurrence network analysis.

In a nutshell, the findings show an increasing annual trend of research related to entrepreneurship and other related fields in the waqf arena; however, nano entrepreneurship and the SBF concept are absent from waqf literature, leaving future researchers an opportunity to contribute to the sector's growth academically and institutionally.

Despite these significant findings, the study has some limitations as well. The study followed a protocol to exclude articles collected through basic and advanced literature searches to ensure clarity and specificity. Firstly, it considered only articles [excluding books, book reviews, review articles, and proceeding papers] published in English between 2000 and 2022. Secondly, the articles collected are from only three academic databases, thus excluding much of the waqf-related literature. In short, all the exclusion criteria for SLR can be considered part of this study's limitations. In light of these limitations, future researchers are recommended to use the exclusion criteria of this study as inclusion criteria for their research.

In summary, under the shadow of micro-businesses, nano entrepreneurship has already played a crucial role in developing a country's social and economic domain. A proper academic focus and authoritative nurture would enable the sector to accelerate significantly beyond its current pace. On the other hand, the micro nature of SBF is also a potential concept to contribute to the economy and can be a gateway to ensure a sustainable source of financing for this nano entrepreneurship through the benevolent waqf concept. Thus, a proper integration of these three concepts could enhance collaboration and cooperation in a society and contribute to the economy.

Appendices

Appendix A

See Table 4.4.

Table 4.4 Number of articles based on journals

Name of Journals	*No. of articles*
ISRA International Journal of Islamic Finance	6
Journal of Islamic Accounting and Business Research	4
International Journal of Islamic and Middle Eastern Finance and Management	4
International Journal of Ethics and Systems	3
Journal of Islamic Marketing	2
Qualitative Research in Financial Markets	2
Humanomics	2
International Journal of Innovation, Creativity and Change	2
Journal of Islamic Economics, Banking and Finance	1
World Journal of Entrepreneurship Management and Sustainable Development	1
Middle-East Journal of Scientific Research	1
Institutions and Economies	1
Journal of Economic Cooperation and Development	1
Intellectual Discourse	1
Journal of King Abdulaziz University, Islamic Economics	1
International Journal of African Historical Studies	1
Gadjah Mada International Journal of Business	1
International Journal of Applied Business and Economic Research	1
Journal of Asian Finance Economics and Business	1
International Journal of Economics and Business Research	1
Estudios De Economia Aplicada	1
African Journal of Business Management	1
Etikonomi	1
Advanced Science Letters	1
Jurnal Pengurusan	1
Banks and Bank Systems	1
Opcion	1
International Journal of Monetary Economics and Finance	1
Turkish Journal of Islamic Economics-Tujise	1
International Journal of Social Economics	1
Advances in Environmental Biology	1
Borsa Istanbul Review	1
Total	49

Source Authors

Appendix B

See Table 4.5.

Table 4.5 Top 15 cited papers among the selected sample articles

Authors	*Article title*	*Citation*
Masrizal et al. (2022)	Determinant factor of crowdfunders' behavior in using crowdfunding waqf model in Indonesia: two competing models	99
Ab Shatar et al. (2021)	Determinants of cash waqf fund collection in Malaysian Islamic banking institutions: empirical insights from employees' perspectives	84
Iman and Mohammad (2017)	Waqf as a framework for entrepreneurship	83
Sadeq (2002)	Waqf, perpetual charity and poverty alleviation	78
Miran (2009)	Endowing Property and Edifying Power in a Red Sea Port: Waqf, Arab Migrant Entrepreneurs, and Urban Authority in Massawa, 1860s–1880s	77
Yakob et al. (2022)	Analysis of enterprise risk management practices in Malaysian waqf institutions	76
Raimi et al. (2014)	Corporate social responsibility, Waqf system and Zakat system as faith-based model for poverty reduction	75
Mohd Thas Thaker et al. (2021)	Cash waqf model for micro enterprises' human capital development	72
Hapsari et al. (2022b)	The likelihood of using crowdfunding-Waqf model in Malaysia	62
Haji Mohammad (2015)	Theoretical and trustees' perspectives on the establishment of an Islamic social (Waqf) bank	62
Ali and Kassim (2020)	Waqf Forest: How Waqf Can Play a Role In Forest Preservation and SDGs Achievement?	59

(continued)

Table 4.5 (continued)

Authors	*Article title*	*Citation*
Afroz et al. (2019)	Factors Affecting the Intention of the Rice Farmers to Adopt the Integrated Cash Waqf Environmental Protection Model: An Empirical Study in Kedah Malaysia	57
Mohd Thas Thaker and Allah Pitchay (2018)	Factors influencing the adoption of the crowdfunding-waqf model (CWM) in the waqf land development	55
Hapsari et al. (2022a)	A qualitative investigation into crowdfunding framework as a source of financing for waqf land development	54
Mohd Thas Thaker et al. (2016b)	Developing cash waqf model as an alternative source of financing for micro enterprises in Malaysia	51

Source Authors

Appendix C

See Table 4.6.

Appendix D

See Table 4.7.

Table 4.6 List of published articles during Covid-19 period

Authors	*Proposed model or structure*	*Focus group*	*Focus area*
Masrizal et al. (2022)	Crowdfunding waqf model	Waqf institutions	Productive and social waqf
Yakob et al. (2022)	Enterprise risk management	Managers	Risk management
Hapsari et al. (2022a)	Alternative crowdfunding waqf model	General	Waqf land
Hapsari et al. (2022b)	Crowdfunding waqf model	Experts	Waqf land
Ascarya et al. (2022b)	Waqf-based IFI models	Experts and practitioners	Islamic Financial Institutions
Ascarya et al. (2022a)	Productive waqf model	Expert and practitioners	Productive waqf
Ab Shatar et al. (2021)	Main factors that affect cash waqf collection	Islamic Bank employees	Cash waqf collection
Mohd Thas Thaker et al. (2021)	Integrated cash waqf micro enterprises investment model	Micro enterprises	Human capital development

(continued)

Table 4.6 (continued)

Authors	*Proposed model or structure*	*Focus group*	*Focus area*
Fauziah (2021)	Integrated cash waqf micro enterprises investment model	Social entrepreneurs, waqf regulators, and academicians	Decent work and economic growth
Saiti et al. (2021)	Global cash waqf model	Poor people	Cash waqf
Ari and Koc (2021)	Waqf-owned financial intermediary model	General	Renewable energy investment
Darus et al. (2021)	Corporate waqf model	Chief Executive Officers, SIRC officers, Islamic Scholars and Academics	Corporate waqf
Ibrahim et al. (2021)	Waqf-microfinance collaboration model	Microfinance industry	Socioeconomic growth
Ali and Kassim (2020)	Productive waqf forests scheme	Forest	Productive waqf
Zain and Sori (2020)	SRI sukuk model	Experts and practitioners	Waqf properties
Salleh et al. (2020)	Waqf-based Takaful model	Flood victims	Risk and financial protection
Huda and Santoso (2020)	Holistic corporate waqf model	Waqf assets companies	Corporate waqf asset
Qurrata et al. (2020)	Conceptual model	Malang Muslim community	Cash waqf
Afroz et al. (2019)	Integrated waqf environmental protection model	Farmers	Cash waqf
Amudaa et al. (2019)	Tapping waqf	Agribusiness	Cash waqf
Anshori (2019)	Indonesia waqf venture	Waqf venture	Islamic-socialpreneurship

Source Authors

Table 4.7 List of included papers for final analysis

Authors	*Title*	*Publisher*	*Year*
Yakob, R., Abdullah, M.H.S.B., Yakob, S., Yakob, N., Razali, N.H.M., Mohamad, H.	Analysis of enterprise risk management practices in Malaysian waqf institutions	Emerald Group Publishing Ltd.	2022
Hapsari, M.I., Mohd Thas Thaker, M.A.B.T., Mohammed, M.O., Duasa, J.	A qualitative investigation into crowdfunding framework as a source of financing for waqf land development	Emerald Group Publishing Ltd.	2022a
Ascarya, A., Hosen, M.N., Rahmawati, S.	Designing simple productive waqf models for Indonesia	Emerald Group Publishing Ltd.	2022a
Masrizal, Sukmana, R., Trianto, B., Zaimsyah, A.M.	Determinant factor of crowdfunders' behavior in using crowdfunding waqf model in Indonesia: two competing models	Emerald Group Publishing Ltd.	2022
Ascarya, A., Husman, J.A., Tanjung, H.	Determining the characteristics of waqf-based Islamic financial institution and proposing appropriate models for Indonesia	Emerald Group Publishing Ltd.	2022b
Hapsari, M.I., Mohd Thas Thaker, M.A.B.T., Mohammed, M.O., Duasa, J.	The likelihood of using crowdfunding-Waqf model in Malaysia	Emerald Group Publishing Ltd.	2022b
Mohd Thas Thaker, M.A.M.T., Amin, M.F., Thaker, H.M.T., Khaliq, A., Allah Pitchay, A.	Cash waqf model for micro enterprises' human capital development	Emerald Group Publishing Ltd.	2021
Fauziah, N.N.	Developing cash waqf model as an alternative financing for social enterprises to support decent work and economic growth in Indonesia	Research Center Islamic Economics-Ikam	2021
Darus, F., Yusoff, H., Zain, M.M., Ramli, A.	Corporate waqf: A sustainable model of Islamic wealth creation and distribution	Inderscience Publishers	2021

(continued)

Table 4.7 (continued)

Authors	*Title*	*Publisher*	*Year*
Ab Shatar, W.N., Hanaysha, J.R., Tahir, P.R.	Determinants of cash waqf fund collection in Malaysian Islamic banking institutions: empirical insights from employees' perspectives	Emerald Group Publishing Ltd.	2021
Ibrahim, S.S., Zainal, N., Daud, D., Noor, A.H.M., Beik, I.S.	Urgency in waqf-microfinance project collaboration for socioeconomic growth and the mediating effect of sustainability using PLS-SEM analysis	Asociacion Internacional De Economia Aplicada	2021
Saiti, B., Dembele, A., Bulut, M.	The global cash waqf: A tool against poverty in Muslim countries	Emerald Group Publishing Ltd.	2021
Ari, I., Koc, M.	Towards sustainable financing models: A proof-of-concept for a waqf-based alternative financing model for renewable energy investments	Elsevier	2021
Zain, N.S., Sori, Z.M.	An exploratory study on Musharakah SRI Sukuk for the development of Waqf properties/assets in Malaysia	Emerald Group Publishing Ltd.	2020
Salleh, M.C.M., Razali, S.S., Megat Laksana, N.N., Che Embi, N.A., Abdullah, N.I.	Developing a sustainable model of Waqf-based Takaful for flood victims in Malaysia	Emerald Group Publishing Ltd.	2020
Qurrata, V.A., Seprillina, L., Narmaditya, B.S., Hussain, N.E.	Media promotion, Islamic religiosity and Muslim community perception towards charitable giving of cash waqf	Inderscience Publishers	2020
Huda, M., Santoso, L.	The construction of corporate waqf models for Indonesia	Primrose Hall Publishing Group	2020
Ali, K.M., Kassim, S.	Waqf forest: How waqf can play a role in forest preservation and SDGs achievement?	Syarif Syarif Hidayatullah State Univ Jakarta	2020

(continued)

Table 4.7 (continued)

Authors	*Title*	*Publisher*	*Year*
Afroz, R., Muhibbullah, M., Morshed, M.N.	Factors affecting the intention of the rice farmers to adopt the integrated cash waqf environmental protection model: An empirical study in Kedah Malaysia	Korea Distribution Science Assoc	2019
Amudaa, Y.J., Embi N.A.B.C., Oladapo, H.B.	Tapping waqf (endowment) property financing into agribusiness in Nigeria	Primrose Hall Publishing Group	2019
Anshori, M.	The potential of Indonesia waqf-venture in increasing welfare through islamic-socialpreneurship	Universidad Del Zulia	2019
Azrai Azaimi Ambrose, A.H., Gulam Hassan, M.A., Hanafi, H.	A proposed model for waqf financing public goods and mixed public goods in Malaysia	Emerald Group Publishing Ltd.	2018
Allah Pitchay, A., Mohd Thas Thaker, M.A., Mydin, A.A., Azhar, Z., Abdul Latiff, A.R.	Cooperative-waqf model: A proposal to develop idle waqf lands in Malaysia	Emerald Group Publishing Ltd.	2018
Mohd Thas Thaker, M.A.B.T., Allah Pitchay, A.	Developing waqf land through crowdfunding-waqf model (CWM): the case of Malaysia	Emerald Group Publishing Ltd.	2018
Mohd Thas Thaker, M.A.B.	Factors influencing the adoption of the crowdfunding-waqf model (CWM) in the waqf land development	Emerald Group Publishing Ltd.	2018b
Mohd Thas Thaker, M.A., Mohd Thas Thaker, H., Allah Pitchay, A.	Modeling crowdfunders' behavioral intention to adopt the crowdfunding-waqf model (CWM) in Malaysia The theory of the technology acceptance model	Emerald Group Publishing Ltd.	2018
Mohd Thas Thaker, M.A.B.	A qualitative inquiry into cash waqf model as a source of financing for micro enterprises	Emerald Group Publishing Ltd.	2018a

(continued)

Table 4.7 (continued)

Authors	*Title*	*Publisher*	*Year*
Hasan, R., Siraj, S.A., Mohamad, M.H.S.	Antecedents and outcome of Waqif's trust in Waqf institution	Statistical Economic And Social Research And	2017
Ahmad, A.U.F., Hasan, R.	Remodeling islamic accountability for awqaf institutions: An integration of the stewardship concept	Islamic Bank Training And Research Academy	2017
Iman, A.H.M., Mohammad, M.T.S.H.	Waqf as a framework for entrepreneurship	Emerald Group Publishing Ltd.	2017
Hamber, N., Haneef, M.	Waqf-based social micro venture fund: A proposal for the Malay-muslim community in Singapore	King Abdulaziz University Scientific Publishing Center	2017
Kachkar, O.A.	Towards the establishment of cash waqf microfinance fund for refugees	Emerald Group Publishing Ltd.	2017
Mikail, S.A., Ahmad, M.A.J., Adekunle, S.S.	Utilisation of zakah and waqf fund in micro-takaful models in Malaysia: an exploratory study	Emerald Group Publishing Ltd.	2017
Ibrahim, S.S.B., Noor, A.H.B.M., Shariff, S.B.M., Rusli, N.A.B.M.	Analysis of corporate waqf model in Malaysia: An instrument towards muslim's economic development	Serials Publications	2016
Sahiq, A.N.M., Rahman, N.H.A., Ismail, S., Bakri, M.H., Husin, A., Ali, R.	A conceptual study on the role of waqf in developing successful young entrepreneurs	American Scientific Publishers	2016
Hasan, A., Sulaiman, S.	The use of Islamic Real Estate Investment Trust (I-REITs) as a contemporary instrument in developing waqf assets: potential structure, issues and challenges	Int Islamic Univ Malaysia, Press Research Management Center	2016
Mohd Thas Thaker, M.A.B., Mohammed, M.O., Duasa, J., Abdullah, M.A.	Developing cash waqf model as an alternative source of financing for micro enterprises in Malaysia	Emerald Group Publishing Ltd.	2016b
Arshad, M.N.M., Haneef, M.A. M.	Third sector Socioeconomic models: How waqf fits in?	Faculty Of Economics And Administration	2016

(continued)

Table 4.7 (continued)

Authors	*Title*	*Publisher*	*Year*
Mohd Thas Thaker, M.A.B., Mohammed, M.O., Duasa, J., Abdullah, M.A.	The behavioral intention of micro enterprises to use the integrated cash waqf micro enterprise investment (ICWME-I) model as a source of financing	Gadjah Mada Univ, Master Management Program, Fac Economics & Business	2016a
Zakaria, N.Z., Sani, N.M.	Integrated framework for development on waqf land in Pulau Pinang	American-Eurasian Network For Scientific Information	2015
Haneef, M.A., Pramanik, A.H., Mohammed, M.O., Bin Amin, M.F., Muhammad, A.D.	Integration of waqf-Islamic microfinance model for poverty reduction The case of Bangladesh	Emerald Group Publishing Ltd.	2015
Haji Mohammad, M.T.S.	Theoretical and trustees' perspectives on the establishment of an Islamic social (Waqf) bank	Emerald Group Publishing Ltd.	2015
Raimi, L., Patel, A., Adelopo, I.	Corporate social responsibility, waqf system and Zakat system as faith-based model for poverty reduction	Emerald Group Publishing Ltd.	2014
Haneef, M.A., Muhammad, A.D., Pramanik, A.H., Mohammed, M.O.	Integrated waqf based islamic microfinance model (IWIMM) for poverty alleviation in OIC member countries	Idosi Publications	2014
Mohd Zakaria, A.A., Zurina, S.	Venture philanthropy waqf model: A conceptual study	Penerbit Universiti Kebangsaan Malaysia	2013
Mohsin, M.I.A.	Waqf-shares: New product to finance old waqf properties	Llc Cpc Business Perspectives	2012
Chowdhury, S.R., Fahmi, M. and Ibrahim, M.F.	Economics of cash waqf management in Malaysia: A proposed cash waqf model for practitioners and future researchers	Academic Journals	2011

(continued)

Table 4.7 (continued)

Authors	*Title*	*Publisher*	*Year*
Miran, J.	Endowing property and edifying power in a red sea port: Waqf, Arab migrant entrepreneurs, and urban authority in Massawa, 1860s–1880s	African Studies Center	2009
Sadeq, A.M.	Waqf, perpetual charity and poverty alleviation	Emerald Group Publishing Ltd.	2002

Source Authors

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CHAPTER 5

Effects of Cash Waqfs on Sustainable Economic Development in the Balkans During the Early Modern Period

Cem Korkut

Sustainable development is a comprehensive approach to economic growth that considers not only short-term gains but also long-term viability, environmental impact, and social equity (Pezzey, 1992). Its primary goal is to achieve balanced progress, ensuring that current needs are met without jeopardizing the ability of future generations to fulfil their own requirements. This approach emphasizes the interplay between economic, social, and environmental factors in decision-making processes. Sustainable development stands as a crucial objective for human civilization (Jung & Song, 2023).

The concept of sustainable development originated from the landmark work "Our Common Future", which defined it as "development that

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meets the needs of the present without compromising the ability of future generations to meet their own needs" (United Nations, n.d.). However, the scope and application of sustainable development can be somewhat vague when it comes to its simultaneous impact on the environment and society, and how these impacts may manifest in complex ways (Duong & Flaherty, 2022). The Sustainable Development Goals (SDGs) are a set of 17 interconnected global goals established by the United Nations in 2015 as part of the 2030 Agenda for Sustainable Development (Table 5.1). These goals, built on the principle of "leaving no one behind", aim to address a wide range of global challenges, including poverty, inequality, environmental degradation, prosperity, and peace and justice. They serve as a universal call-to-action for all countries to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity by 2030 (United Nations Sustainable Development Group, n.d.).

The Sustainable Development Goals (SDGs) exhibit interdependence, whereby actions undertaken in one domain frequently yield consequences that extend to other domains. Together, these entities offer a comprehensive structure for nations, institutions, and individuals to collectively tackle urgent global issues and foster an improved future. In the past, as today, it has been important for countries to try to ensure the welfare of their citizens. Societies that pursue development-oriented policies have improved many practices throughout history.

There are also historical examples and applications of sustainability in history. One notable example is the indigenous approach to sustainable land and resource management. Indigenous communities have long recognized the importance of living in balance with nature and ensure the availability of resources for future generations. This philosophy of sustainability is deeply rooted in their cultural practices and has allowed them to thrive for centuries while maintaining the integrity of the ecosystems they depend on. The concept of sustainable development places people at the centre of society, recognizing that their well-being and the care of the environment are intertwined (Rădulescu et al., 2015). Sustainable development requires appropriate management, technological and institutional changes, as well as the conservation of basic natural resources (Atanga et al., 2013). It also includes the improvement of the situation of the people in society in different ways.

Communities use charity institutions for the sustainable development and make the situation of people, and their social structures and economic

Table 5.1 17 sustainable development goals

#	*Goal*	*Aims*
1	No Poverty	End poverty in all its forms everywhere
2	Zero Hunger	End hunger, achieve food security and improved nutrition, and promote sustainable agriculture
3	Good Health and Well-being	Ensure healthy lives and promote well-being for all at all ages
4	Quality Education	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
5	Gender Equality	Achieve gender equality and empower all women and girls
6	Clean Water and Sanitation	Ensure availability and sustainable management of water and sanitation for all
7	Affordable and Clean Energy	Ensure access to affordable, reliable, sustainable, and modern energy for all
8	Decent Work and Economic Growth	Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all
9	Industry, Innovation, and Infrastructure	Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation
10	Reduced Inequality	Reduce inequality within and among countries
11	Sustainable Cities and Communities	Make cities and human settlements inclusive, safe, resilient, and sustainable
12	Responsible Consumption and Production	Ensure sustainable consumption and production patterns
13	Climate Action	Take urgent action to combat climate change and its impacts
14	Life Below Water	Conserve and sustainably use the oceans, seas, and marine resources for sustainable development
15	Life on Land	Protect, restore, and promote sustainable use of terrestrial ecosystems, manage forests sustainably, combat desertification, and halt and reverse land degradation and halt biodiversity loss

(continued)

Table 5.1 (continued)

#	*Goal*	*Aims*
16	Peace, Justice, and Strong Institutions	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable, and inclusive institutions at all levels
17	Partnerships for the Goals	Strengthen the means of implementation and revitalize the global partnership for sustainable development

Notes United Nations Department of Economic and Social Affairs (n.d.)

activities better. Waqfs are charitable endowments that have been a prominent feature of Islamic societies for centuries. Waqfs in Islamic societies have served as another example of sustainable development in practice. These endowments are used to support various social and economic initiatives, such as the construction and maintenance of schools, hospitals, and public infrastructure. These examples illustrate how sustainable development is not merely a modern concept, but rather a principle that has been practised by various communities throughout history.

Waqfs are testament to how sustainable development principles have ancient roots, especially within Islamic societies. By establishing long-lasting endowments that fund critical societal needs, waqfs have effectively ensured that resources are utilized not just for immediate benefits but also for long-term community betterment. They have directly contributed to social welfare, education, health, and infrastructure, underscoring the timelessness of sustainable development practices. Through waqfs, Islamic communities have demonstrated a holistic approach to progress, encompassing economic growth, social inclusivity, and long-term vision. It is a clear reflection of how ancient wisdom can guide contemporary development goals. In this chapter of the book, the effects of sample cash waqfs on sustainable development in the Balkan geography during the Ottoman period will be demonstrated through sample cash waqfs.

Historical Background of Waqfs and Cash Waqfs

A waqf is a philanthropic endowment rooted in Islamic tradition. Derived from the Arabic word "waqafa", which means to hold or restrain, the concept revolves around dedicating a portion of one's wealth or property for religious or charitable causes, ensuring it cannot be sold, inherited, or donated. The principle is that while the original asset is preserved, its derived benefits, such as revenues or yields, are continually directed towards charitable causes (Günay, 2012). The practice of waqf has been traced back to the time of the Prophet Muhammad. As Islam spread, the concept of waqf became deeply integrated into the socio-economic landscape of Muslim societies. In the early Islamic communities, waqfs were established to support various public services, from wells offering free drinking water to large-scale educational institutions. The Prophet Muhammad is reported to have said, "When a man dies, his deeds come to an end except for three things: Sadaqah Jariyah (ceaseless/ continuing charity); a knowledge which is beneficial, or a virtuous descendant who prays for him (for the deceased)" (Riyad as-Salihin, n.d.). Waqf is seen as a way of achieving the ideal of a "continuing charity".

Waqfs have been an integral part of Islamic civilizations since the early days of Islam. Historically, they have provided the financial backbone for numerous social institutions, including schools, mosques, hospitals, bridges, wells, and even libraries. Many renowned Islamic educational institutions, like the Suleymaniye Madrasa in Istanbul; the Al-Azhar University in Cairo; Gazi Husrev Beg Madrasa and Library in Sarajevo, were sustained by waqf endowments. Over time, the scope of waqf expanded, and its practice adapted to the needs and circumstances of various Islamic societies.

The individual who creates a waqf, known as the "waqif", endows a specific property or asset (which could be real estate, cash, or other valuables) for a designated purpose. The asset itself is not consumed; rather, the benefits derived from it, like rental income or agricultural yield, are used for the stipulated purpose. The waqf is managed by a trustee or a manager, often appointed by the waqif, ensuring that the revenue is utilized as intended (Günay, 2012; Öztürk, 2006; Yediyıldız, 2012). Waqfs have had a profound impact on Muslim societies, not just in terms of charity but also as a socio-economic tool. By providing sustainable income streams for public goods and services, they have promoted education, health care, and public welfare. They have also facilitated urban development, as waqf properties often became centres of communal activity and commerce. The Ottoman Empire, also known as the civilization of waqf, is one of the most successful implementing countries of this institution.

The Ottoman Empire, with its vast territories and long duration, played a significant role in expanding and institutionalizing the waqf system. Waqfs, known as "vakıf" in Ottoman Turkish, were central to the empire's social, economic, and urban planning strategies. Ottoman waqfs supported an impressive array of public services. They funded the construction and maintenance of mosques, madrasahs (educational institutions), hospitals, bridges, caravanserais, and public kitchens (Bulut & Korkut, 2019a). The Suleymaniye complex in Istanbul, built under Sultan Suleiman the Magnificent, is an iconic example of a waqf that incorporated a mosque, a hospital, a school, and other facilities. These institutions, funded and maintained through waqf revenues, significantly boosted urban development. This waqf also demonstrates another characteristic of waqf by providing employment (Iskandar et al., 2023; Karademir, 2022). Furthermore, the Ottoman legal system deeply integrated waqf regulations, and state-appointed officials often oversaw the management and maintenance of major waqfs, ensuring their continued operation and the fulfilment of the founders' intentions (Çabuk et al., 2018). Such audits also ensured the longevity of waqfs.

One of the types of waqfs that enabled them to spread throughout the Ottoman geography was cash waqfs. Cash waqfs played a particularly important role in the revival of Balkan cities. A cash waqf is a type of charitable endowment that is established by donating cash or monetary assets, and it is deeply entrenched in the principles and practices of Islamic tradition. In contrast to the conventional model of waqf, which primarily encompasses the dedication of tangible/immovable assets such as land or buildings, a cash waqf incorporates the contribution of liquid assets. Subsequently, the aforementioned assets are allocated for investment or loan purposes, with the resulting returns or profits being channelled towards philanthropic, religious, or societal endeavours, as stipulated by the benefactor (Bulut & Korkut, 2019b). Throughout the course of history, the notion of waqf has undergone modifications in order to cater to the requirements and conditions prevailing within many Islamic civilizations. Various societies have incorporated the concept of waqf in accordance with their own socio-economic circumstances. The administration of waqf assets is commonly delegated to a trustee or manager, typically designated by the founder of the waqf. This practice guarantees that the income derived from the waqf is effectively allocated towards its stated objective and serves the intended recipients.

The concept of waqf finds its roots in the early Islamic era, during which resources were dedicated for the betterment of community. During the medieval Islamic golden age, the expansion of trade and commerce led to a notable surge in liquid assets. The concept of cash waqf has emerged as a means of harnessing the power of cash as a tool for sustainable charitable endeavours. The evolution of the subject matter was additionally affected by the Islamic ban of interest/usury, resulting in the emergence of distinctive financial models that adhered to the principles of Sharia law. When we look at the founding documents of the cash waqfs, adherence to Sharia law and the effort to avoid interest/usury are more clearly seen (Bulut et al., 2019). This is an important indicator that cash waqfs are not only social but also financial institutions.

The Ottoman Empire, a significant Islamic empire, had a crucial role in the dissemination and establishment of the cash waqf system. Cash waqfs emerged as a crucial component of the empire's socio-economic structure and financial framework. Cash waqfs were established by individuals from several socio-economic classes throughout the Ottoman period. The endowed funds were frequently extended to traders and entrepreneurs, who would borrow them at a rate of return (ribh/profit rate), resembling the concept of interest in conventional loans, but structured in accordance with Islamic financial principles. The proceeds generated by these financing, which may encompass earnings derived through commerce or other mutually agreed-upon advantages, were then allocated towards social, educational, or infrastructural initiatives. A variety of public services, such as educational institutions, healthcare facilities, and communal water sources, were funded through the revenues generated by cash waqfs.

Functions of Cash Waqfs as a Development Factor

A cash waqf refers to a charitable endowment that is based on Islamic principles. Unlike traditional waqf assets such as land or buildings, a cash waqf is established using monetary assets or cash. This system embodies the allocation of liquid assets for the purposes of religion, charity, or social welfare. The endowed funds are commonly allocated for investment or lending purposes, with the resulting returns or benefits being directed towards the specific causes designated by the donor. The causes encompass a wide range of activities, including providing support to educational institutions, assisting the impoverished, financing healthcare projects, and sustaining religious facilities. The emergence of the cash waqf concept can be attributed to its role in adapting to the dynamic economic environment, particularly during periods characterized by flourishing trade and commerce. These circumstances resulted in a notable surge in liquid assets within Islamic cultures. The implementation of this strategy facilitated a more adaptable framework for the conventional waqf system, so ensuring that the advantages derived from endowed assets could effectively align with the evolving societal requirements. Cash waqf serves as an Islamic alternative to conventional lending methods, as it adheres to the prohibition of interest-based transactions in Islam (Korkut & Bulut, 2017).

Conversely, the donated funds would frequently be extended as loans to borrowers, accompanied by predetermined returns structured in accordance with Islamic financial principles. Throughout the course of history, particularly during the era of the Ottoman Empire, cash waqfs held considerable importance in their contribution towards the sustenance of public services, promotion of economic endeavours, and facilitation of financial inclusivity. They presented a viable and enduring framework for philanthropy, guaranteeing ongoing assistance for endeavours aimed at promoting social well-being (Bulut & Korkut, 2022). In this sense, cash waqfs, like other waqfs, are institutions that contribute to development. Most functions of modern states were provided by cash waqfs in the Ottomans. Table 5.2 summarizes the functions of cash waqfs for sustainable economic development.

Cash waqfs, a distinctive financial mechanism within the context of Islamic history, served a diverse range of functions in facilitating the advancement of society. Their impact stretched beyond simple acts of charity, functioning as crucial instruments for advancing social and economic development. The cash waqfs, originating from religious and philanthropic intentions, exerted a significant and comprehensive influence on the advancement of society. They facilitated holistic growth in various facets of life by bridging the gap between spiritual duties and real socio-economic rewards. Their model offers valuable insights into how finance and philanthropy can be merged to achieve sustainable development goals.

Table 5.2 Functions of cash waqfs as development factors

Function	*Description*
Financial Inclusion	Provided capital to those with limited financial access, promoting entrepreneurship and facilitating trade
Support for Public Services	Directed proceeds towards the establishment and maintenance of public utilities and services, such as schools, hospitals, and bridges
Sustainable Charity Model	Offered a model where the principal amount remained preserved, ensuring long-term support for various causes
Economic Stimulation	Enhanced market activities by providing capital to traders, supporting commerce, and contributing to urban development
Social Welfare	Catered to the needs of the less privileged, supporting orphans, widows, and the poor, and financing educational scholarships
Redistribution of Wealth	Facilitated the redistribution of resources from affluent segments towards broader societal needs, promoting a balanced economic structure
Promotion of Education and Knowledge	Supported educational institutions, libraries, and scholarly pursuits, playing a role in societal intellectual growth
Healthcare Support	Benefited healthcare institutions ensuring communities had access to medical care irrespective of their financial capabilities
Urban Development and Planning	Led to the establishment of new neighbourhoods or the enhancement of existing ones, playing a role in structured urban planning
Cultural and Artistic Patronage	Set up to support artists, poets, and scholars, ensuring cultural, artistic, and intellectual pursuits received necessary patronage

Cash Waqf Samples as Providers of Sustainable Development in Balkans

The documents of cash waqfs, whose establishment documents are examined in this section, were compiled from the archive studies of the 15-person project team, of which the author of this book chapter is a member. This project team examined the establishment documents of nearly 1.000 cash waqfs established in the Balkans from primary sources for 7 years and Latinized the establishment deeds written in Arabic letters in Ottoman Turkish. The project team also summarized each waqf deed in three languages: Turkish, English, and Arabic. For this book chapter, only 5 examples of cash waqfs are selected to show their contribution to sustainable development in the region. The selected cash waqfs are from different geographies of the Balkans.

The Waqf of Grand Vizier Suleyman Pasha b. Mürüvvet

Grand Vizier Süleyman Pasha b. Mürüvvet established a waqf with a significant endowment of 4000 qurushes and various real estate properties. These properties included multiple shops, a caravanserai, a house, a bakery, a bazaar, a bath, and more, all located at Mileševo in Bosnia. Additionally, the endowment provided for an 11-room classroom, a useful river in Taşlıca, a masjid in Prebol, and a madrasa in Özice. Süleyman Pasha also undertook the reconstruction of the Meddah Mosque in Skopje, as well as the repair of stone bridges and sidewalks on the route from Prebol to Hisarcık. The waqf further supported activities such as Quran recitation, mawlid celebrations, and the maintenance of various fountains, roads, and bridges, along with covering the taxes of the local population. This waqf had a multifaceted purpose, contributing to education, infrastructure development, and religious services. It was officially founded on 22 October 1677.

The purposes of the waqf are directly related to Sustainable Development Goals, 1. No Poverty, 2. Zero Hunger, 3. Good Health and Well-being, 4. Quality Education, 6. Clean Water and Sanitation, 8. Decent Work and Economic Growth, 9. Industry, Innovation, and Infrastructure, and 11. Sustainable Cities and Communities. It is also seen that the waqf contributes not only to Bosnia but also to cities such as Skopje and Prebol. This is an indication that the waqf has a widespread charitable network. The establishment charter of waqf also states the conditions for using financing from the waqf. The financing rate is determined as 15% and it is necessary to provide a guarantor or mortgage to use financing. The founder also particularly emphasized that financing should be done through halal ways according to Islamic jurisprudence.

The Waqf of Murad Agha b. Osman Agha

Murad Agha b. Osman Agha from Zevaidiye Neighborhood of Yanya City endowed the rental revenues of an inn and a shop and 5.000 qurushes for dowries of poor girls. This waqf was founded on 19 September 1838 at Yanya City (Ioannina) of Greece.

The purposes of the waqf are directly related to Sustainable Development Goals, 1. No Poverty, 2. Zero Hunger, 3. Good Health and Well-being, and 5. Gender Equality. The establishment charter of waqf also states the conditions for using financing from the waqf. It is necessary to provide a guarantor or mortgage to use financing. The founder also particularly emphasized that financing should be done through halal ways according to Islamic jurisprudence.

The Waqf of Haji Yusuf Agha

Haji Yusuf Agha, from Aydos Town of Bulgaria, endowed 6.040 qurushes and some shops or the repair expenses of fountain, Hamam Bridge and clock tower, the staff wages and other expenses of Hasekî Mustafa Agha Madrasah and other mosques. This waqf was founded on 5 March 1823.

The purposes of the waqf are directly related to Sustainable Development Goals, 1. No Poverty, 2. Zero Hunger, 3. Good Health and Well-being, 4. Quality Education, 6. Clean Water and Sanitation, 8. Decent Work and Economic Growth, 9. Industry, Innovation, and Infrastructure, and 11. Sustainable Cities and Communities. The financing rate is determined as 15%.

The Waqf of Hatice Hanım bt. Mehmed Pasha

Hatice Hanım bt. Mehmed Pasha, the wife of Dervish Ismail Pasha from Albanian Belgrade, established a waqf with an endowment of 3000 qurushes and various real estate properties. This endowment was designated for supporting Quran recitation activities within the library constructed in the courtyard of the zawiyah by her husband. It was also allocated for the maintenance of real estate assets and for services in Medina, with annual payments of 1500 qurushes to herself. This waqf was officially founded in December 1748 and January 1749.The purposes of the waqf are directly related to Sustainable Development Goals, 1. No Poverty, 2. Zero Hunger, 3. Good Health and Well-being,

4. Quality Education, and 5. Gender Equality. It is also seen that the waqf contributes not only to Albania but also to Madina. The founder of this waqf is a woman. This shows that there is no obstacle for women to establish waqfs.

The Waqf of Ahmed b. Abdullah

Ahmed b. Abdullah, a resident of the Cennet Hatun Neighborhood in Rodoscuk, Tekirdağ, established a waqf with an endowment of 2000 qurushes and 6 decares of vineyard or funds designated for providing meals to the poor and ulemas. This waqf was also intended to support the maintenance of the vineyard and various charitable services. It was officially founded on 14 November 1760.

The purposes of the waqf are directly related to Sustainable Development Goals, 1. No Poverty, 2. Zero Hunger, 3. Good Health and Well-being, 8. Decent Work and Economic Growth, 9. Industry, Innovation and Infrastructure, and 11. Sustainable Cities and Communities. This waqf includes vineyards as real estate. In this sense, vineyard maintenance has been associated with economic growth and infrastructure. The establishment charter of waqf also states the conditions for using financing from the waqf. The financing rate is determined as 15% and it is necessary to provide a guarantor or mortgage to use financing. The founder also particularly emphasized that financing should be done through halal ways according to Islamic jurisprudence (Table 5.3).

As shown in Table 5.2, waqfs have provided a multidimensional impact on the development of the region. These contributions, which can be matched with the UN's SDGs, are an important indicator of the Ottoman economic and financial mentality. Although the Ottomans were very close to Europe, they managed to keep the institutions that developed in Europe, such as banks and insurance, into the Ottoman geography for a long time. The cash waqfs had a great impact on the formation of this situation. The cash waqfs shown in the examples were established with a wide range of capital amounts. In other words, cash waqfs enabled not only the rich but also every income class of society to establish waqfs. Moreover, women can easily establish cash waqfs.

As can be seen, the primary purpose of cash waqfs is to provide charitable services. In addition, the fact that the waqf capital was in cash enabled these waqfs to occupy an important place in the financial system

Table 5.3 Summary of contribution of sample cash waqfs to sustainable development

Name of the Waqf	*Place*	*Establishment date*	*Contributed SDGs*
The Waqf of Grand Vizier Süleyman Pasha b. Mürüvvet	Bosnia	22 October 1677	1. No Poverty, 2. Zero Hunger, 3. Good Health and Well-being, 4. Quality Education, 6. Clean Water and Sanitation, 8. Decent Work and Economic Growth, 9. Industry, Innovation and Infrastructure, and 11. Sustainable Cities and Communities
The Waqf of Murad Agha b. Osman Agha	Greece	19 September 1838	1. No Poverty, 2. Zero Hunger, 3. Good Health and Well-being, and 5. Gender Equality
The Waqf of Haji Yusuf Agha	Bulgaria	5 March 1823	1. No Poverty, 2. Zero Hunger, 3. Good Health and Well-being, 4. Quality Education, 6. Clean Water and Sanitation, 8. Decent Work and Economic Growth, 9. Industry, Innovation and Infrastructure, and 11. Sustainable Cities and Communities

(continued)

Table 5.3 (continued)

Name of the Waqf	*Place*	*Establishment date*	*Contributed SDGs*
The Waqf of Hatice Hanim bt. Mehmed Pasha	Albania	December 1748–January 1749	1. No Poverty, 2. Zero Hunger, 3. Good Health and Well-being, 4. Quality Education, and 5. Gender Equality
The Waqf of Ahmed b. Abdullah	Tekirdağ, Türkiye	14 November 1760	1. No Poverty, 2. Zero Hunger, 3. Good Health and Well-being, 8. Decent Work and Economic Growth, 9. Industry, Innovation and Infrastructure, and 11. Sustainable Cities and Communities

of the Ottomans. These waqfs provided financing in a halal (in accordance with Islamic law) manner, avoiding interest/usury, as stated in the conditions of their founding documents. This situation is in line with the economic growth goal of the SDGs.

Conclusion

In the extensive body of historical literature concerning the socio-economic dynamics of the Balkans in the Early Modern Period, one notable aspect that emerges is the complex interplay between indigenous economic systems and Islamic banking traditions. The interdependence described has a significant impact on the socio-economic development of the region, particularly with the emergence of cash waqfs as prime examples of this integration. This chapter examines the multifaceted nature of cash endowments and their significant influence on the economic landscape of the Balkan region.

Cash waqfs, as evidenced in historical records, surpassed their initial purpose as ordinary charitable organizations. These entities underwent a transformation and became crucial economic components, exerting significant influence in shaping different economic frameworks, including patterns of commerce, methods of wealth distribution, and the complexities of urban development strategies. The intricate relationship between their ethical and religious foundations and practical economic results creates a complex storyline, emphasizing the skilful merging of moral and financial priorities.

The Balkans, known for its geographical and cultural convergence, has been referred to as the crucible of civilizations. This unique characteristic of the region has made it an ideal environment for the widespread adoption of the cash waqf system. These financial endowments are firmly grounded in the principles of Islamic economic theory. They have significantly strengthened the economic resilience of the region, allowing it to effectively navigate the unpredictable fluctuations in the economy. Cash waqfs play a crucial role in bolstering public welfare efforts and infrastructural endeavour by assuring a steady and sustainable flow of resources. They serve as a safeguard against socio-economic downturns.

Moreover, the diverse contributions of these endowments were present in multiple layers of society. The comprehensive attitude of these individuals is seen in their significant contributions to the support of educational institutions, the strengthening of healthcare systems, and the promotion of cultural initiatives. They effectively reconciled the divide between material affluence and intellectual advancement, establishing themselves as essential agents of holistic society progress.

In the contemporary global economic landscape, which is marked by complex issues such as sustainability, fair distribution of wealth, and comprehensive welfare frameworks, the cash waqf model originating from the Balkans emerges as a valuable source of knowledge and insight. The antiquated yet refined system highlights the potential for integrating religiously motivated obligations with shrewd economic strategies, resulting in a harmonious orchestration that promotes overall society well-being.

The cash waqf system functions as a guiding light, shedding light on the methods through which past societies cleverly utilized local financial instruments to foster long-lasting economic development. In the pursuit of inclusion and sustainability, modern global economies are striving to adjust their models. In this attempt, the valuable lessons found in the historical records of cash waqfs in the Early Modern Balkans offer valuable insights and inspiration that are relevant to the challenges of today.

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CHAPTER 6

Philanthropy in Ottoman Rumelia: Cash Waqfs from Four Provinces

Bora Altay

Until the establishment of modern banks in the nineteenth century, cash waqf organizations played a massive role as financial organizations in the Ottoman Empire. Cash waqf was a trust fund established by founders with cash capital. This institution emerged as an innovative design of the Islamic waqf that was established through immovable assets. This earlier form of waqf organization primarily financed several services, including religious, public goods, and commercial. The cash waqf institution contained similar functions within the institutional environment. The cash waqfs, however, operated as financial organizations that provided loans for borrowers.

In the last few decades, there has been growing literature on the emergence and proliferation of cash waqf organizations in the Ottoman Empire. This literature consists of three main bodies. The first focuses on the services financed by these organizations (Khan, 2015; Kuran,

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2001; Özcan, 2003; Peri, 1992; Shatzmiller, 2001; Singer, 2013). In other words, the role of cash waqf organizations in providing public services generates the primary functions. A remarkable part of this literature addresses the financial role of these institutions (Altay, 2022; Çizakça, 1995, 2000; Gürsoy, 2017, 2021; Karagedikli & Tunçer, 2018; Özcan, 2003). The second body argues that the main motivation of founders was to preserve their wealth and to transfer wealth to their relatives and kin (Arjomand, 1998; Barkan, 1940, 1942; Çizakça, 2000; Kuran, 2011; Layish, 1997). The third and broader perspective discusses the role of Islamic waqf as well as cash waqf organizations on economic development (Kuran, 2003, 2005, 2011, 2013, 2016). This literature suggests that these organizations hindered accumulating wealth, and the pooling of capital remained at low levels. Furthermore, the irrevocable commitments in financing services generate the argument of why the Islamic waqf limited wealth accumulation within the institutional environment. Despite the significant body of literature that has been accumulated on the Islamic waqf and cash waqf organizations, quantitative research on these organizations has been slow to progress (Adıgüzel & Kuran, 2021; Altay, 2022; Gürsoy, 2017, 2021; Özvar & Yıldırım, 2022). The main reason is the lack of longitudinal data. The literature on these organizations is particularly weak for provinces beyond İstanbul. Thus, the absence of quantitative data has prevented researchers from examining these three main arguments explicitly.

This article offers a quantitative analysis of cash waqf organizations in the Ottoman Empire, focusing on the provinces of Albania, Kosovo, Macedonia, and Serbia, located in Rumelia, from a long-term perspective. Recent literature has indicated that Rumelia provinces were economically important, and a significant share of tax revenues belonged to these provinces (İnalcık, 1997, p. 82). Although researchers have studied a variety of inferences about waqf organizations located in İstanbul, they have not examined these organizations for different parts of the empire. In an attempt to contribute to this gap, this study employs cash waqf organizations from the waqf registers of four provinces and uses the data to examine long-term trends of funded services, family waqfs, and capital levels. Specifically, three questions based on discussions in the Islamic waqf literature generate the main problems of this study: How did services financed by cash waqfs vary across time? How had the prevalence of family waqfs changed over time? How did the establishment of new cash waqf organizations and their capital levels change in the long term? This study seeks to provide answers to these three questions using information from cash waqf deeds available in waqf registers for the period 1506–1912.

Sources and Data: Major Trends of Cash Waqf Organizations

This study is based on information found in the cash waqf deeds (*waqfiyya*) recorded by courts in the Ottoman Empire. These records contain 167 cash waqf deeds covering, with lapses, the period from 1506 to 1912. The microfilm copies of waqf registers are stored in the T. R. Directorate General of Foundations. These resources are useful to obtain cash waqf deeds that were systematically extracted from complex archives of the Ottoman Empire. The entire observation begins in 1506 and continues until the early twentieth century. These primary resources, however, contain cash waqf deeds only sporadically for the provinces employed in this study. Prepared by court officials at the request of founders, cash waqf deeds provide detailed information about the socioeconomic structure of founders, location, endowed capital as well as services financed by revenues.

As historical sources, cash waqf deeds have limitations. Although the dataset includes all cash waqfs recorded in waqf registers, it is difficult to determine whether the entire observations represent all cash waqfs or not. It is also difficult to estimate the proportion of missing cash waqf deeds in all deeds. Secondly, cash waqf deeds tend to underrepresent women and commoners. The lower share of these groups in entire observations caused higher averages in capital levels than expected. The uneven distribution among social groups is also a drawback to conduct a comparison among different groups. Another important limitation appears due to the changing territories of provinces over time. In other words, a town located in one province at once could be part of another province in a different period. To minimize the effects of territorial shifts, this study uses the modern boundaries of Albania, Macedonia, Kosovo, and Serbia. The cash waqf organizations established in several towns are grouped according to the current boundaries of these states. Titles of founders are also problematic. It is difficult to determine whether titles are honorific. It is also possible that the title of some individuals could be an agnomen used locally. Therefore, a complete classification is impossible. To reduce this risk, all titles are included in the titled group. Since these primary sources contain such limitations, it is possible to make an explicit analysis of the emergence and proliferation of cash waqf organizations from a long-term perspective.

Figure 6.1 shows the numbers of newly established cash waqf organizations across centuries. The solid line reveals two three broad trends in cash waqf formation. In the first three centuries, there was an upward trend in the aggregate numbers of cash waqf organizations. This trend had a sharp rise during the nineteenth century. Finally, a slight decline occurred during the early twentieth century. Although a decline appeared in the last period, this period had the highest average in cash waqf formation among all periods. While founders established an average of 0.67 cash waqf organizations per year, this figure increased to 4.54 in the early twentieth century. These figures indicate the proliferation of these organizations in Balkans over time.

Among all these organizations, the earliest cash waqf belonged to Yahya Pasha, a high-ranking military-based bureaucrat.[1] He established his cash waqf with 38.500 akçe in Skopje, a relatively developed town in Macedonia. Revenues generated from borrowings financed four main services, including religious, educational, and commercial services as well

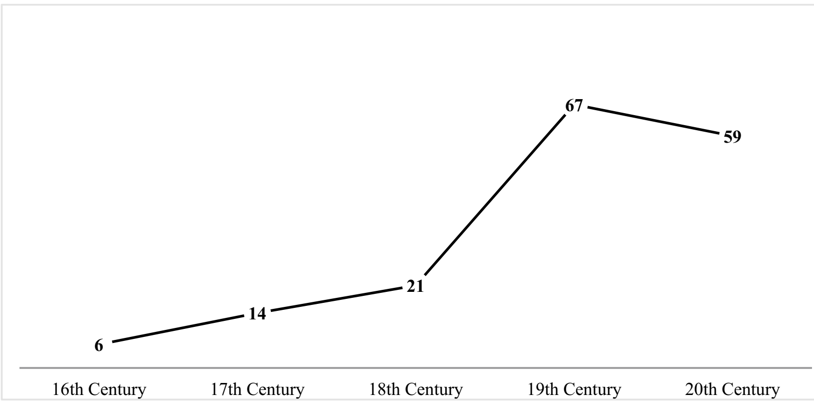

Fig. 6.1 Numbers of cash waqfs by centuries

[1] T. R. Directorate General of Foundations Archives (VGMA), Register no: 629, Pages: 422–429, Serial: 332 (629/422–429/332). Hereafter, primary sources are given in the form of abbreviations in parentheses.

as infrastructure investments. Furthermore, Yahya Pasha provided financial resources to his relatives and inheritors by assigning them certain jobs. In other words, this organization had the characteristics of a family waqf.

The data given in Fig. 6.1 also indicates 167 new cash waqf organizations in four provinces. As mentioned above, the provinces of towns, where these organizations were located, vary over time. The dataset includes 30 different towns. The town of Prizren, however, contains 26 cash waqf organizations within the entire observation. Although Prizren is known as one of the most important Sanjaks in Ottoman Rumelia, this town is currently within the borders of Kosovo. For such complex circumstances, employing modern boundaries has been useful in regional classification. This method reveals that a significant share of cash waqf organizations appeared in modern territories of Macedonia (49 percent). In the dataset, Kosovo follows this region with 25 percent, and this figure appears as 19 percent for Albania. Finally, Serbia has the lowest share with about 7 percent within the entire observations. These findings also reveal an uneven distribution among provinces.

The data presented in Fig. 6.2 shows the long-term trends of newly established cash waqf organizations by social groups. This figure includes two major groups. The first group consists of women and men. The second group contains titled founders and commoners. Commoners also involve women and untitled men. In the first two sub-periods, the distribution of organizations between groups is close to each other. The divergence occurs among groups during the eighteenth century. This divergence appears to be more pronounced in the difference between cash waqf organizations established by women and men. While the number of newly established organizations by women declines compared to the numbers of the seventeenth century, this figure has an increasing trend for men. A similar trend also emerged for titled individuals and commoners in the same period. The gap, however, is lower than those of women and men.

During the nineteenth century, divergence enhanced in favor of men in the numbers of cash waqf organizations. Cash waqf organizations of women remained at the same level. In the second major group, the number of organizations substantially rose. A cursory look at Fig. 6.2 reveals that the gap between titled founders and commoners increases compared to the eighteenth century. These findings indicate a higher participation of titled founders in the cash waqf formation. The final

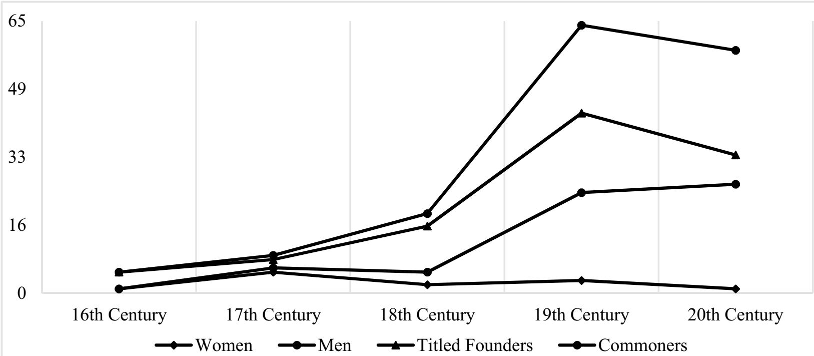

Fig. 6.2 The trend of cash waqf organizations by social groups

period, however, gives a different history. While the number of organizations established by women remains at low levels, declines in the cash waqf organizations of men and titled individuals appear to be more pronounced during the early twentieth century. The only increase emerges in the organizations of commoners. These figures reveal that these commoners were mostly men. Although the gap between women and men continues to be large, this gap is getting smaller for titled individuals and commoners. In other words, the last two periods are the periods when commoners participated in the cash waqf formation.

The data given in Fig. 6.3 presents the long-term trend of family waqf shares within the entire observation. The earliest cash waqf organizations established in the sixteenth century have family waqf characteristics. This figure declines in the following sub-periods until the end of the eighteenth century. The most interesting results occur in the last two sub-periods. Since the number of cash waqf organizations increased rapidly, the motivation of founders to provide financial resources to their family members declined until the early twentieth century. The share of family waqfs decreased below 50 percent in the nineteenth century, and this decline continued up to 29 percent in the last sub-period. Why do the shares of family waqfs decline over time? It is difficult to examine the main motivations of founders in the cash waqf formation. One possible reason should lie behind the changing confiscatory behavior of the state.

The Ottoman Empire experienced an institutional change in tax-collecting mechanisms. The earliest form was based on a contractual

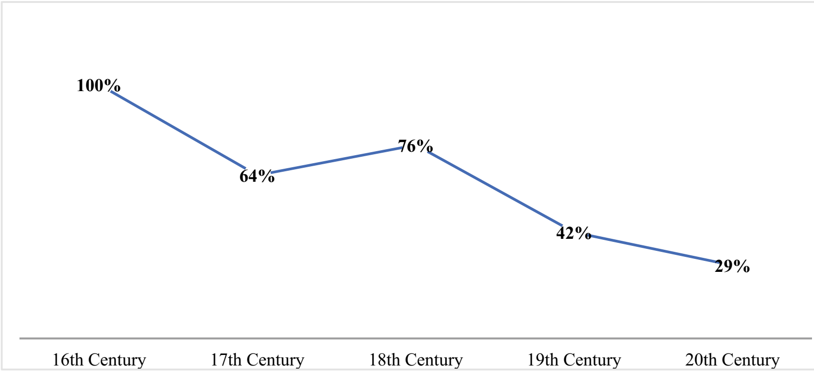

Fig. 6.3 The share of family waqfs by centuries

relationship between the state and its military-based agents under the *Timar* institution. This institutional design changed in favor of tax-farming institutions from the first half of the sixteenth century (Pamuk, 2000, p. 110). Under the new institutional structure, the state began to allocate financial resources with an auction mechanism toward powerfully local groups (Çizakça, 1996; Pamuk, 2009). By obtaining tax-farming contracts, these groups were able to increase their wealth. In times of economic shocks and increasing opportunistic behaviors, the state chose to confiscate the wealth of certain groups to increase their revenues (Arslantaş, 2019). As mentioned above, waqf organizations allowed these groups to protect their wealth through Islamic organizations. Furthermore, founders were also able to transfer their wealth to their family members through these organizations. In summary, it could be argued that the confiscatory behavior of the state motivated founders to organize their waqf organizations as family waqfs. The lack of quantitative data on these variables prevented economic historians from examining the relationship between the emergence of family waqfs and contractual relations.

The declining pattern that occurred in the nineteenth century provided historical evidence of a more secure economic environment. Centralization efforts in state finance and waqf organizations probably reduced the risks of confiscations. Although the number of newly established cash waqf organizations increased in this period, the share of family waqfs declined substantially until the early twentieth century. The changing policy of the state that abandoned confiscations and decentralized mechanisms in tax farming probably affected the motivation of the founders. These assumptions need to be tested quantitatively. However, in light of these figures, it is difficult to claim that establishing a family waqf was the dominant strategy. The characteristics of family waqfs that emerged in waqf formation vary according to time and place.

The shares of family waqfs also vary by social groups that are given above. The dataset indicates that 75 percent of cash waqf organizations established by women were family waqfs from a long-term perspective. This figure is about 49 percent for titled individuals. The share of family waqfs for the organizations established by men is approximately 43 percent. The lowest share appears in the organizations of commoners with about 40 percent in the long term. Since the literature focuses on generalizations about the formation of family waqfs in the Ottoman Empire, these findings reveal different patterns for family waqfs. Notably, women demonstrate a tendency to establish their organizations as family waqfs.

The data given in Table 6.1 presents the shares of services financed by cash waqf organizations across centuries. The shares given in this table add up to more than 100 percent because a cash waqf organization could finance more than one service. The five functional categories appear in these organizations. The first means to finance religious facilities and workpeople such as imam, muezzin, and other servants. The first category pertains to the financing of various religious services such as Quran reading. The second category represents educational facilities such as madrasah, school, lodges, and their employees. The third and fourth categories involve investments in infrastructure and commercial facilities. The last service consists of support for the poor. Examples of these services include financing soup kitchens, shelters, and clothing.

Religious services overwhelmingly dominate the functions provided by cash waqf organizations, with no fewer than 87 percent of all organizations supporting such services. However, the distribution of shares for religious services varies over different time periods. Although this category remains substantial in the long term, its share declines to 53 percent during the eighteenth century. Educational services also hold significant shares, especially in the seventeenth and eighteenth centuries, with the noteworthy occurrence of education surpassing religious services in the eighteenth century. In contrast to religious services, the share of education declines considerably, dropping to as low as 2 percent by

Table 6.1 Services financed by cash waqf organizations (%)

	Religious	*Education*	*Infrastructure*	*Commerce*	*Poor relief*
Sixteenth century	100	17	33	50	33
Seventeenth century	86	64	29	14	14
Eighteenth century	53	57	10	10	5
Nineteenth century	87	18	1	7	9
Twentieth century	100	2	NA	NA	2
Total	87	21	5	7	7

the early twentieth century. A similar trend is observed for infrastructure investments and commercial services, which exhibit higher shares in the initial two sub-periods but decline significantly by the early twentieth century. Support for the impoverished follows a declining trend from a long-term perspective. These findings align with recent literature that underscores the strong motivation of founders to finance religious services through waqf organizations (Adıgüzel & Kuran, 2021). However, these figures offer unique insights into the long-term trends of financing other services. It can be argued that until the end of the eighteenth century, founders distributed the revenues of cash waqf organizations more evenly across services, with a substantial shift toward favoring religious services emerging only in the nineteenth century.

Capital Levels of Cash Waqf Organizations: A Temporal Analysis

The previous chapter highlighted significant trends in cash waqf organizations using non-economic variables. In this section, we shift our focus to capital levels and their long-term changes. However, it's essential to acknowledge that the dataset used in this study presents limitations, making it challenging to conduct robust econometric analyses on capital levels. Consequently, this section provides real capital averages for different social groups across various centuries. Notably, the number of cash waqf organizations in the sample during the first two sub-periods is considerably smaller than in the last three sub-periods. This discrepancy in sample size might lead to more significant deviations in capital averages between earlier and later periods. Nevertheless, prior research based on cash waqf organizations in the Bosnian provinces has revealed substantial variations in wealth between these time periods, primarily due to data quality improvements that occurred only from the nineteenth century. Given the evident disparities in the number of observations across social groups, we consider the smaller sample size as indicative of a sampling issue. This issue is particularly pronounced in the data for women in the eighteenth century and the early twentieth century, as well as in the first two sub-periods. As a result, the findings regarding real capital averages are subject to a notable sampling bias.

The information presented in Table 6.2 provides real capital averages in a comparative perspective for the long term. To deflate nominal values, this study utilizes from Istanbul Consumer Price Index (ICPI) and uses the data to obtain real values with 1469 prices. The short period of upturn notwithstanding during the seventeenth century, the declining trend suggests that founders endowed less capital in cash waqf formation until the early twentieth century. There is no direct way to determine why founders chose to endow less capital in later periods compared to earlier periods. As mentioned above, this situation may indicate a sampling incongruity by centuries. In the first three sub-periods, the real capital averages are substantially high, and they range from 79 thousand akçe to 211 thousand akçe. These figures, however, decline sharply to two thousand akçe on average.

Among women, the increasing trends in real capital levels appear to be more pronounced between the sixteenth century and the eighteenth century. Whereas the real average capital declined substantially in the nineteenth century, this figure increased about 23 times during the early twentieth century. The larger shifts that emerged in the two sub-periods are problematic due to the small size sampling for women. Among men, real average capital levels are significantly higher than those of women in the first two sub-periods. A cursory look at the figures reveals a similar pattern in real averages between titled founders and commoners in the same period. From the eighteenth century, real averages of men and titled founders indicate a declining trend, while the real average increases in favor of commoners during the eighteenth century. This significant gap that emerged between titled founders and commoners

Table 6.2 The real capital averages (in real akçe, 1469 = 1)

	Women	*Men*	*Titled founders*	*Commoners*	*Real Averages*
Sixteenth century	2.677	123.834	123.834	2.677	103.641
Seventeenth century	6.859	325.932	365.759	6.935	211.977
Eighteenth century	663.582	18.055	20.474	268.526	79.534
Nineteenth century	1.763	2.197	2.728	1.193	2.178
Twentieth century	40.466	1.081	1.168	2.484	1.748
Real Averages	117.491	26.444	38.368	23.873	32.987

probably results from the fact that this group contains cash waqf organizations established by women. Although commoners have a decline during the nineteenth century, this trend reverses in the early twentieth century. All in all, the real capital averages sharply declined in the nineteenth century. This finding is compatible with the recent literature (Altay, 2022; Karagedikli & Tunçer, 2018). Since the highest capital averages belong to women in this sample, this result occurs because of the lower number of observations for women. The other three groups provide more reliable results from a comparative perspective. In terms of general real averages, titled founders have the cash waqf organizations with the highest capital.

The data given in Table 6.3 presents the cash waqf organizations with the highest capital. The order given in this table is based on real capital values. The findings reveal the effects of titles on the emergence of high-capital organizations. The four of the largest six cash waqf organizations belonged to founders, who held the title of *Pasha*, the highest-ranking members of the military/administrative body of the Ottoman Empire. The fifth-largest cash waqf organization belongs to Ebubekir Efendi, who held the highest religious/judicial title. The most interesting result is that the second-largest organization was established by a woman, Ayşe Hatun. Although this finding is interesting compared to others, her father's title is sufficient to justify the emergence of this high-capital cash waqf organization. Another spectacular result is that all these cash waqf organizations emerged before the nineteenth century. This finding partially provides evidence for why declining capital levels appeared during the nineteenth century.

Table 6.3 The cash waqf organizations with the highest capital (real akçe)

Founders	*Year*	*Nominal capital*	*Real capital*	*Province*	*Town*	*Family waqf*	*Number of services*
Kaçanikli Mehmed Pasha	1609	12.000.000	2.700.000	Macedonia	Skopje	+	4
Ayşe Hanım bt. Mehmed Pasha	1701	9.000.000	1.295.000	Albania	Berat	+	1
Mehmed Pasha	1580	694.000	349.000	Kosovo	Prizren	+	3
İsmail Pasha	1748	2.400.000	220.000	Albania	Berat	+	2
Ebubekir Efendi	1577	372.000	187.000	Albania	Elbasan	+	1
Kara Mustafa Pasha	1664	700.000	139.000	Macedonia	Ohrid	+	4

In terms of their functional characteristics, all these organizations appeared as family waqfs. The services they financed, however, differed from each other. The first organization provided financial resources for four main services except commercial investments. The second organization, however, provided resources for only education. The third- and fourth-largest organizations directed their resources toward financing commercial investments, unlike the top two. The fifth-largest organization, focusing on a single service, exclusively channeled funds into religious services. The cash waqf organization at the bottom funded other services except for supporting poor. Among these organizations, the number of those financing religious and educational services was four, while three of them were transferring resources to commercial and infrastructure investments. Support for the impoverished was available in only two of these organizations. The services financed by these organizations were determined by the founders. Local needs mostly determined which services would be funded. In other words, cash waqf organizations emerged as bottom-up institutions.

Concluding Remarks

Using information from the cash waqf deeds, this study has contributed to the recent literature with a new dataset from different provinces of the Ottoman Empire. This long-term analysis provides answers to three main questions. The findings fill a significant gap in knowledge about the prevalence of family waqfs, the changing functions of cash waqf organizations over time, and the varied capital levels of these organizations by socioeconomic structures of founders and time. The results reveal that rather than generalizations, the characteristics of cash waqf organizations changed over time. Although economic historians of the Ottoman Empire have recently argued the main functions of these organizations, little is known about their long-term trends. It is expected that the findings presented in this study provide a new source for further studies of cash waqf organizations. Further research on different provincial contexts is still necessary to compare the findings of this study and substantiate these findings presented here.

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CHAPTER 7

From the Periphery to a Global Player: Historical Evolution of the Qatari Banking Sector

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The financial services sector has been referred to as a key cornerstone of any economy and an instrumental bedrock of economic development (e.g., Moran, 1990). Banking specifically has been one of the oldest and most important segments within the financial services sector that

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has long been of particular interest to economic and business historians (e.g., Grossman, 2010; Jones, 1995). From a business history perspective, the analysis of the evolution of banking services is a popular topic, and scholars have offered insightful analyses of such historical developments in different contexts (e.g., Jones, 1995; Wójcik et al., 2018; Phylaktis, 1988). Furthermore, the importance of Arabian Gulf countries increased phenomenally in the global economic context since the oil exploration during the last century and subsequent development in those countries and societies (e.g., Dana et al., 2021; Gelb, 1988). This has prompted different scholars to engage in historical analysis of the evolution of different business sectors in different Arabian Gulf countries, including financial services (e.g., Hanieh, 2010; Presley & Wilson, 1991; Wilson, 1987).

However, a review of extant literature reveals that an in-depth analysis of the evolution of this sector has not yet been sufficiently undertaken. Research on this region (particularly offering an assessment of individual countries) remains rare. Some scholarly work has been done recently on the topic of the history of Islamic banking, where this region plays an important role (e.g., Iqbal & Molyneux, 2016). However, despite certain cultural and religious similarities in the Arabian Gulf countries, they cannot be analyzed together as the development trajectory influenced by their governance and international cooperation approaches has been very different in these countries. This aspect has been stressed by recent academic works where Qatar has been found to be different from neighboring Gulf countries in both socioeconomic, political, and governance aspects, as well as approaches to regional and international diplomacy (e.g., Cordesman, 2018; Selmi & Bouoiyour, 2020). The differences in these aspects have been referred to in the prior business history studies to influence the development of financial and banking systems in different

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countries (Collins, 2012; Marichal, 2008). Furthermore, Qatar's financial services and banking sectors have not been analyzed specifically so far despite its visible economic importance. Qatar has been highlighted in different academic studies as a country that has gained central importance in the global financial system despite being a relatively unknown player till the mid-1990s (e.g., Ibrahim & Harrigan, 2012; McSparren et al., 2017).

Recognizing this important gap in the extant business history literature, our paper aims to offer an evolutionary analysis of the banking sector in Qatar. Our paper aims to advance insights into the under-researched context of the Arabian Gulf by specifically focusing on the historical development of Qatar's banking sector. We adopt an exploratory qualitative approach in this endeavor where different factors that played a role in the development of the banking sector in Qatar are evaluated. This exploratory qualitative approach allows us to go in-depth in analyzing the chosen context, where archival research is significantly complemented with the use of elite interviews methodology (e.g., Natow, 2020). Personal narratives of key players in the historical evolution of the Qatari banking sector are a significant strength of elite interviews. They enrich research findings by offering insights into undocumented aspects, which otherwise may be left out of the picture, especially in countries like Qatar with poor past archiving traditions (e.g., Goldstein, 2002; Harvey, 2011). By doing so, our paper aims to contribute to the extant business history literature in three important ways.

First, it is the first study specifically documenting and analyzing the evolution of the banking sector in Qatar (a context that has been yet to be specifically studied before). Despite being located in the Arabian Gulf region, and neighboring culturally similar countries, Qatar has certain peculiarities that differentiate it from the neighboring countries (e.g., Fraihat, 2020; Harkness, 2020). These peculiarities have historical roots like any other sociological phenomenon, and their visibility can differ in different social and economic spheres (e.g., Inglehart, 2020). Our paper strengthens the understanding of the underlying reasons behind those peculiarities in the specific context of the banking sector.

Second, our paper offers an assessment of the role of specific factors or players (including government, foreign investors, and local business families) in this evolution of the Qatari banking sector, an aspect that has been referred to be important in gaining a rather comprehensive understanding of the evolution of economic and business histories by the historians (e.g., Grossmann, 2010; Jones, 1995). Besides, the financial sector in the Gulf countries, including Qatar, mainly relies on the banking sector. Analyzing the evolution in the banking sector mirrors the transition in the real economy and hence gives a more holistic picture of the business transition within the history of Qatar.

Finally, along with being an assessment exercise on the historical evolution of a business sector, our paper contributes to a better understanding of the Qatari business context, going beyond the focus on the oil and petroleum sector. With growing economic diversification efforts in the country, research insights into the historical evolution of the Qatari banking sector shed some light on the prospects and potential of the industry.

The rest of the paper is organized as follows. The next section offers a historical overview of the Qatari banking system evolution based on published research and archival data. This section also highlights the critical contemporary characteristics of this sector in Qatar. After that, we explain our research methodology (elite interviews), followed by the presentation of the findings. Finally, the paper concludes by presenting conclusions and future research directions.

Historical Overview of Qatari Banking System Evolution

One of the earliest academic books written on Qatar's political and economic history reveals that Qatar's major industries from the 1700s onwards consisted primarily of pearl fishing and trading primarily with Persia, Zanzibar, and British India (Zahlan, 1979). A broader look at the Arabian Gulf region reveals that the presence of British trading outposts in cities like Aden in Yemen and Muscat in Oman (a British protectorate at that time) played an important role in laying down the seeds of the modern economy, including banking services (Mawby, 2006; Presley & Wilson, 1991). Before that, informal financial intermediation of trading families was the primary source of banking and financial services in the region (Presley & Wilson, 1991). In this context, British-origin banks like Imperial Bank of Persia (precursor of the current HSBC founded in 1889) and Eastern Bank (which was renamed later to Standard Chartered Bank founded in 1917) emerged as the early players (Kynaston & Roberts, 2015; Wilson, 1987). Both of these banks, notably the Imperial Bank of Persia, had a visible political role in relation to British economic and colonial interests in the larger Gulf region (McLean, 1976). Therefore, these banks appear in the historical evolution of the banking sector in all Arabian Gulf countries. However, even though formal banking institutions started to emerge during the late nineteenth century, historians have argued that British visibility in finance and trade was already visible from the mid-seventeenth century with the establishment of trade settlements in (then) Persian Empire and (current) Iraq (Amin, 1962). These trade settlements also paved the way for the later more in-depth involvement in the region by British traders and, consequently, bankers (and banks).

In the specific context of Qatar, the rise of a market town called "Zubara," especially during the eighteenth and nineteenth centuries, is significant to mention as it served as a primary locus for the exchange of goods and services, including different forms of informal finance and banking (Fattah, 1997). This town was the center of the pearl trade and had trade links to the Ottoman Empire, the Persian Empire, India, and almost all European trade players of that time (Fattah, 1997). Oil was discovered in 1939 in Qatar, and the first exports to international markets started in 1949 (Paxton, 1972; Zahlan, 1979). The oil discovery and exports led to the demand for professional commercial banking, with Eastern Bank fulfilling most of the needs of the then British protectorate Qatar (Presley & Wilson, 1991; Wilson, 1987). All Gulf States had agreed to exclusive political relationships with the British based on the "Trucial System," where Britain controlled their external affairs (Onley, 2005). Qatar specifically became part of this "Trucial System" in 1916 (Onley, 2005). Hence, it is not surprising that British banks were the first visible players in the region, including Qatar.

Prior historical books on the region's financial system (notably the work by Presley & Wilson, 1991) have stressed that even though British managers present locally in different Arabian Gulf cities, including Doha, saw significant growth potential in the region. However, the top management in London of these British banks was very cautious concerning the expansion of services due to the informal nature of the economy until the early 1950s. After 1954, other players like the British Bank of the Middle East (acquired by HSBC), the Othman Bank (formerly Grindlays Bank, acquired by Standard Chartered), the Arab Bank, and the Lebanese Bank (now Al-Mashrek Bank) started operations in Qatar during the 1950s and 1960s (Gulf Times, 2016). A major milestone in the banking sector of Qatar was achieved in 1965 (before gaining complete freedom in 1971) by the establishment of the first locally owned bank, Qatar National Bank

(Presley & Wilson, 1991). A major event that spurned the growth in the local financial and banking sectors was the oil crisis of 1973 and several banks' operations during the 1970s and 1980s (Legrenzi & Momani, 2011). The most noteworthy banks established during this time are the Commercial Bank of Qatar (CBQ) (1975), Doha Bank (1979), Qatar Islamic Bank (1982), and Ahli Bank (1983). In the following sections, we provide a historical perspective of the three main phases of the evolution of the Qatari banking sector.

Phase 1: Pre-independence in 1950–1971

The creation and development of the Qatari banking system have been linked to the political and economic situation that prevailed two main facts: (1) British influence until 1971 and (2) the Qatari's move to export oil (Molyneux & Iqbal, 2022). With an increase in oil production and exports in the fifties, there was a need for developing the banking system to keep pace with the economic progress that was taking place in Qatar. In this phase, Qatar opened its banking sector for foreign investment resulting in the establishment of foreign banks such as the British Bank for the Middle East in 1954 (first accounting report of the bank in Fig. 7.1), then the Ottoman Bank, known as Kerndys Bank in 1956 (Fig. 7.2). Then later, in 1957, the first branch of the Arab bank was opened. Also, a branch of the Lebanese Intra Bank (Bank of Lebanon) was opened in 1960, followed by Al-Mashreq until its liquidation in 1990. Through the mid-sixties, Qatar had only foreign banks. Following national efforts, the first Qatari national bank (Qatar National Bank) was founded in 1965 with a national capital of nine million Indian rupees. The ownership of shares was divided equally between the government and the private sector (QCB, 2002). In 1970, three other foreign banks joined the Qatari banking sector, including the United Bank of Pakistan, Bank Saderat Iran and Citibank of the United States. So, there were nine banks in Qatar before its independence: one Qatari bank, two Arab banks, and six foreign banks. The banks operating in Qatar in the pre-independence period in 1971 can be shown in Table 7.1.

We note that the first phase of the evolution of the Qatari banking sector in the period before independence was dominated by foreign banks, and there was an absence of a national central bank. Moreover, the Qatar and Dubai Currency Board issued in 1966 a new currency named the Qatar and Dubai Riyal (Fig. 7.3). It replaced the Indian Rupee and

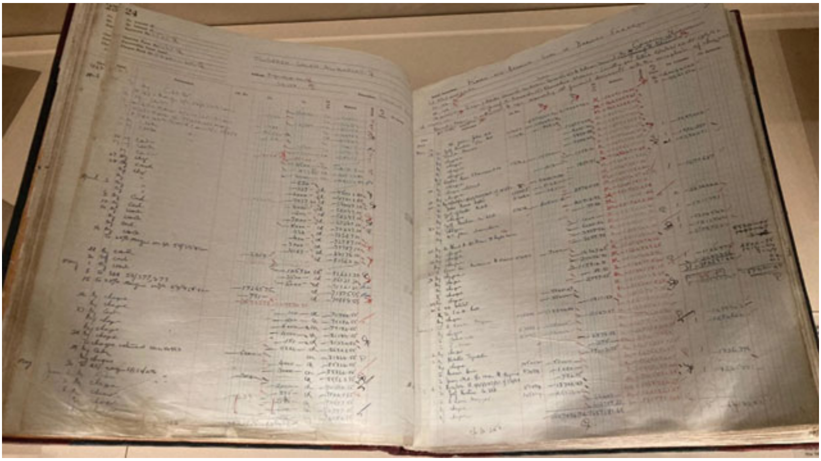

Fig. 7.1 First accounting report of the British Bank for the Middle East (*Note* Qatar National Library)

other currencies that were used in Qatar at that time. This currency was used in Qatar until 1973, when it was replaced by the Qatari Riyal (Qatar National Library, 1992).

Phase 2: Post-independence in 1972–1992

After the independence of Qatar from Britain in September 1971, the country underwent several changes and developments internally and externally. At the external level, Qatar joined The International Monetary Fund (IMF) one year after its independence. Also, the country established an agreement in September 1972 with the World Bank for construction and infrastructure development. At the internal level, in 1972, the Ministry of Finance and Qatar Petroleum approved the agreement of the Association of Commercial Banks Operating in Qatar, aiming primarily to regulate interest rates for banks in Qatar. In light of these important developments, there was a need to establish a national central bank to administer the functions of the central bank, such as organizing and legalizing the process of cash, monetary, and credit policies (The Banking and Financial Sector in Qatar, 2002). The banking sector during this period has progressed in the following ways.

Fig. 7.2 Ottoman Bank in 1956 (*Note* Qatar National Library)

The central development in this phase was the introduction of a law in 1973, dictating the establishment of the Qatar Monetary Agency to serve the functions of the Central Bank. Concurrently, the Qatari Lira replaced the previous currency. Additionally, there was a shift in Qatar's exchange rate policy. The Qatar Monetary Agency followed multiple methods of linking the exchange rate of the Qatari Lira to USD, similar to the previous Dubai and Qatari Lira. As for the interest rate policy, the Qatar Monetary Agency adopted a fixed policy, while the rate remained constant between 1979 and 1990. The agency regulated interest rates for future deposits ranging between 5 and 7% for credit convenience.

Table 7.1 Banks operating in Qatar before the independence 1971

Bank name	*Foundation year*	*Country*
Sharki Bank	1950	United Kingdom
British Bank for the Middle East	1954	United Kingdom
Ottoman Bank (known as Kerndys)	1956	United Kingdom
Arab Bank	1957	Jordan
Lebanese Intra Bank (later Mashreq Bank)	1960	Lebanon
Qatar National Bank	1965	Qatar
United Bank	1970	Pakistan
Bank Saderat Iran	1970	Iran
City Bank	1970	USA

Note QCB (2002)

Fig. 7.3 Qatar and Dubai banknotes (*Note* Qatar National Library)

Further, there was an expansion in the number of banks operating in Qatar. For example, the Oman Emirates Limited bank branch was established in 1970, followed by another branch of another foreign bank joined (the French bank of Paribas) in 1973. Then, after the first oil price shock in October 1973, coupled with a significant increase in government revenues and expenditures, the Qatar Commercial Bank was established in 1975, and then Doha Bank Limited in 1979. These banks are among the first national banks in the private sector. Adding to this, following the occurrence of the second oil price shock in 1980 and 1981 and the need to grow and diversify the Qatari economy, two other national banks were founded: the Qatar Islamic Bank in 1983 and the Al-Ahli Bank in 1984.

When oil prices decreased globally in 1986, Qatar's oil production capacity declined significantly. This pushed the government to review its economic activity and expenditure, resulting in the creation of only one national bank in the region in 1991 (Qatar International Islamic Bank). Within this turbulent environment, Citibank closed its branch in Doha in 1987. Then, the Lebanese Bank of Mashreq was liquidated in 1990 due to poor managerial decisions within the bank's headquarters in Lebanon. Amid this situation, the Qatari government formed a committee to review the state of the banking sector. This initiative resulted in appointing a governor and deputy governor of the Monetary Agency in 1992, for the first time in Qatar, to restore the banking sector and introduce reforms at the financial and regulatory levels (QCB, 2002).

Phase 3: From 1993 to 2000 and Beyond

An important development in this phase was introducing a law in 1993 to establish the Qatar Central Bank replacing the Qatar Monetary Agency. This law has been issued to strengthen the state's monetary policy in terms of stabilizing the national economy, avoiding any disruption in the financial balances, enabling stability of the local currency against foreign currencies, and hedging against global shocks. In addition, the number of commercial banks operating in Qatar expanded by creating several branches, reaching 81 units and 14 representative offices in 2000.

Another critical development in this phase is the promotion of commercial banks operating in Qatar, i.e., upgrading banking and financial services and products. Also, the Qatari banking sector became more integrated into the global financial system. One more significant progress in the banking system in Qatar is the increased role of the Qatar Central Bank in supervising and controlling commercial banks on whether they comply with the monetary policies of the country and ensuring that the financial situation is safe, especially after 1997 Asian financial crisis (Molyneux & Iqbal, 2022).

While these insights offered by the extant research into the Qatari financial and banking history are valuable, they need an understanding of the subtle and detailed mechanisms of the historical evolution of the Qatari banking sector. Past research and scarce archival data offer an overarching picture of the major milestones of Qatari financial and banking history. However, still little is known in an in-depth fashion about how key players experienced and instrumentally shaped the evolution of the Qatari banking sector. Below, we offer an in-depth picture of the Qatari banking sector's evolution based on the elite interviews that reveal the rich lived experiences of this evolution through the first-hand retrospective accounts of the key players who directly witnessed and shaped the complete transformation of the industry over several decades.

Research Methodology

Research Context

Our research interest in the historical evolution of the banking industry in the periphery offers an uncommon yet highly relevant context of Qatar. Over the last four decades, Qatar has transformed itself from a small pearl trading country to an industrialized investment-friendly country and has emerged as an attractive investment destination (Banks, 2017). Such a quick transformation and rapid growth resulted in the dynamic development of the banking industry in the country from relatively rudimentary foundations to an advanced banking system that is present in the country today. The country has, thus, become a major business and commercial hub at the crossroads between East and West and has invested heavily in the financial and banking industry (QFC, 2021). In fact, the country has recently fully embraced Fintech (Financial Technology) and is seeking to pave the road globally in Fintech (Ibrahim & Truby, 2021). Such a quick and dynamic transformation from modest beginnings just a few decades ago grants an in-depth examination of how the country has transformed its banking industry and the key milestones experienced by executives in the banking industry in Qatar.

Sample and Research Approach

Our research draws on the content of five in-depth interviews with senior executives in Qatar. Our sample reflects an "elite" group of individuals, defined by Harvey (2011, p. 433) as "those who occupy senior management and Board level positions within organizations…these people have significant decision-making influence within and outside of the firm" which is particularly appropriate for exploring the historical evolution of banking industry in Qatar in the near absence of systematic archival data. Our sampling criteria were based on selecting and accessing top senior executives in elite positions who have extensive executive experience in the banking industry or even the founders of banks in Qatar throughout several decades to obtain an in-depth understanding of the undercurrents of the historical evolution of the banking industry in Qatar.

The elite interviewing technique has been an established approach in conducting qualitative research and obtaining unique insights into the less researched and not easily accessible phenomena that involve distinct insights from the "elite" group of individuals and executives with deep and extensive experience in their respective industries (Aberbach & Rockman, 2002; Harvey, 2011). In particular, elite interviewees could be specifically relevant for obtaining insightful anchors in contexts with the shortage of extensive historical data and representation in the world (Morse, 2019). As such, with the case study design relying on the elite interview approach, we were able to obtain insights that enable the identification and examination of subtle patterns throughout the history of Qatar's banking industry that would not have been encapsulated by more constrained methodologies such as surveys and secondary data.

Previous studies in similar contexts have utilized a similar sample size of elite interviewees (e.g., Ellram et al., 2008; Howe-Walsh et al., 2019). Accessing and leveraging an "elite sample" is often a challenging and, at times, daunting task (Mikecz, 2012). Therefore, a small sample size is not uncommon or problematic, especially if it helps to achieve an in-depth understanding of the focal phenomenon (Howe-Walsh et al., 2019).

Data Collection and Analysis

The interview protocol was designed to collect data on the historical evolution of the banking industry in Qatar, the major players involved in this evolution, the institutionalization and quality development of banking throughout the years, and the participants' interpretation of key developments. Although this protocol guided the data collection process (Eisenhardt, 1989; Yin, 2009), the primary questions were semi-structured to allow the interviewees to tell the story of their experiences. The interview protocol included probes to ensure that valuable insights from research participants were not overlooked, even if the initial protocol did not cover specific questions relevant to a particular elite interviewee (Perry, 1998). In addition to interviews with the elite respondents, we relied on secondary data sources (such as archives) to corroborate points raised by the participants.

As suggested by Harvey (2011), we paid particular attention to gaining trust and gauging the tone of interviews with elite informants, striking the right balance between open- and closed questions, gauging the proper length of interviews, keeping respondents open, engaged, and interested in interviews, and gaining real-time feedback from respondents during the course of interviews. We also always kept in mind the purpose of the research when conducting interviews and were transparent to participants regarding our expectations (Aberbach & Rockman, 2002). All the interviews that took place either online or in person, with two or more members of the research team present in any instance, were recorded on-site or transcribed by research assistants.

Two members of the research team analyzed the data through an iterative coding process that was executed in consultation with other members of the team and research participants. First, the researchers read and re-read the transcripts to familiarize themselves with the data, noting initial ideas. Second, patterns and codes were identified within the transcribed interview data. The authors then triangulated the interview data with secondary data sources and independently analyzed the results to examine patterns that are related to the research objectives. Finally, patterns across cases were compared, and explanations for the patterns observed were built (Sykes, 1990).

Furthermore, we adopted two techniques to evaluate the quality of the interpretations from the data. First, we deployed a *constant comparison* technique to authenticate emergent themes and findings discovered in the interviews (Gölgeci et al., 2019). Second, we used a *member check,* in which research participants were invited to verify the accuracy of the transcript (Creswell & Poth, 2016). That said, in the second stage, we have not credited verbatim quotations to specific participants according to the ethical responsibilities of this elite group to ensure the anonymity of the interviewees.

We also used secondary data (archival data) to review the evolution of the Qatari banking sector. Most archival documents were generated from Qatar Central Bank. In reviewing this data, we focused mainly on two sections: (1) Qatari Economic and Financial System before and after British colonization, and (2) the historical events of the Qatari banking sector between 1973 and 2000. The second important archival data analyzed for this study was the Qatar National Museum's, Qatar National Library's, and CBQ's archives to provide more depth in our historical review of Qatari banking milestones. In this data, we emphasized the records of Qatar's primary documents (1820–1960 and 1961–1965) and documents about the Qatari banks during and after the British protectorate.

Findings

Our paper has two main objectives. One is to document and analyze the evolution of the banking sector in Qatar. The second is to assess the role of specific factors or players, including government, foreign investors, and local business families, in the evolution of the Qatari banking sector. Hence, we categorize our findings of elite interviews and archival data in these two broad categories to convey more concrete results. However, both categories of findings are interrelated, where the overall evolution of the banking sector and Qatari economy had certainly affected the individual players and vice versa.

Evolution of the Banking Sector in Qatar

Until 1952, there was no bank in Qatar. Banking in Qatar started in 1952. The first bank was an English bank called Eastern Bank Limited, currently known as Standard Chartered Bank. Only money dealers existed in the region. The economy of Qatar and the whole Gulf region was dependent on selling pearls. Despite the lack of banks in the ecosystem, financial activities had even existed before relying on the pearl trade. As one of the interviewees stated:

> During that period, the economy of Qatar and the entire Gulf region relied heavily on pearls. Thus, prominent families, including my own, possessed their own boats and employed divers. In my family's case, we not only owned boats but also provided financing and support to divers on other boats when required. My father was among the most significant buyers of boats in the region. We played the roles of both dealers and buyers, participating in various aspects of the pearl trade. In the region, there were different entities, including brokers, buyers, boat owners, major business figures, and expatriates involved in this industry.

Initially, overall economy and the well-being of the people depended primarily on pearl trading:

> This was the business we were engaged in, and it was subject to fluctuations. When we had a successful season, we could sell high-quality pearls, leading to increased imports, retail activity, and overall prosperity. However, during unfavorable seasons, our business suffered, and we experienced challenging times.

The oil was discovered in the 1940s. However, the impact of oil discovery started to be realized by the public at large in the 1950s. Oil discovery came at an incredibly right time when global pearl prices were in decline. Artificial pearl farming in Asia has significantly reduced pearl prices in the region. As a result, pearl diving came almost to a halt when oil was discovered. One of the interviewees tackled this as an opportunity for education:

> During that period, the pearl business was in decline, with no market, and everyone was suffering. So, I went to Bahrain to study because I had no other option. During those days, the pearl business had significantly declined, with no buyers, and many people in the region were facing financial difficulties. We had no alternative business opportunities.

However, the education was rather simple and not very formal even in Bahrain in the late 40s and early 50s, as stated by the interviewee:

> There was no formal school, not even a secondary school. There was a private school where students primarily engaged in reading books in Arabic and English. The teacher typically had between five to ten students in attendance. He focused on teaching language skills, covering subjects like alphabetic writing and basic accounting. I spent two to three years learning under his guidance, and by the time I was 15 or 16 years old, I had acquired a reasonable level of understanding.

Upon oil discovery in Qatar, the workforce shifted from the pearl business to the oil industry. Until mid of the 1960s, there was even no local currency. Qatar was using Indian Rupees as Gulf Rupees. The first bank in Qatar started in 1952, Eastern Bank Limited. It is a branch of the England Bank. This bank today is Standard Chartered Bank. Based on the interviewee's recollection, the bank started its operation with basic banking transactions, including transfers and exchanges. It was also operating at limited working hours with limited staff not exceeding 10 employees: 3 local, 3 British, and 4 from India and Pakistan. Initially, the bank was building awareness among communities through door-to-door advertisement and direct personal visits, as the banking business was not known among Qataris. After the awareness improved, the bank started to offer its customers different services, including opening an account, accepting deposits, financing the import of goods from abroad, opening a letter of credit, and giving the letter of guarantees.

The discovery of oil led to increased government expenditure, necessitating the establishment of Qatar's first bank (QCB, 2002). Concurrently, the local government was in the process of formation. The main customer of Eastern Bank Limited was the government, as stated by the interviewee:

> The first and most crucial entity was the government. The government served as the primary customer, engaging in the acquisition of loans and providing deposits, as well as being involved in various other financial transactions.

Albeit, Eastern Bank Limited was not solely relying on the growing government for its business and provided wider banking operations.

> …It was a comprehensive banking business. Right from the beginning, we began reaching out to businessmen, market merchants, and individuals with liquidity. I was involved in marketing and served as an assistant to the marketing manager, offering assistance to everyone in the bank, including the manager and the deputy. Primarily due to the language barrier, I supported the marketing manager. We regularly visited the market, and I accompanied the manager, taking him there two or three times a week to meet with businessmen, market merchants, and other individuals. Our goal was to build relationships, help them understand the banking services, and encourage them to deposit their money in the bank.

At the opening, it evidently took time for the Eastern Bank to convince the local merchants to be their customers:

> Initially, they were skeptical about the idea because banking in this region was unfamiliar to them, given the absence of banks in the area. To win their trust, we presented examples from places like Bahrain, and they were

> content with the concept. Furthermore, owing to the close interconnection of all the families, there was significant interest. They ultimately recognized it as a good idea and were willing to place their savings in it. We were able to swiftly convey the concept to them, and they understood it thoroughly.

After the initial learning stage, the Qataris were quick in adopting the bank, and they started to use the bank as an integral part of their businesses:

> …to start working with, open an account, deposit their money, import goods from abroad or from the other places, open a letter of credit, and provide the letter of guarantees. The entire banking system was adopted swiftly. The Qataris proved to be highly proactive and quickly grasped the system, becoming a dominant force in the market. Initially, they may not have been familiar with this system, but once they understood it, their proactive nature became evident. My visits to the market with the manager began as a weekly occurrence, then increased to twice a week, and eventually, we were visiting daily. They reciprocated by coming to the bank to meet with us. This arrangement resembled a private banking team, and we provided them with personalized service. The number of clients we served in this manner was limited.

Trade has played a significant role in developing banks since the early years of banking developments in Qatar. The importers and the merchants were among the primary customers of the Eastern Bank:

> The businessmen and the business community, such as importers, source their products from various locations in Qatar. Initially, they relied on imports brought in through households from the region, but later expanded to importing goods from a wide range of sources.

Moreover, the new customer base for the banks started emerging, as pearl diving is in decline, and the former pearl industry is replaced with other retailing activities in Qatar:

> …the price (of pearl) dropped down and the divers, their income doesn't exceed 50-60 dollars annually. However, with the advent of oil companies, they started earning more than $4,500 every month, rapidly accumulating wealth. The laborers, who used to be divers, went to other jobs in the oil companies and other businesses, eventually becoming successful entrepreneurs. They expanded their businesses and employed numerous

> individuals who had previously worked in the pearling industry. Pearl merchants also ventured into various business opportunities in the market.

Despite the quick adoption of the Eastern Bank, banking was primarily basic and relied on transaction banking as its core activity. Hence there was no need to specialize for the first group of employees, but it was a learning experience and capacity building for the local talents:

> There was no position. I was doing everything. Because I didn't know anything about banking, and I didn't know English well. The bank was my school, and it gave me my experience for four years.

The exchange houses in Qatar appear to have played a role to complement the transaction banking activities in a more flexible schedule. The interviewee is the pioneer who saw the gap in the market. He has opened the first money exchange business in 1966. As stated by one of our elite interviewees:

> You know the idea of the exchange house was coming from? In those days, the banks would work from 7:00 am to 1:00 pm. Most of the people were working. If they wanted to transfer money back home, there was nothing available in the evening. So, with the exchange house, they could come in the evening and transfer the money. What facilitated it was the influx of expatriates who were coming in. They came here to do a job and sent the money back home. There was nothing like that, and that was the rationale behind it. You know this is on opening the exchange house because I've been here since 1978 and even in 1978, the banks used to work seven to one. Everything was closed after that.

Following the growth of the Qatari economy, there was a need to establish a national bank to support investment and create new financial options for the country, where Qatar National Bank (QNB) was established in 1966 by the state (Tuson, 1991). QNB was the market leader given its ownership structure, which created a big gap between the QNB and other private banks in terms of market share. The 1970s was the time when entrepreneurs started to establish private banks in Qatar. Along with this, Qatar established a kind of national central bank authority within the Ministry of Finance to promote the banking system in terms of organizing and legalizing monetary and credit policies (The Banking and Financial Sector in Qatar, 2002).

The first private bank established in Qatar is currently known as CBQ (see Fig. 7.4 for its founders). The interviewee was the leading figure in establishing CBQ. However, there was always a culture of co-ownership in establishing financial institutions, like in the case of CBQ. Accordingly, CBQ founders did not allow a single shareholder having more than 5% to ensure ownership diversification, as the interviewee stated:

> We were 9, and we owned as a board 45%. First time I made 9 board members. So, we owned 45% of the bank, and we made the 55% public still now. I asked everyone to pay me 200,000 to establish the bank. That's 1.8 million.

QNB has always played the leading role in the banking system:

> My competitor is too far from me, which is Qatar National Bank. Qatar National Bank is a giant. It was in the market before us. They are very strong. This is government, and still, they are. Qatar National Bank is the leader bank.

Fig. 7.4 Founding board members at commercial bank headquarters opening (*Notes* CBQ Archive)

Then the other banks started to be established, and each bank attempted to fill a gap in the market as CBQ focused on retail banking, which was not completely absorbed by the QNB and existing international banks. Furthermore, the interest avoidance of the retail customers made the retail segment of the market even more lucrative business and enabled the banks to grow much faster:

> Doha Bank came after us. International banks were powerful competitors. However, when I initiated my efforts, I managed to attract a significant portion of the retail banking market from them. Retail banking wasn't cost-effective for these international banks, so I brought in many small businessmen who partnered with us. I fondly recall those days when I was pleased because we had access to low-cost funds, primarily from current accounts holding substantial balances. Most customers were not interested in earning interest on their deposits, which meant the cost of funds was nearly zero. This was a critical advantage at that time, and we successfully amassed substantial amounts of cash from current and savings accounts at minimal cost.

Later the banking sector continued to grow with the oil and gas discoveries in the country. As the government spending was increasing to extract more oil and gas, the investment in infrastructure was increasing as well, thereby allowing the banking sector to grow and provide financial support for infrastructure projects along with the overall economy, as the interviewee stated:

> Qatar required significant infrastructure development, numerous new buildings, and various substantial changes. As a result, many prominent families in Qatar became involved in these businesses, becoming highly active, and they played a pivotal role in the construction of numerous companies. These influential families included both well-known and smaller names, each contributing their expertise and specialization to various sectors. This led to the employment of a large number of people, and experts were widespread in a variety of fields.

Key Factors in the Qatari Banking Evolution

Certainly, the overall growth of the Qatari economy directly shaped the development of the banking sector. Hence there is undoubtedly a large-scale story behind the development of the financial sector in Qatar.

However, certain individuals and actors played a pivotal role in critical junctions of the banking sector development in Qatar. Firstly, the government sector was rising, and as stated before, the government was the main customer of the first bank in Qatar, the Eastern Bank. Secondly, the government was rather acting a plain playing role for the entrepreneurs in the establishment of the new banks. In response to the question, "What was the main difficulty in getting the license?" The interviewee responded: "No difficulties, it was the formalities." Hence, initially, business dreams and imaginations were more vital as his statement continues: "…we are not a banker, I'm not a banker, but I can build a bank. It's a big bank. It is famous and one of the largest in Qatar today. This is not easy to do it. You have to think how to build it." There were similar statements made by another interviewee who is one of the founders and current board member of QNB. These statements and gestures in the interviews show their enthusiasm, ambition, and creativity as individual actors in making banking history in Qatar.

The British bankers played a vital role in managing the banking system in Qatar. For example, it was mentioned by the interviewee that the general manager (John Lawrence) and the deputy manager (Tim Barker) were British, even though the main managerial assistance came from the American Chase Bank. Personal connections played a big role in the establishment of CBQ (see Fig. 7.5 at the opening ceremony of CBQ for the crucial international connections). The interviewee made the initial talk with the international banks to run the management of CBQ. Initially, all the international banks seemed to approach the offer from a distance. Probably revenues from the management operation in Qatar for these banks at those times were relatively small for the banks. But the Qatari entrepreneurs seemed to appreciate the value of the professionals even in their early years. Chase has been convinced with the intervention of its owners and their discrete trust in the interviewee.

> I needed international management to facilitate rapid growth. Subsequently, I extended invitations to international banks, namely Bank of America and Chase Manhattan, to partner with us and provide their expertise in exchange for management fees. City Corp initially expressed regret and declined our offer. However, both Chase and Bank of America were enthusiastic and willing to collaborate.

Fig. 7.5 Commercial bank headquarters (*Note* (From left) Jawad Hashim (President of Arab Monetary Fund), Alan Mitchell (First Commercial Bank General Manager), David Rockefeller (CEO of Chase Manhattan Bank), and Nemir Kirdar (former Vice-President and Regional Representative for Chase Manhattan Bank), CBQ Archive)

The interviewee preferred the agreement with Chase Manhattan because Bank of America required to put a condition to transfer the management of the bank to another bank that operate in the region:

> …So, Bank of America had a better offer, they gave us. What they put in it, they had the right to transfer the management to any bank they own part of it in the region.

From the very beginning, there has been a shareholders' culture in Qatar. Since society is shaped by big families and the trust in families are strong, the entrepreneurs use this trust to share funds for big projects like CBQ. This co-ownership among the big influential families helped the success of the business due to the social acceptance of the entities. This point is also pointed out by an interview. Even before the establishment of the Qatar Stock Exchange, people held and exchanged the stocks of private and government companies at Souq Waqif, the old bazaar of Doha.

Private banks were developing the local human capital using the expertise of foreign banks as stated by the interviewee:

> I'm lucky because the general manager (John Lawrence) and the deputy manager (Tim Barker) were British. They taught me a lot." And in another context, "...I worked four years in the bank, they didn't increase my salary. But I was happy because the manager was teaching me everything, and he had a great deal of respect for me. His deputy also held me in high regard, and we became friends. I even took them out. They were not well-acquainted with many people, having been invited by the ruler and various members of the royal family. So, I accompanied them for dinners and lunches, explaining everything about the bank to those they interacted with.

International bankers and expatriates, who also have trained and transferred knowledge to locals, played senior roles in different management functions. Working in the bank allowed the entrepreneur to get banking experience and meet many people who later helped them start their own private business in financial services, as stated by the interviewee:

> I started my own business in 1954, initially a small pearl business. Later, I ventured into the jewelry industry and expanded into foodstuff. This business journey has been a family endeavor. While I was employed at the bank on a part-time basis, I opened my own account. My business began to grow thanks to my connections with other entrepreneurs. I gained a solid understanding of the business, learned valuable skills from my banking job, and dedicated my evenings to studying. I worked on my business during the mornings and afternoons. Eventually, my brother joined me, and together we experienced gradual growth.

Even though Eastern Bank Limited paid a competitive salary of the time, business opportunities were ample outside the bank, and as stated by the entrepreneur the interviewee:

> At the bank, my salary was 220 Rupees, or $60, and it was considered good money at that time. I was earning between 20,000 to 30,000 Rupees

> a month from my business. Therefore, I didn't really need the job, but they didn't allow me to leave.

In this section, we document and analyze the evolution of the banking sector in Qatar and later assess the role of specific factors or players, including government, foreign investors, and local business families, in the evolution of the Qatari banking sector. The making of the government sector emerges as a key factor in the development of banking in Qatar. The British influence was straightforward in the early years. However, the influence is mostly at the professional level originating from the rooted British protectorate relationship. These professionals seem to have contributed to the evolution of the Qatari banking system by helping to foster human capital in the market. However, the entrepreneurs were quite integrated with other international partners in various countries, including the USA. The entrepreneurial capabilities of certain key figures and finding the gaps in the local market also facilitated the establishment of new banks in the market. These local entrepreneurs respect banking-specific professional knowledge and are open to learning from international banking professionals. The growing economy due to oil export and import of consumer products also paved the way for the expansion of new banks and diverse banking services. But most strikingly, the banks are established based on the co-ownership of bank equities. This equity partnership also indicates the trust level among the important families in the country. Besides, as stressed by the interviewees, the active secondary market for these equities has also helped the continued trust in the banking system and seeded the more formal capital market developments in later years.

Discussion and Future Research Directions

The purpose of the current paper was to offer a historical overview of the development of the banking sector in Qatar. Our paper presents a clear chronological assessment of key milestones in this journey based on a literature review and elite interviews methodology. Qatar has been highlighted in different academic studies as a country that has gained central importance in the global financial system despite being a relatively unknown player till the mid-1990s (e.g., Ibrahim & Harrigan, 2012; McSparren et al., 2017). What is remarkable in this achievement is the speed at which the banking sector transformed from its rudimentary beginnings to the sophistication required for competing in the global marketplace. The maturation and sophistication of the European banking sector have taken several centuries since its early days in the medieval and Renaissance Italian city-states of Florence, Venice, and Genoa and the establishment of the Swedish Riksbank as the world's first central bank (Kindleberger, 2015). Nonetheless, the Qatari banking sector went through similar evolution within several decades, within the lifetime of a single generation, rather than centuries. While recent research highlights the immediate rise of banking in Qatar (Banks, 2017), it has overlooked providing a detailed picture of how such a quick and remarkable evolution occurred.

Implications

Our paper analyzes the period of pre-1990s to fill the gap we identified in the literature, and sheds new light on the evolution of banking in the world by offering an in-depth account of an overlooked and idiosyncratic context. We highlight that Qatar was relatively unknown even within the Arabian Gulf context until 1952, when the first bank was opened. Since then, it has risen in its prominence along with its banking sector. Our findings go beyond referring to resource munificence and geographic peculiarities as the sources of the rapid rise of the banking sector in the region and explain the subtle and in-depth mechanisms behind this remarkable evolution. In particular, our findings reveal that Bahrain appears to be an important city in the context of the evolution of the banking sector in the region, especially from the perspective of banking services development, along with Persia and the Indian subcontinent, with whom Qatar had historical trade ties. Due to British dominance in the region, it is not surprising that our elite interviewees have highlighted British banks and British expatriate bankers as important players. As with the other countries in the region, American banks' and bankers' roles also became increasingly visible from the 1960s onwards. We also observed that the shift from a small pearl trading nation to an increasingly important nation with significant hydrocarbon reserves was fast, resulting in several local banks' emergence from the 1960s onwards. After Qatar gained independence, more local banks emerged, and, in this process, the role of local business families also emerged to be important. For instance, during this period, our findings revealed key aspects of the reliance of Qatar on foreign banks. The government benefited from an open environment that fostered knowledge exchange and external investment. Secondly, the presence of foreign banks helped to quickly scale up local and national banks' learning and managerial processes.

The key implication of our study for business history research and theory is highlighting the idiosyncratic nature of the rapid evolution and development of the Qatari banking sector. Our findings highlight that the Qatari banking sector's speedy evolution from relative obscurity and primitivity to being a noteworthy player in the global banking system is ingrained in a diverse set of geographical influences meshed with local ties religious/cultural influences. Our findings also highlight the important British footprint in the Qatari banking sector that was later combined with American and local influences based on family business development. For instance, between 1992 and 2002, there was a rapid and heterogeneous growth of the Qatari banking sector, where foreign and local (national and private) banks grew simultaneously, resulting in new products offerings and infrastructure development in the region (QCB, 2002). Also, this period witnessed the establishment of Qatar Central Bank, boosted economic transformation, the liberalization of financial markets, and the improvement of the legal framework. This resulted in an influx of foreign banks and investment opportunities in Qatar.

As such, we contribute to extant research by highlighting that synthesizing local traditions with the Western paradigm is possible in the quick development of the Qatari banking sector when the institutional environment is supportive of/driving force behind the rapid evolution. Large-scale, capital-intensive development entails sophisticated financial services, and resource munificence is channeled effectively toward generating superior economic returns.

The Qatari banking sector has become a major player in the region due to its significant contribution to the economy. The banking sector offered the financial foundation and stability for Qatar's economic growth and resilience over the past thirty years. Adding to this, the sector has evolved since independence providing a basis for innovation, new product offerings, and support for other industries, such as construction, tourism, and manufacturing. Further, foreign direct investment (FDI) flow into Qatar over the past thirty years is primarily due to the country's stable financial institutions and high-quality infrastructure.

Future Research Directions

Our paper does have several limitations like any other academic study. The discussion and analysis were first presented based on five elite interviews and a literature review. Hence, potentially some important aspects could be missed. However, keeping in view the short history of Qatar as a nation and the fact that one of our elite interviewees has been part of this journey since the start, we are confident that our paper presents a relatively comprehensive assessment of historical evolution. Secondly, unlike many business history research papers, our paper does not solely rely on the use of historical archival data, which can be considered a limitation. However, considering our topic and context, historical archival data is very limited. We believe that the focus on elite interviews and available archival data helps overcome this limitation to an extent.

Along with being a pioneering study presenting an evolution of the Qatari banking sector, our paper does open several new avenues for future researchers to explore by building upon our work. Firstly, future researchers can undertake a more in-depth qualitative assessment of the role of specific business families in the evolution of different business sectors in Qatar, including banking. They could highlight the issues like family traditions, legacy building aspirations, and the role of formal and informal networks in their research. Also, future researchers can try to explore the role of Qatar's trade ties to the Indian subcontinent, other Gulf emirates, and Persia during the late nineteenth and early twentieth centuries and link those developments to the dynamics of business relationships after the exploration of hydrocarbon reserves. Finally, there is a rather dearth of research focusing on the role of leadership styles and approaches in the historical evolution of different businesses and sectors in the Arabian Gulf region, including Qatar. Future scholars can try to link modern leadership theories to the specific role of key individuals in relation to the development of successful businesses by using elite interviewees and archival data as data sources.

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CHAPTER 8

From Private Bankers to Public Banks in the Kingdom of Naples (16th–17th Century)

Paola Avallone and Raffaella Salvemini

The System of Charity

In the capital city of the Kingdom of Naples during the sixteenth century, there was virtually no spiritual or material need that couldn't be addressed through the charitable efforts of a wide range of institutions. These institutions included monasteries, conservatories, hospitals, pawnshops, and various other organizations dedicated to charitable activities (Parrino, 1730, p. 23). During the first century of the Spanish domination, the rate of demographic growth recorded in the city—which grew from ca. 115,000 inhabitants at the beginning of the sixteenth century to

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about 280,000 in 1606—was much higher than the actual potential for economic growth of the local industries, such as silk-growing, or of the trading circuits activated by grain, oil, and wine distributions. In this particular conjuncture, more and more people were forced to wander around the city looking for, or merely for hospitality and charity (Palermo, 1846, p. 247). The high number of indigent people posed a threat to public order, and laws against vagrants and unemployed people were therefore issued although with meager results. Craft workshops were urged to take in and train the poor. Initially, the laws equated vagrants to delinquents, introducing the concept of a "stable job" as the only way for a foreigner not to be mistaken for a vagrant, an idle person, and prosecuted as such (Salvemini, 2000, pp. 297–298). Private, lay, and religious charity played an important role in meeting the poor's need for help and relief. Thanks to bequests and donations, an elaborate aid system was set up, revolving around multifunctional structures capable of satisfying every need. The administration of charity relied, on one hand, on the support of the city government, which supplied grain and monitored public health. On the other hand, it depended on the Spanish court, which conferred various benefits upon charitable organizations, including alms, exemptions from taxes, and legal privileges. Craft corporations also played a role in providing support to this diverse group of impoverished individuals, primarily by facilitating the construction of churches and, most notably, secular institutions such as male and female conservatories.

In 1606, in Naples there were five male conservatories housing 762 boys and sixteen female conservatories housing 2208 women; there were monti dotali (dowries funds), monti di pietà (pawnshops), orphanages, and ten hospitals (Bacco, 1609, p. 128). Four of these hospitals, along with the Casa Santa e Conservatorio dello Spirito Santo for girls at risk, experimented with the combination of charity and banking: the Casa Santa e Ospedale di Sant'Eligio, which included a conservatory and a hospital for women established back in 1270; the Casa Santa e Ospedale dell'Annunziata, founded in 1318, with an orphanage for abandoned infants and males and females affected by common ailments; the Casa Santa e Ospedale degli Incurabili, founded in 1520 to assist incurable patients of both sexes; and the Casa Santa e Ospedale di San Giacomo degli Spagnoli, established in 1540 at the behest of Don Pedro de Toledo for the Spanish military. These were very wealthy institutions, and well-connected within the city's political, economic, and financial fabric. The assets of these institutions, deriving from alms and generous bequests were the so-called "assets of the poor" (patrimonio del povero), a sort of fund for the indigent, which both lay and religious administrators relied upon, as well as the Spanish court and the city government. This fund was regarded as a common property, made available to the collectivity, through the charitable works undertaken by these institutions, and to the state that obliged these institutions to finance state works through the purchase of public debt securities. This wealth attracted the state and city administrations, as well as private citizens, who were among their largest debtors. Growing financial difficulties throughout the long Spanish occupation had forced the state to borrow more and more. The interest rates offered to investors were so attractive that investments in public rent or loans were the preferred choice over any other form of investment (De Rosa, 1987, pp. 57–67).

The "Pyramid" of Neapolitan Financial and Credit System

These charitable institutions served as social shock absorbers by providing services such as alms, dowries, food and milk for foundlings, accommodation, clothing, medical care, education, and interest-free loans on pledge. However, they also operated as true businesses, producing and selling consumption commodities, lending money to the state, the city, and private individuals, and offering deposit services. Along with private citizens such as notaries, tenderers, and nobles, they formed the foundation of the virtual pyramid of the financial and credit system of the Kingdom of Naples in the sixteenth century, reinvesting profits from their activities and their revenues in profitable activities. But the most conspicuous share of the financial and credit market was held by a group of merchants-bankers who invested their profits in loans, especially to the Vice-royal court, which was always looking for funding for wars, and offered deposit services (Fig. 8.1).

Between 1510 and 1604, more than 40 banking houses operated in Naples (Petrone, 1871, p. 13; Toppi, 1655, pp. 49–50). In addition to these, there were Jewish bankers, at least until 1541, when they were permanently banned from the Kingdom (Ferorelli, 1990, p. 146). A closer look at the names of the bankers reveals that the credit market was largely dominated by foreigners, including Genoese, Lombards, Venetians, Florentines, Catalans, Spaniards, and Neapolitans, often partnering with Genoese individuals. It is estimated that, on average, nine private banks were in operation simultaneously throughout the sixteenth century, as new banks would open in Naples shortly after others closed.

In the wake of multiple bank failures caused by the economic crisis that had affected not only the Kingdom of Naples but all of Europe, a law was enacted in 1549 under Pedro de Toledo's administration. This law required anyone wishing to offer banking services to provide a security deposit of 40,000 ducats in Naples and 15,000 in the province (De Sariis, 1795, p. 200). This crisis was determined by a serious drought, whose first harbingers are recognizable in 1534 (De Rosa, 2002, p. 58). The agricultural crisis spread to credit and finance as a matter of course. The hike in grain prices impacted all strata of the population, especially those who lived just above the poverty line. These were increasingly forced to turn to usurers, since in the meantime many bankers had had to declare bankruptcy for having financed the Court's purchases of grain subsequently sold at lower prices (De Rosa, 1987, pp. 44–70). To complete the picture of these economic difficulties, a decree expelling the Jews from the Kingdom was issued in 1533 and enacted in 1541. This caused the cost of money to rise even further, since Christians started exploiting the situation applying even higher rates than the ones applied by the Jews (Bianchini, 1971, p. 325). To mitigate this risk and alleviate the suffering of the impoverished, the establishment of the Monte di Pietà (pawnshop) in Naples was authorized in 1539. This institution provided interest-free loans against pledges for sums below 10 ducats. However, even with these measures, the crisis continued to escalate, exacerbated by numerous financial requests from Spain to the bankers. To fulfill these extensive demands, they were compelled to utilize the deposits of individuals, depleting their reserves. The Court not being able to pay back the borrowed sums by the due time and, above all, the assault on the banks' reserves by the depositors caused the consequent failure of the banks themselves. For these reasons, the law of 17 July 1553 raised the security deposit to 100,000 ducats, whether the bank was opened in Naples or in the province (De Sariis, 1795, p. 200). The most interesting passage in this law concerns precisely the *Monte di Pietà*, which by then had evidently been operative for some time. The law warned all who wished to avail themselves of bank services that the depositaries of the said non-profit banks should always be preferred to the other profit-making depositaries (De Sariis, 1795, p. 200). Thus, all money depositors started to turn to the only non-profit depositary of the time, that is, the *Monte di Pietà*. The Monte had been prompted to launch its banking services by the many requests for loans on pledge coming from the population, which was increasingly crushed in the visa of usury.

The Fede di Credito

The Monte's success as a bank mainly depended on its use of the *fede di credito* (certificate of credit). This was a paper document stating that the depositor was a creditor of the bank and that the bank had an obligation to return the counter value of the deposit in cash.

The *fede di credito* were not a novelty. Even before the appearance of public banks, charities, notaries, or private bankers issued *fede di deposito* (certificates of deposit), i.e., documents simply attesting that money had been deposited. *Fedi di deposito,* in turn, were categorized into judicial certificates of deposit, tied to a monetary deposit that could only be released upon a magistrate's order; simple certificates of deposit, connected to a monetary deposit that could be returned to the depositor upon request; certificates of term deposit or conditional deposit, linked to a monetary deposit that would be made available after a specified term or when certain conditions were met. In all three cases, a trust relationship was established between the depositor and the depositary. *Fedi di deposito* became *fedi di credito* when they became endorsable. Holders of such certificates could claim their deposit at any time or use the certificates for any commercial transaction. In the latter case, they would pay by endorsing the certificate or issuing other certificates—called policies—for part of the deposit in favor of their creditors.

Three were the causes for the success of public banks—and hence of the *fede di credito*, the document that epitomized them—in the Kingdom of Naples: (1) the decline of metal coinage due to forgeries and the practice of "clipping"; (2) the so-called price revolution from the late 1500 s onward; (3) the material advantage of not having to use metallic coins, which were heavy and dangerous to carry, but lightweight paper documents that were hard to forge (Galiani, 1750). The material usefulness of the *fede di credito* is almost self-explanatory. Other aspects of the question deserve more attention. The decline of coinage had begun to be felt in the Italian South around the mid-sixteenth century, when complaints began to circulate about "clipping" (*tosatura*) of coins, that is, the shaving off of metal from their circumference. From 1565 onward, the government repeatedly took measures against clipping, and trying to replace bad currency by minting new money importing large quantities of silver from the late sixteenth century onward. But it did not solve the problem of the scarcity of metal money, which continued to be clipped and brought out of the Kingdom, with additional negative impacts on exchange rates. The second cause, known as the "price revolution," consisted of an inflationary trend prevailing across Europe as a consequence both of the introduction of precious metals from the Americas into the European market and of population growth in the course of the sixteenth century. This inflation brought with it an increase of the prices of all consumption goods. It spared land rent, but severely affected the business world, especially credit, partly because it caused a devaluation of the numeraires that banking operations were transacted in. In the Kingdom of Naples, inflation increased even further due to the borrowing policy adopted by the government to participate in Spain's wars. To repay its creditors, the state habitually ceded its revenues to them in the form of taxes or duties imposed on the products imported or consumed in the Kingdom. Thus, in order to offer guarantees to its creditors, the state often devised new taxes, to the serious detriment of the population, whose purchase power was increasingly curtailed. Furthermore, the state had often found itself in the condition of being unable to pay its creditors and having to declare bankruptcy, reducing interest rates to the disadvantage of all who had invested in public debt.

To increase its depositors, the *Monte di Pietà*, besides using the *fede di credito* as a payment tool, strove to diversify its services to the public. By 1577, the service of "*Accomodazione per i depositanti ordinari e continui*" was introduced, that is, the possibility for depositors to obtain "short term" loans, with or without interest. The other main charities in town had already been offering this service previously (Salvemini, 2011, pp. 190–191).

This policy gave the hoped-for results, drawing more and more clients to this non-profit institution, created to help people in need, whereas private bankers' sole objective was profit. Besides, trust in private bankers was declining because of a common malpractice among them to pay with policies taken out on other bankers instead of cash when they did not have enough money in their coffers. They thus covered one another by shifting their debts back and forth among themselves. Therefore, to avoid cash shortages, at the end of 1579, the Viceroy Juan de Zuniga forbade compensations between bankers (De Sariis, 1795, p. 200).

From Charity to Credit: The New Financial and Credit "Pyramid"

Losses due to coin clipping and the Court's constant requests for loans caused bank failures to increase—as was also happening elsewhere, outside of the Kingdom (Palermo, 1846, p. 291). Attempts to convert the public annuity were to no avail in the 1570s. In 1580, four private banking companies, Olgiatti e Grimaldi, Citarella e De Rinaldo, Colamazza, and Pontecorvo seized the opportunity to request a 20-year monopoly on banking services, until 1600, except for the *Monte di Pietà* (Tortora, 1890, p. 118). The concession holders had promised to lend 400,000 ducats, at an interest of 6.5% a year. This money could have been used to redeem many states revenue sources that had been sold at less advantageous rates. A long epistolary exchange between the Viceroy and Philip II, from 1580 to 1583, reveals that the King had some misgivings about the bankers' proposal. What worried him was not so much the downfall of the banks to be suppressed, but rather the danger that the granting of the control of the Viceroyalty's credit market to a handful of speculators for 20 years might pose to the state and the citizens. To win Philip over, the applicants even proposed increasing the sum to 600,000 ducats. The need for cash for royal expenses ultimately outweighed the king's concerns, and so the monopoly was granted.

The excluded bankers, however, did not stand by passively; one protest followed the other, and the monopoly was canceled (Silvestri, 1951, pp. 1–35, 1952, pp. 1–35; Tortora, 1890, pp. 118–119). The *Monte di Pietà* also sent a memorandum to the King expressing its concern about the effects of the monopoly, which had caused a decline in its deposits (Tortora, 1890, pp. 119–122). The problem was not merely that the Monte had been accepting free deposits for years, but especially that it had been accepting judicial deposits, which, being subject to be released under the terms of a sentence, or after a certain date, could be employed for free loans upon pledge and other activities. With the monopoly, not only the Monte but all the other charities accepting deposits would have lost this source of funding for their activities. The *Casa Santa dell'Annunziata* echoed the Monte's concern. Invoking its statute, it stressed that it had always received judicial deposits of money and released certificates of deposit that had been regularly submitted and accepted in the Neapolitan royal courthouse. It hence requested, and was granted, to retain its right to accept money deposits and issue credit certificates on them (D'Addosio, 1883, pp. 513–515).

But there were other, more important reasons behind the request by the Annunziata—and later by the other charities in the capital as well—to ask for recognition of their role as depositaries. From 1580 onward, the conditions of the population of the Kingdom worsened due to catastrophic events. These included poor harvests, droughts, and epidemics starting in the first half of the 1570s that continued until the 1580s. This was compounded by price increases and rising tax burdens. The city's charitable institutions struggled to meet the needs of the indigent. The expenses of hospitals increased, on the one hand because of the growing poverty of the population, and on the other hand because of the constant increase in prices.

This situation is very clearly reflected in the visit made by Lope de Guzman on behalf of the Court to the main city hospitals, starting in 1582 (Bulifon, 1932, p. 50). The aim of his investigation was to highlight criticalities not only in administration and accounting, but also in the wealth these places commanded, which the Court coveted. Income from the "assets of the poor" of these hospitals and alms were no longer sufficient to cover expenses that were steadily increasing. Given the delicate moment that the Kingdom's economy was going through, it had affected the trust that the Neapolitan people had in these charitable institutions, resulting in the reduction of testamentary bequests in their favor. The *Casa Santa and Ospedale dell'Annunziata*, the *Casa Santa and Ospedale di Sant'Eligio*, the *Conservatorio dello Spirito Santo*, and the *Ospedale di San Giacomo degli Spagnoli* were all in more or less difficult conditions. In any case, all five of these institutions greeted the authorization for the opening of a public bank as an opportunity to lift themselves out of their current difficulties. In essence, all that was done was to expand the old function of collecting deposits that were entrusted to their coffers, as they were considered safe, by issuing *fede di deposito*, which, however, thanks to the endorsement, could be used to settle debit-credit relationships between people, thus replacing metallic money. They thus all decided to found public banks after the example of the *Monte di Pietà*, one after the other: the *Casa Santa e Ospedale dell'Annunziata* in 1587, the *Casa Santa e Ospedale degli Incurabili* in 1589, the *Casa Santa e Conservatorio dello Spirito Santo* in 1590, the *Casa Santa e Ospedale di Sant'Eligio* in 1596, and the *Casa Santa e Ospedale di San Giacomo degli Spagnoli* in 1597. In 1600, the *Monte di Poveri*, created to issue loans on pledge first to debt prisoners, opened a bank (Avallone, 1995; de Rosa, 1958a, de Rosa, 1958b). The eighth and last bank, *Banco del Salvatore*, was opened in 1640 and was the only bank created not by a charitable institution but on behalf of the flour contractors (Fig. 8.2).

The new century thus opened with a new structure of the credit and financial market (Fig. 8.3). It was no longer private bankers who stood at the apex of the pyramid, but the public banks of charitable institutions. The singularity of the paper circulation system of these banks made a widespread impression, drawing attention and admiration from foreign observers in the Kingdom, the same ones who lamented the ease with which the "minutes" used for payments elsewhere in Italy could be forged (Palermo, 1846, p. 228).

Conclusion

As for the *Casa Santa e Ospedale di San Giacomo degli Spagnoli*, the *Casa Santa e Ospedale degli Incurabili,* and the *Casa Santa e Ospedale dell'Annunziata*, the original plan to combine charity and credit through the establishment of public banks foundered. The *Casa Santa e Ospedale di Sant'Eligio* and the *Casa Santa e Conservatorio dello Spirito Santo* fared better as to cover charitable expenses they often drew on deposits of metallic money, going against the law under which they could only use those deposits to lend to the Court or to purchase public debt securities. The main institutions engaged in the fight against poverty were struggling to reconcile assistance and credit because they themselves needed financing to survive. The way they dealt with this problem is characteristic of the history of Neapolitan charitable institutions. To the best of our knowledge, no other city—except Rome, where the *Archiospedale* established the *Banco del Santo Spirito*, devised a strategy similar to the one adopted in Naples, based on public banks.

The capital of southern Italy thus made a unique contribution to the reform of the management of pious institutions engaged in caring for the poor and sick. The experiments conducted, starting in the second half of the sixteenth century, by some of the city's major lay foundations can be considered an original model, moving toward a resilient banking system, capable of withstanding crises, exogenous shocks, etc. This system endured for two centuries, until the French takeover, when the foundations were laid for the birth of modern banking, first with the creation of the *Banco di Corte* and then with the *Banco dei Privati* (the two institutions were later merged into the *Banco delle due Sicilie*, which later became the *Banco di Napoli*). It is also under the French that we see the first signs of the rise of the welfare state, particularly the centralization of social policies under the newly formed *Consiglio Generale degli Ospizi* and the imposition of taxes by the state to partially finance public welfare services.

Appendices

See Figs. 8.1, 8.2 and 8.3.

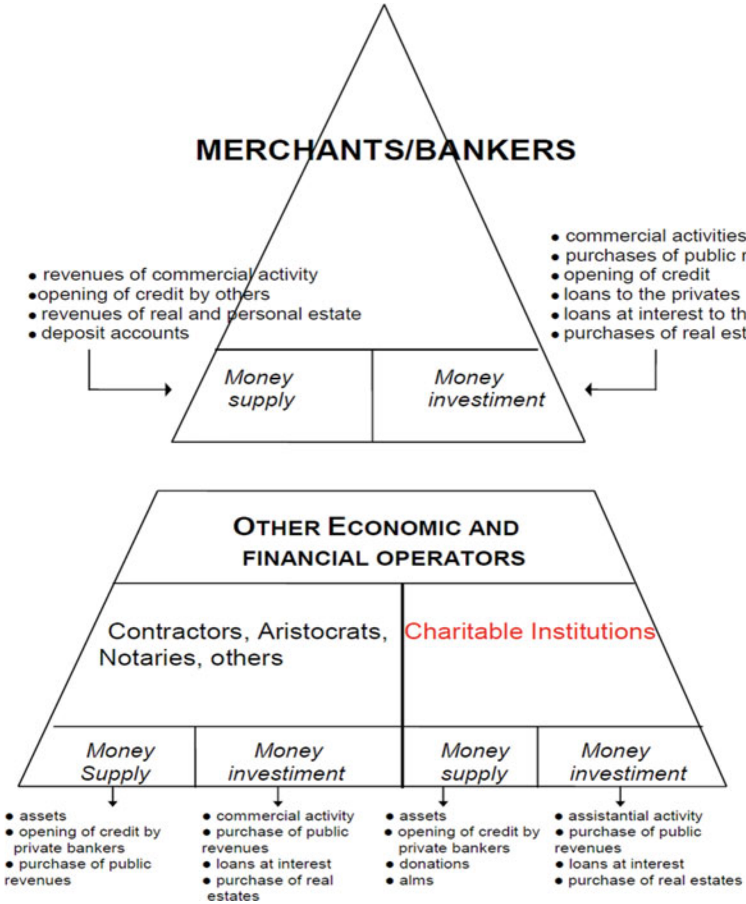

Fig. 8.1 The financial and credit system in Naples from fourteenth century to sixteenth century

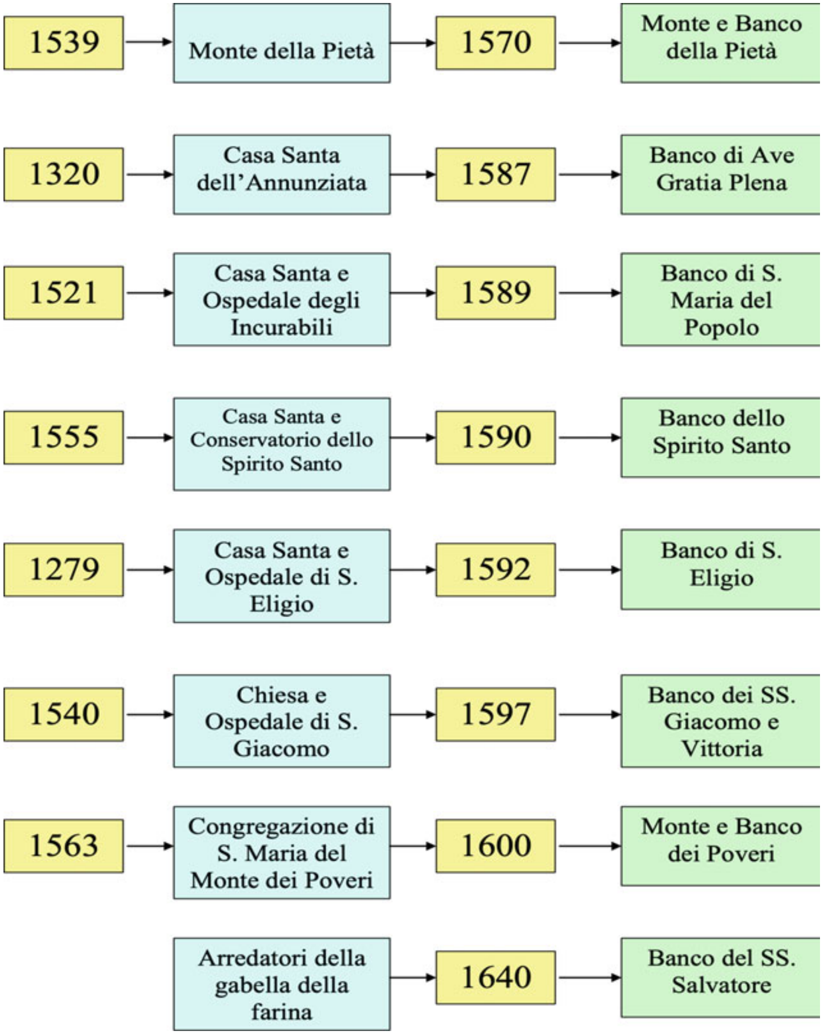

Fig. 8.2 Birth of the Neapolitan Public Banks

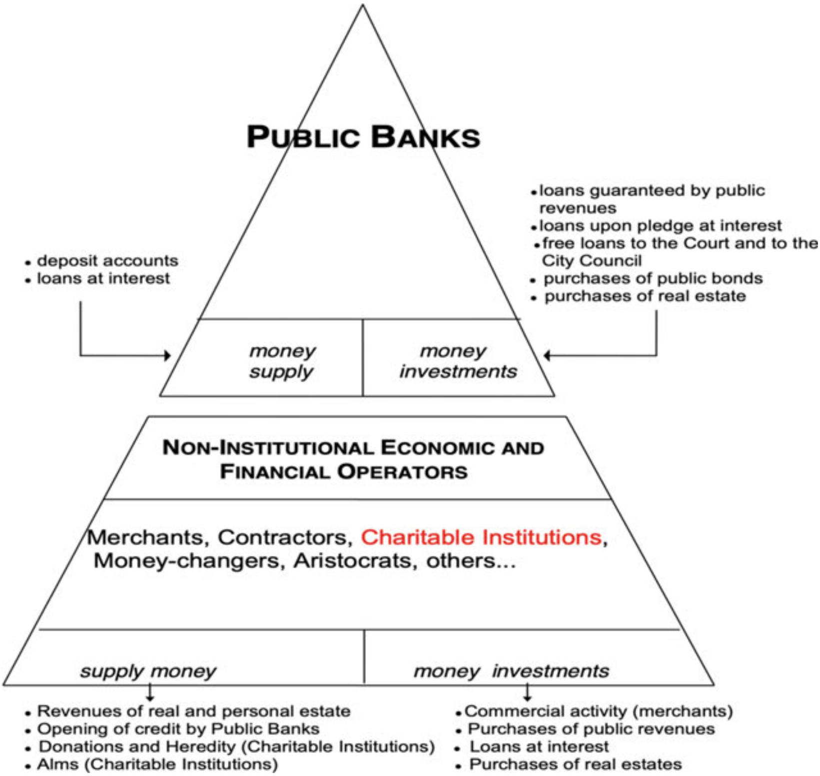

Fig. 8.3 New financial and credit system in Naples since the seventeenth century

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CHAPTER 9

Tracing the Connections of Transnational Financial Players with a Peripheral Country: Some Evidence from the South of Italy Over the First Globalization

Maria Carmela Schisani, Giancarlo Ragozini, and Roberto Rondinelli

In this article, we focus our attention on the role that transnational financial and business groups played in the shaping of nineteenth-century global financial capitalism from the point of view of a peripheral emerging economy, the South of Italy.

Through this study, our aim is to explore the relational dynamics that attracted foreign capital to the South of Italy during the first wave of globalization and determine what insights they can offer regarding the region's economic delay.

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Beyond mirroring the transition in the world of financial affairs in the nineteenth century (Cameron, 1961), the study of the international business groups that captured the South of Italy (and Italy) into their orbit is transversal to the change in international political balances that governed and channeled international capital flows until the First World War from cores to peripheries (Gille, 1968).

In this framework, we study the long-term relationships between actors and firms that, going beyond the analysis of discrete actors and firms, allow to focus on topical historical issues that are still under debate in the current literature (Colpan et al., 2010; Jones, 2015).

Indeed, at a time when formal markets for credit were at an embryonic stage, social relationships played a crucial role in raising funds for new transnational ventures. Strong kinship and business ties linking partnership members paved the way to the transition toward the "revolution of banking technology," led by the creation of big formal credit institutions (Cameron, 1961, p. 171), which resulted in the institutionalization of stable, gradually evolving, pre-existing relationships. Various forms of social and business relationships were significant in establishing and perpetuating mechanisms for controlling both capital-flow decision-making and the direction of credit, which persisted on a personal level over time.

In this article, we take a first step toward reconstructing the complex network structure of local, national, and international agents and firms that brought Naples into the First Wave of globalization. We use network analysis (Wasserman & Faust, 1994) as a framework to study interactions among agents and firms.[1] Understanding the interconnections of the key players and the geography of power is crucial if we want to understand

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[1] In literature, the way in which actors and firms relate and interact within corporate networks has been considered of crucial importance in revealing the interdependence between firms, economic elites, the banking and financial system, and the structures of control and competition. It is a fruitful analytical device through which scholars explain

the dynamics that financially connected Naples to the first global wave and provided the financial infrastructure necessary in helping Southern Italy "catch up" in the late nineteenth and early twentieth centuries.

The study of networks, considered as a hybrid organizational form between firm and market (Williamson, 1985), is of relevance to industrial organization, corporate finance, development, economic growth, and other domains of economic inquiry. The concept of "networking" has been applied to a variety of fields including business (Colpan et al., 2010; Wilkins & Schröter, 1998), financial history (Cassis & Cottrell, 2009; Stoskopf, 2002), and financial economics (Giannetti & Yu, 2015) which, moving through time and space, have been concerned with a variety of relationship-based financial arrangements.

Networks—at different levels (transport, communication, finance, etc.)—were a key driving force in the rise and expansion of globalization waves over time. During the nineteenth century, the rise of a cohesive and politically organized global financial elite and its ability to build, and capitalize on, relationships was crucial in allowing capital and financial agents to move from core financial centers toward peripheral countries, this way exploiting large investment opportunities (Baskin & Miranti, 1999; Cameron, 1961; Cassis, 1997; Gille, 1973; Hausman et al., 2008; Stoskopf, 2002, 2009).

This analytic perspective allows us to investigate the strategies of diversification adopted by the international business groups keeping together the two key aspects of finance and production, which especially in the nineteenth century, when ownership and control were closely linked, seem to be intimately connected.

Furthermore, also the analysis of the geographical diversification of these streams of relationships flowing into diversified businesses can tell a lot about the role that these business groups played: (1) in paving the way for the European financial integration at the end of the nineteenth century (Kindleberger, 1984); (2) in acting as paragons or parasites for the hosting peripheries (Khanna & Yafeh, 2007).

Until now, to our knowledge, both the role that foreign business agents (bankers, financiers, high technicians, entrepreneurs, etc.) played in catching Southern Italy into internationalization processes and the role that local actors had as vehicles through which international capital flows

power structures within the different national varieties of capitalism (Hall & Soskice, 2011).

found their way to and rooted in Southern Italy have been neglected topics.

The South of Italy: A Strategic Crossroads in the Mediterranean System

Being at the crossroad of international economic and financial interests, the peripheral area of Southern Italy was integrated into changing global financial networks during the entire nineteenth century, with Italy's Unification in 1861 marking the transition from the closed system of the protectionist Bourbon monarchy to the trade and capital openness of the new Italian liberal governments. Thanks to its strategic position within the Mediterranean basin, overlooking three seas (Tyrrhenian, Adriatic, and Ionian), and this peripheral area was central in the maritime trade routes between Western Europe, the Middle East, and North Africa (Salvemini, 2009). This was a powerful attracting force that led international finance to pay particular attention to Southern Italy, gradually seizing it into an increasingly integrated transnational financial-economic space.[2]

Starting from the pre-unitarian period, the interest of international capital in Southern Italy progressively shaped according to the contingent opportunities arising from the "networked city model" (Tarr & Dupuy, 1988) that Naples gradually adopted.[3] It was constantly aimed at gaining strategic positions within those "big businesser" related to transport infrastructural plans, such as the Tyrrhenian longitudinal and the Adriatic transversal railway projects, both parts of the realization of the Système de la Méditerranée (Chevalier, 1832). After the Italian Unification, Naples freed both from the restraints of the Bourbon kingdom and the Rothschilds' financial control (Schisani, 2010)—even though it lost its role of capital city, still represented the biggest Italian city in terms

[2] "L'Italie, au territoire allongé, ressemble à un messager de l'Europe vers l'Afrique et l'Asie" (Italy, with its long territory, looks like a messenger from Europe to Africa and Asia) (Chevalier, 1832, pp. 42–43).

[3] The economic policies of the liberal modernizing governments strongly increased strategic initiatives aimed at promoting infrastructure investments. Both the capital cities of the pre-unification states and the main urban centers underwent dramatic transformations as a consequence of the major systemic changes which occurred. They were generally concerned by the expanding networked city model, in promoting urban planning and public utilities projects on a large scale, so broadly attracting foreign investment (Schisani & Caiazzo, 2016).

of inhabitants and the main political, economic, and financial center of all Southern Italy. Thanks to its geographical position, it was considered as a strategic hub within transnational projects of transport networks in the French vision for a "Système de la Méditerranée." Its backwardness in infrastructure and local entrepreneurship brought international business groups—mainly from the integrated French-speaking monetary area of Paris, Brussels, and Geneva following the 1865 Latin Monetary Union (LMU)—to make investments, taking up the numerous profitable opportunities opened up by broad-ranging urban planning projects where international finance played a role.

Indeed, Paris had become one of the financial European cores, experiencing since the late 1850s and early 1860s a rapidly growing expansion in the launch of entrepreneurial activities located in foreign territories. Thanks to the credit revolution and the power of the legal instrument of "concession," it became the linchpin of international investments in the public utilities and transport sector, directed above all toward the territories where the administrative structure had been exported from the First Empire and which presented a similar institutional context such as to favor economic and financial integration. The latter also driven by the policies of free trade and monetary uniformity which reached maturity in the 1860s with the signing of trade treaties and the creation in 1865 of the Latin Monetary Union (LMU). With Brussels and Geneva, Paris represented the financial market available for issuing and negotiating the securities for the ventures that the big financial players promoted abroad. These financial centers had already developed modern financial markets that Naples and Italy were not able to offer. Particularly, Geneva emerged as an operational hub for the international *Haute banque* from the Franco-Prussian war (1870), linked to the financial expertise of the Swiss bankers and to the information advantage on the future of energy in the period of the 2nd Industrial Revolution based on the diversification in electricity in addition to the gas industry.

Patterning Business and Personal Relationships in a Network Perspective: Data and Methodology

Data

To meet our goals, we use original archival data on the universe of Neapolitan enterprises (created and/or operating in Naples) in the nineteenth century gathered in a proprietary relational database IFESMez (acronym for Imprese, Finanza, Economia e Società nel Mezzogiorno—Enterprises, Finance, Economy and Society in the Mezzogiorno).[4] The collected data are organized as to show the relationships existing among individual actors (through relations based on kinship and other social ties), among firms (through all forms of documented relations) (cross-shareholding, other kind of ownership ties [e.g., mergers and acquisitions, etc.], lender/owner relations, commercial relations, etc.) and among firms and individual actors (through actors functioning as co-shareholders/directors/managers/syndics/representatives/agents). IFESMez is a large multi-source database, tailored to meet wider research goals, storing inter-related datasets on economic, financial, and socio-political individual and collective actors[5] operating in Southern Italy (and abroad) between 1808 and 1913.

The data was collected from the Naples archives (State Archive and Notary Archive), other Italian archives (Italian State Archive—Rome) and also from French, and Swiss archives and libraries (CARAN, CAEF, and Municipal Archive—Paris, CAMT—Roubaix and National Libraries of Naples, Paris, and Geneva). The data was integrated with information

[4] The db has been conceived and implemented by Maria Carmela Schisani and Francesca Caiazzo and it is hosted on the web server of the University of Naples "Federico II" (www.ifesmez.unina.it). For a detailed description of the database, see Schisani and Caiazzo (2016), Schisani et al. (2021).

[5] Economic actors: qualitative data—individual actors (public loans contractors, subcontractors, notaries, etc.; enterprises promoters, founders, shareholders, borrowers, directors, chairmen); collective actors (firm foundation, duration, legal office, administrative head office, if any, etc.); quantitative data (public bonds nominal value, underwriting price, interest, current yield, etc.); capital stocks, shares (number and nominal value), bonds (number and nominal value), balance-sheets, stock exchange quotations. Political/social actors: composition of political and administrative bodies of the State at different levels; composition of economic and financial institutions (boards of directors, ownership/co-ownership, management, etc.); composition of institutions with social and economic importance (Chamber of Commerce, clubs, parties, etc.); composition of family groups (kinship ties).

derived from other archival sources, gray literature, periodical publications (journals, business guidebooks, etc.), electronic sources, and genealogies.

At present, the database contains complete information on 3500 firms—exclusively created and/or operating in Naples and its province—and almost 27,000 people.

Methodology

As for the analytic strategy, we use a Social Network Analysis approach. We look for communities within the Naples business network structure to identify the business groups. We analyze the evolution and the role of these business groups within the local network.

The methodology has been structured in three steps[6]: the network data definition; the extraction of ego-networks; the community detection via the Louvain method for community detection (Blondel et al., 2008); and the exploratory analysis of the business groups.

From the original database, focusing on the period 1820–1900, we extracted a dataset linking actors to firms through the role played by the actor within the firm, considering shareholders, directors, and managing roles. For the entire period, we obtained about 40,000 links between 2947 firms and 24,625 actors. The resulting affiliation network has been sliced by twenty-year periods, starting from 1820. We obtained four two-mode networks for the years: 1820–1839; 1840–1859; 1860–1879; 1880–1900. We obtained two networks before and two after the Unification. As we are interested in the business groups of actors that build their relationships through firms, we focused our analyses on the two-mode actor-by-firm networks, preserving the duality of such networks.

As a second step, we identify the list of focal economic actors, their relatives, and their descendants (Table 9.1) for the extraction of ego-networks. We considered some representatives of foreign financiers who brought the financial and technological know-how of public utilities to the South of Italy. More specifically, we selected Basile Parent, Edouard Hentsch, Auguste Dassier, (Joseph) Edouard Cahen d'Anvers, Edward Blount. For each temporal slice, we extract their ego-networks by taking

[6] The data base management, the network extraction and the steps for their construction have been performed in *R* (R Core team, 2020) and with the R package *igraph* (Csardi & Nepusz, 2006). The network visualization and analysis have been performed by *Gephi* (Bastian et al., 2009).

their 3rd-order neighbors, i.e., (1st order) the firms in which they directly participate; (2nd order) the actors who share a role in such firms (direct interlocks); (3rd order) the firms in which these last actors are involved (indirect interlocks) (Bunting & Mizruchi, 1982). Given the collection of the ego-networks extracted starting from the focal actors, we reconstruct the complete network for each period via a graph union operation (Belussi & Orsi, 2015; Chartrand & Zhang, 2012). Note that for the first-time span (1820–1840), none of the selected actors is active in the Neapolitan business network, consistently with the timing of the movement of international capital flows toward the peripheries that was more significant in the second half of the nineteenth century (Cameron, 1961).

In the final step, through the Louvain method for community detection (Blondel et al., 2008), we extracted communities from large networks. The Louvain algorithm aims at the optimization of modularity that measures the relative density of edges inside communities compared with edges outside communities. Centrality measures like degree centrality and betweenness are finally used to study the evolution of the role of actors, firm and business groups within the business network structure. To highlight the paths through which foreign finance

Table 9.1 International players present in the Naples business network

Activity		
Country of origin	*Haute banque/Private bankers*	*Industry/Other*
France	Aubry; Biesta; Calley; Cibiel; Delahante; Demachy; Donon; Fould; Mallet; Gautier; Laffitte; Pereire; Perier; Neuflize; Sanson-Davillier; Seilliere	Pouchain; Talabot; Lebeuf de Montgermont
Belgium		**Parent;** Schaken
Switzerland	Ador; Bartholony; Bonna; **Dassier**; Delessert; **Hentsch;** Hottinguer; Marcuard; Mirabaud; Odier; Paccard; Vernes	Colladon
Luxembourg	Pescatore	
Greece		Vitali
Great Britain	**Blount**; Gladstone	
Germany	Bishoffsheim; **Cahen d'Anvers**; d'Eichtal; Erlanger; Heine; Koenigswarter; Oppenheim; Rothschild; Stern	
Austria	Grieninger	

approached the South of Italy, we describe the communities' composition over time, in terms of actors, firms, and business sectors involved through narratives.

International Financial Players in the South Italy

Even if we extracted the ego-network of the abovementioned selected actors, all the others listed in Table 9.1 appear in the network testify to the tightness of the connections within the European financial environment further strengthened by direct and indirect kinship ties (e.g., strategic kinship alliances through intermarriages between families and over the generations).

Table 9.2 illustrates the pattern that these actors followed in forming diversified business groups, which initially began as family-based partnerships. The continuous growth of their businesses and the expansion of their business relationships, aided by extensive personal networks, resulted in these actors aligning their business trajectories and collaborating on new entrepreneurial ventures. This collaboration allowed them to bring financial expertise and technological knowledge to economically disadvantaged areas, such as the South of Italy.

The criterion on which only some actors have been selected is their transversality across time, via different generations, and the financial know-how linked to transports and public utilities—gas, electricity, water—that they brought to Naples. These actors, also because of the times in which they operated, partly overlapping, also allow to follow the changing international political and financial balances between the European cores and the peripheral area of the South of Italy (i.e., France with the gas expertise and the monetary and political closeness; Switzerland represents the financial and technical expertise during the second industrial revolution linked to electricity with Italy moving away from French finance after the triple alliance of 1882, etc.).

Prominent Foreign "Egos" in the Naples Business Network

As explained above, after having collected the ego-networks obtained starting from the focal actors selected, we have reconstructed the complete network for each period via a graph union operation.

Table 9.2 Overview of the diversified business/firms, promoted by or linked to international financial players present in the Naples network

International players	*Family partnerships*	*Big business*			
		Railways /iron industry/ mines	*Banks*	*Financial firms*	*Services/public utilities*
Family Hentsch (Geneva)	Hentsch et Cie	Chemins de fer du Jura-Simplon; Entreprise générale de chemins de fer et de travaux publics	**France:** Comptoir d'Escompte de Paris, Société Générale, Crédit Lyonnays linchpin of the Paribas system (since Banque de crédit et de dépôt des Pays-Bas;); Banque de l'Indochine; Crédit foncier colonial	**Switzerland**: Union Financière de Genève; Franco-Suisse; Société Financière Suisse Américaine; **France**: Réunion Financière	**Switzerland**: Compagnie genevoise du gaz, IDG **Italy**: CNG; SME

International players	*Family partnerships*	*Big business*			
		Railways /iron industry/ mines	*Banks*	*Financial firms*	*Services/public utilities*
Family Delahante (Paris)	Delahante private bank	**Spain**: Chemin de fer de Madrid à Saragosse et à Alicante; **Portugal**: Chemins de fer portugais; **France**; Grand-Central de France; Chemin de fer Victor-Emmanuel; **Parent Schaken** **Caillet et C.ie**; Sous Comptoir des chemins de fer **Italy**: Società delle Strade Ferrate Romane (ex Pio Centrale); rete di ferrovie da Napoli al Mare Adriatico;	**France**: Crédit Mobilier; CIC; Société de Crédit Industriel et de dépôts du Nord; Paribas; **Italy**: Banca di Credito Italiano		**France**: Compagnie d'omnibus (Lyon); Société anonyme des Mines de la Loire

(continued)

Table 9.2 (continued)

International players	*Family partnerships*	*Big business*			
		Railways /iron industry/ mines	*Banks*	*Financial firms*	*Services/public utilities*
Basile Parent (Couillet Belgium → Paris)	Parent, Schaken et Cie	**France:** Chemin de fer du Nord; Chemin de fer de l'Ouest; PLM; Compagnie des Hauts fourneaux, forges et aciéries de la Marine et des chemins de fer; Vitali, Charles, Picard et Cie; Fives-Lille; Canal de Bossuyt à Courtrai; **Italy**: Ferrovie Romane; Ferrovie da Napoli al Mare Adriatico; Strade Ferrate Meridionali; **Spain**: Compagnie de chemin de fer de Cordoue à Séville;; Compagnie de chemin de fer de Ciudad Réal à Badajoz; Chemin de fer de Cordoue à Malaga; Compagnie Houillière et métallurgique de Belmez **Netherlands**: Compagnie du chemin de fer central Néerlandais	**France:** Credit Mobilier; Société Générale; CIC; Sous Comptoir des chemins de Fer; **Italy:** Banca di Credito Italiano; Credito Meridionale	**Italy**: SOGENE	**Italy**: CNG

International players	*Family partnerships*	*Big business*			
		Railways /iron industry/ mines	*Banks*	*Financial firms*	*Services/public utilities*
Blount (London → Paris)	Charles Laffitte, Blount et Cie	**France:** Chemin de fer Paris-Rouen; chemins de fer de l'Ouest; PLM; chemin de fer d'Amiens à Boulogne; **Italy:** Valigia delle Indie; rete di ferrovie da Napoli al Mare Adriatico; **Spain:** Chemin de fer de Madrid à Saragosse et à Alicante; Portugal: chemins de fer portugais; chemin de fer de Ciudad Réal à Badajoz;	**France:** Societé Generale; **GB:** Provincial Bank of Ireland;		**France:** Compagnie Générale des Eaux (CGE)); Italy: Naples Water Work (NWW)

(continued)

Table 9.2 (continued)

International players	*Family partnerships*	*Big business*			
		Railways /iron industry/ mines	*Banks*	*Financial firms*	*Services/public utilities*
Dassier (Geneva) Kinship ties with Raoul Duval, Ador, Colladon	Ador, Vernes et Dassier	**France:** Chemins de Fer du Nord; PLM; Canal du Rhône au Rhin	**France:** Reunion Financiere	**France:** La Reunion; Nationale	**France:** Parisienne du Gaz; **Italy**: CNG

International players	*Family partnerships*	*Big business*			
		Railways /iron industry/ mines	*Banks*	*Financial firms*	*Services/public utilities*
Family Cahen d'Anvers (Bonn → Paris) Kinship ties with Bishoffsheim	Cahen d'Anvers private bank	**France:** Vitali, Charles et C.ie; Vitali, Charles, Picard et C.ie; **Spain**: Compagnie Houillère et métallurgique de Belmez; Société Minière et Métallurgique de Peñarroya	**France:** Credit Mobilier; Société Générale, Comptoir d'Escompte; Paribas **Italy:** Banca Generale; Credito Meridionale;	**France: Reunion financiere; Italy:** SOGENE; Società generale napoletana di credito e costruzioni; Magazzini Generali di Napoli	**France:** Société Générale Immobilière; **Italy:** CNG; IIICM; Società anonima del Ponte di Ripetta
Grieninger (Wien)		**Spain:** chemin de fer du Nord de l'Espagne;	**France:** Crédit Mobilier; Banque franco-égyptienne; Banque impériale ottomane	**Regno delle due Sicilie:** Banca Fruttuaria**;** **Italy:** Società generale di Credito Mobiliare Italiano**:** **Luxembourg:** J-P Pescatore et C.ie	

We obtained three networks, which are the business networks from the point of view of Naples. The three graphs (Figs. 9.1, 9.2 and 9.3) show closely connected networks with very cohesive communities, which identify the business groups in which some large companies act as great attractors while some actors (among which are the selected egos) act as brokers (high betweenness) or as gatekeepers as they connect different communities (David & Westerhuis, 2014). To highlight the role of the most representative firms and actors, we decided to draw the size of nodes (and labels) in the figures as proportional to their betweenness. In addition, to make more evident the presence of communities and their close relationships, and to avoid the so-called *hairball effect*, we decided to represent the networks through a force directed layout, namely the ForceAtlas2 algorithm (Jacomy et al., 2014), which allows us to also interpret the distance of the communities in terms of strength and closeness of their relations.

Across the periods, in the multi-sectoral and multi-regional (i.e., Italy, Spain, Belgium, France, Switzerland) communities that the networks highlight, the central companies change but the focal actors or their descendants and relatives remain central and transversal to different communities, showing expansion and diversification in the development of their business groups.

The first actor that we consider is Basile Parent, present in the lower part of the first two networks (light green community in Figs. 9.1 and 9.2). He started his successful business with Pierre Schaken (close to him in the same community) from the small Belgian partnership *Parent & Schaken*, specialized in railway constructions, which progressively became the core of a diversified business group. Since the 1850s, by contracting the works and/or entering the boards of several French and Spanish railway lines (e.g., *Chemins de Fer Lyon-Avignon*, *Chemins de Fer Ciudad Real à Badajoz*, *Chemins de Fer de Cordue-Malaga*), he approached the 2nd Empire financial milieu. In Paris, he established relationships with the most important financiers of the time, such as Charles Laffitte, Edward Blount, Auguste Dassier, Adrien Lebeuf de Montgermont (who became his son-in-law), until entering the inner circle of the most important business group Morny-Delahante and Talabot, rising around the railway line *Paris-Lyon-Méditerranée* (PLM) (dark pink community in the central part of Fig. 9.1). He fully entered the process of credit institutionalization in France, playing a crucial role in the foundation and management of the Pereires' *Crédit Mobilier* (gray community in the upper part of Fig. 9.1),

Fig. 9.1 Two-mode network visualization of economic actors and firms in the Naples business system (1840–1860)—Nodes' color = community; Nodes' size = betweenness centrality index

the *Crédit Industriel et Commercial* (*CIC*) (dark pink community in the lower part of Fig. 9.1) and the *Société Générale* (light green community in the lower part of Fig. 9.2) (Schisani & Caiazzo, 2018). Thanks to a rapidly expanding personal and business network he approached the Italian business environment since before Unification, with the railway projects for Southern Adriatic lines (*Società per la rete di ferrovie da Napoli al Mare Adriatico* in the light yellow community in Fig. 9.1) and Roman railways *Pio Centrale* (dark green community in the lower

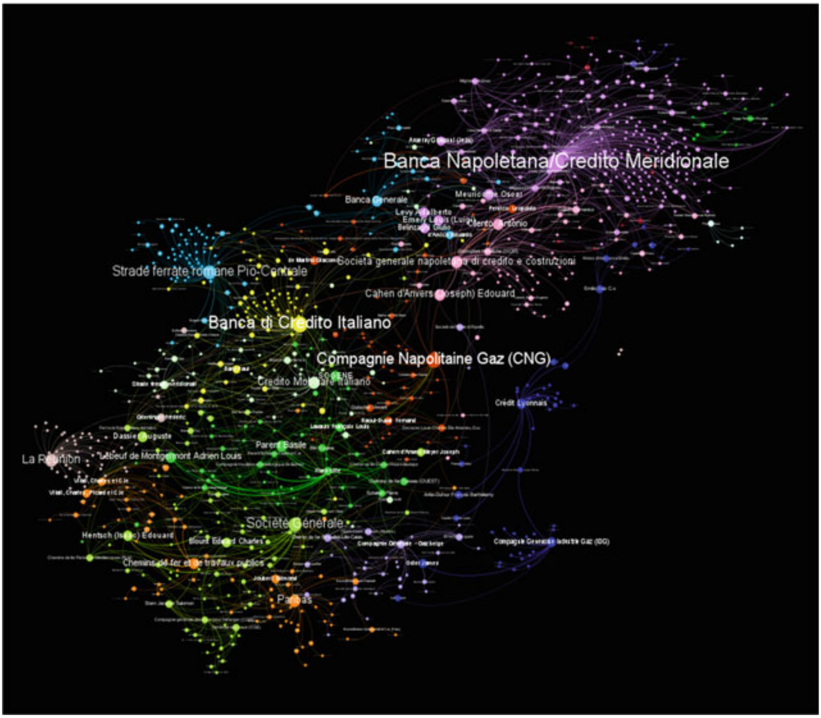

Fig. 9.2 Two-mode network visualization of economic actors and firms in the Naples business system (1860–1880)—Nodes' color = community; nodes' size = betweenness centrality index

right part of Fig. 9.1), definitely entering it just after 1861. In 1862, he founded and promoted the Naples gas company, the *Compagnie Napolitaine d'Éclairage et de Chauffage par le gaz* (*CNG*) (the still existing *Napoletana Gas*) (dark orange community in Figs. 9.2 and 9.3), together with the Swiss financier Auguste Dassier, his son-in-law Adrien Lebeuf de Montgermont, and François Lavaurs his partner in the *Parent&Schaken et C.ie*. (Schisani & Caiazzo, 2016). With the business group of Oppenheim and Bischoffsheim/Cahen d'Anvers, he also founded the *Società Italo-Belga per costruzione e Lavori Pubblici* in Turin and the *Società generale immobiliare di lavori di utilità pubblica e agricola* (*SOGENE*) in Florence (light green community in Fig. 9.2) (Dumoulin, 1990). The vast and

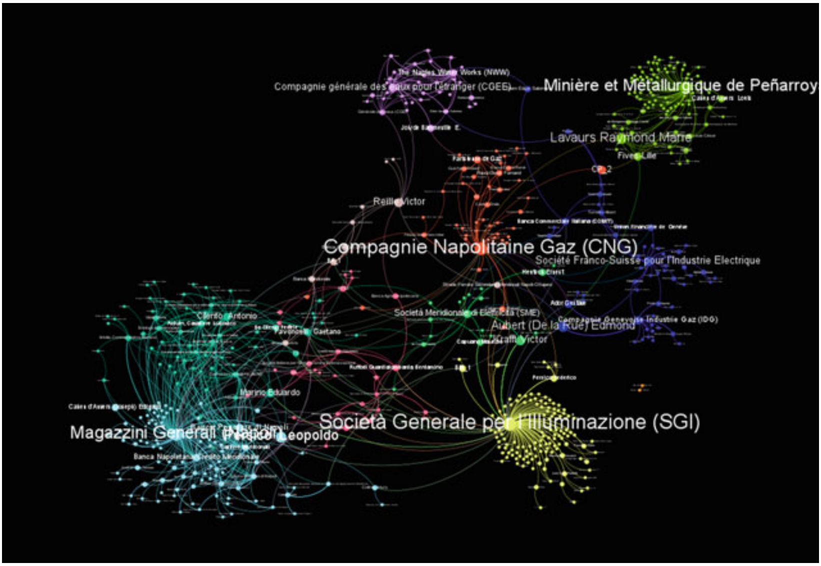

Fig. 9.3 Two-mode network visualization of economic actors and firms in the Naples business system (1880–1900)—Nodes' color = community; nodes' size = betweenness centrality index

diversified business group clustered around Basile Parent continued to work also after his passing away in 1866, thanks to the well-established network of personal and business relationships. In the Fig. 9.3, the light green community, with Lavaurs's son, Raymond Marie, having a prominent role, is still present in the Naples network, albeit progressively further away from the core due to the progressive takeover of the *CNG*'s financial management by the Swiss business group headed by Edouard Hentsch (Schisani & Caiazzo, 2016).

The Hentschs were an ancient family of Swiss bankers linked to the Parisian Protestant *Haute banque* and active in the international business. The three networks (Figs. 9.1, 9.2, and 9.3) show how some prominent members, and particularly Edouard, his brother Charles Isaac and the latter's son, Ernest, acted as bridging nodes between different regional and functional communities across the three-time spans. Starting from the family partnership *Hentsch et Cie*, the business relationships clustered around the creation of important companies were key in building and expanding a solid family business group. Across time, the networks mirror the evolution from their traditional expertise (i.e., private finance, gas industry) toward new technological and financial know-how (i.e., investment banks, electricity). They played a prominent role in the foundation and management of the most important French big banking companies, *Comptoir d'Escompte* in Paris (gray community in Fig. 9.1) *Société Générale* (light green community in the lower part of the Fig. 9.2 with Edouard in evidence), *Crédit Lyonnays* (isolated light gray community on the right side of the Fig. 9.1, blue community on the right side of Fig. 9.2 with Charles Isaac in evidence) and they were the linchpin of the *Paribas* system (orange community in the lower part of the Fig. 9.2). They were highly involved in the transport sector (railways) and in financial firms among which the Rothschilds' *Réunion Financière* (red community in the upper part of the Fig. 9.1 with Edouard in evidence) and the *Franco-Suisse* (blue community in the right part of the Fig. 9.3), *Société Financière Suisse-Américaine, Union Financière de Genève* (blue community on the right side of Fig. 9.3), etc. (Stoskopf, 2002). Their business network was continuously expanding also due to the crucial role that they played in public utilities, particularly in the energy sectors of gas and electricity. In Naples, thanks to their financial expertise combined with information advantage on new energy sources, they were strategic in the diversification from gas to electricity, playing a role in the late financial and administrative management of the *CNG* (dark orange community in Figs. 9.2 and 9.3) and in the foundation of the *Società Meridionale di Elettricità* (SME) in 1899 (green community at the very core of Fig. 9.3 with Ernest in evidence) (Schisani & Caiazzo, 2016).

Another important international player who had a role in the Naples business network is Auguste Dassier (light blue community in Fig. 9.1 and light green community in Fig. 9.2). Native of Geneva, he was one of the main bankers of the Genevan Protestant Haute banque network, a particular branch characterized by the transition from the "fabrique" to the "bank" (Paquier & Williot, 2005). Starting from the partnership *Ador, Vernes et Dassier*, he was particularly active in supporting industrial investments. In 1856, he joined the Rothschilds' *Réunion Financière* (red community in the upper part of Fig. 9.1), then he entered the Board of the *Parisienne du gaz* (gray community in Fig. 9.1 close to the *Crédit Mobilier*) and became the president of the *PLM* (dark pink community in the central part of the Fig. 9.1), and of the insurances *La Reunion* (light blue community in the right upper part of Fig. 9.1

and light pink community in the left lower part of Fig. 9.2) that, after the Italian Unification, established its branch in Naples (Schisani and Ragozini, 2023). As the previous ones, Dassier provides one of the best examples of an international network of correspondents between Europe and the South of Italy, relying on an important family network. His wife's (Louise Hortence Labouchère) grandparents were Dorothy Elizabeth Baring, daughter of the London banker Sir Francis Baring and Pierre César Labouchère, director of the bank Hope in Amsterdam (Stoskopf, 2002). With his nephews Gustave Ador (banker) (blue community on Fig. 9.3) and Daniel Colladon (physicist) (dark orange community in Figs. 9.2 and 9.3) (Paquier, 1996, 2001) and his son-in law Fernand Raoul Duval (dark orange community in Fig. 9.2), Dassier established a long-lasting relationship with Naples through the *CNG* (dark orange community in Fig. 9.2) since its foundation heading the Swiss group of investors (Schisani & Caiazzo, 2016). As evident in the networks, his kinship ties were able to perpetuate the activity of the business group also after Dassier's passing away in 1862, with Gustave Ador and Daniel Colladon in evidence for their prominent role in the Neapolitan gas industry.

Closely linked to the South of Italy was also the family Cahen d'Anvers. Joseph Edouard (pink community in the center of Fig. 9.2 and in the light blue community in Fig. 9.3), son of Mayer Joseph Cahen d'Anvers (at the crossroads of different communities close to the Pereires and the Grand Céntral railway in Fig. 9.1 red community in the 1st and light green in Fig. 9.2) and Clara Bischoffsheim (Raphaël Nathan Bischoffsheim's daughter), established his headquarters in Naples. This family, despite the relatively modest size of the Paris-based partnership (*Meyer Joseph Cahen d'Anvers banquier*), gained a prominent role in the French financial milieu, taking part in the 1850s in the Pereires' *Crédit Mobilier* (gray community in the upper part of the Fig. 9.1), in the Rothschilds' *Réunion Financière* (red community in the upper part of the Fig. 9.1), in the *Société Générale* (light green community in the lower part of the Fig. 9.2). Thanks to the kinship ties established with Raphaël Nathan Bischoffsheim, Mayer Joseph Cahen d'Anvers, together with Edouard Hentsch, was among the founders of the *Banque de crédit et de dépôt des Pays-Bas* (1863), founding core of *Paribas* in 1872 (orange community in the lower part of the Fig. 9.2). French, Spanish, and Italian railways and public utilities were the other business sectors in which the family fortune and prestige grew (Stoskopf, 2002). Particularly in Italy, also thanks to the close connections with the Parent's business group, Edouard Cahen played a crucial role in the foundation of many important financial and public utilities companies, such as the *Società Italo-Belga per costruzione e Lavori Pubblici* in Turin, the *Banca Generale* in Rome (light blue community in the Fig. 9.2), the *SOGENE* in Florence (light green community in the Fig. 9.2). In Naples, beyond having a role in the financial management of the *CNG* (dark orange community in Figs. 9.2 and 9.3), he was among the founders (along with his brother Louis) of the most important bank of the credit-mobilier-type, the *Banca Napoletana* in 1871 then transformed in the *Società di Credito Meridionale* (1885) (violet community in the upper part of the Fig. 9.2 and light blue community in the lower left part of Fig. 9.3), and of a number of joint stock companies gravitating in the orbit of this financial holding, such as the *Impresa Industriale Italiana di Costruzioni metalliche* (*IIICM*) (green community in the lower left part of the Fig. 9.3), *Società generale napoletana di credito e costruzioni* (pink community in the Fig. 9.2), *Società Meridionale dei Magazzini Generali di Napoli*, etc. (light blue community in the lower left part of the Fig. 9.3). The relationships established with the Parent's business group developed over time thanks to the role of Edouard's brother, Louis Cahen d'Anvers who, in the 1880s, sat on the Board of Directors of the *Compagnie Houillère et métallurgique de Belmez* and of the *Société Minière et Métallurgique de Peñarroya* in the Spanish business area, closely linked to Lavaurs and Lebeuf de Montgermont's descendants (light green community on the upper right side of Fig. 9.3).

The British banker Edward Blount (light green community in Figs. 9.1 and 9.2), partner of the Paris-based *Charles Laffitte, Blount & C.ie*, and then of the partnership *Blount et C.ie*, was a key international player in the financial sector as well as in public utilities who played a role in pre- and post-Unification Italy. Beyond covering strategic managerial positions in the most important French, Portuguese, and Spanish railway companies and other public utilities companies, he developed specific financial know-how in the water sector, being among the founders and managers of the French water companies, the *Compagnie Générale des Eaux* (*CGE*) (orange community in the lower left part of Fig. 9.1) and the *Compagnie Générale des Eaux pour l' Étranger* (*CGEE*) (violet community in the upper part of Fig. 9.3) (Stoskopf, 2002). He approached Italian business since before Unification, taking over the financial control of the gas supply in Bologna in 1852 (Williot, 1999) and participating—with

Basile Parent, Paulin Talabot, Gustave Delahante—as a contractor in the Tyrrhenian longitudinal railway project (*Società per la rete di ferrovie da Napoli al Mare Adriatico* in the light yellow community in Fig. 9.1) in 1860, aimed at including the Naples railway strategic lines in the Southern railway network (Schisani & Caiazzo, 2016). Even before, Blount had been among the promoters of the first projects for the *Indian Mail* (*Valigia delle Indie*). After the Unification, in Naples he was the founder, contractor, and President of the London-based *Naples Water Works* (*NWW*) (1878) (violet community in the upper part of Fig. 9.3), the public utility company for the management of drinking water in Naples (de Majo, 2011).

Connecting Cores and Peripheries: The Evolution of the International Business and Financial Networks Over the First Globalization

The three networks show how the construction and evolution of complex networks of personal, business, and financial relationships were functional for (more or less known) international financial players to catch up the evolutionary trends in the international credit markets and to expand their business influence from the core countries of Europe toward the peripheral countries of the Mediterranean area, especially Spain and Italy, coherently with the ambitious objectives of the Chevalier's *Système de la Méditerranée*.

The networks draw three pictures that show the origins, the development, and the stabilization of some international business groups within the economic system of the South of Italy. The presence of members of prominent foreign families in different business communities well exemplifies how business relationships and kinship ties, also across different generations, ensure the persistence of power positions in the business networks of different European marketplaces over time.

These communities, often centered around key companies spanning various sectors, exemplify the evolution of business groups from their initial financial and technical expertise, closely tied to early high-return investments and fortune. Over time, these actors demonstrated their capacity to enhance their technological and financial know-how and extend their geographic influence. Through their expertise and extensive network-building in sectors such as railways/transport, public utilities, and finance, they were well-positioned to seize emerging business opportunities. Their pioneering role in establishing diversified multi-regional business groups was particularly influential during the initial wave of globalization (Jones, 2002).

In the following three subsections, discussing the networks' representations in Figs. 9.1, 9.2, and 9.3, we find some interesting patterns suggested for interpretation.

The Path of Integration of the Big Players: From Family Partnerships to International Business Groups (1840–1860)

The first network for the time span 1840–1860 (Fig. 9.1) highlights the progressive integration of the French, Belgian, and Swiss business groups, with their focal actors evident, through large railway companies and large banks.

The period between the 1840s and the 1850s, when the spread of industrialization to continental Europe posed related growing problems for funding industry (i.e., railways, heavy industry, public utilities, etc.), paved the way to the shaping of the institutionalization of credit relationships through large banking limited liability companies. The network is a privileged point of observation for analyzing these kinds of financial relations and their adaptation to the new institutional forms.

The large railway companies represent the first step in strengthening the relationships between different groups of capitalists and the starting point of operational and territorial (France, Belgium, Switzerland, Spain, Italy) diversification and integration. The big companies in different communities, such as Chemins de fer de l'Est, du Nord, Grand Céntral, Lyon-Avignon, PLM, de Suisse (Ouest), Ciudad Réal à Badajoz, Cordoue-Malaga, Pio Centrale etc., highlight the multiregionality of the business groups clustered around the big business of railway construction.

This integration is the fertile ground on which the long-lasting financial relationships, based on personal and business ties, find the way to be institutionalized into large banking companies, core of the European "revolution of banking technology" in mid-nineteenth century, such as the French *Crédit Mobilier*, *CIC*, *Réunion Financière*, *Société Générale*, *Paribas*, etc. The big banks institutionalize (1) the ties consolidated via the big railway companies, (2) the early financial competition between "old bank" and "new bank" (Rothschilds' Réunion Financière vs Pereires' *Crédit Mobilier*) (Landes, 1956). This last aspect is particularly evident in the efforts to encircle the peripheral area of Southern Italy—being since 1821 the headquarters of the 5th Rothschild banking house—by two business groups linked to the Pereires. In the upper part of the figure, the presence of the *Banca Fruttuaria* in the *Crédit Mobilier*'s community (gray community in Fig. 9.1) testifies of the takeover of this local bank (1856) by a group of French financiers headed by Adolphe d'Heichtal (gray community in Fig. 9.1) in the unsuccessful attempt at establishing a credit-mobilier-type bank in Naples (Schisani, 2010). In the lower part of the network, the presence of the *Società per la rete di ferrovie da Napoli al Mare Adriatico* (light yellow community in Fig. 9.1) testifies—through Gustave Delahante partner of the *Parent Schaken Caillet et C.ie*—the approaching to the South of Italy by the contiguous group of Basile Parent (light green community in Fig. 9.1), also closely linked to the Pereires' *Crédit Mobilier*. An approach already anticipated with the interest in the Roman railway *Pio Centrale*, through Lebeuf de Montgermont and Gustave Delahante himself, and then stabilized in the immediate post-Unification with the foundation of the Naples gas company, *CNG* (dark orange community on Fig. 9.2), in 1862.

The Integration of the South of Italy Within a Complex International Financial Network (1860–1880)

The second network (Fig. 9.2), which chronologically includes both Italy's Unification process (from 1861) and the spreading of the first wave of globalization (since 1870), shows the definite integration of the peripheral South of Italy within a complex international network of relations.

The network highlights how the long-lasting relations established at the international level along the first half of the nineteenth century between the big international financial players had paved the way to the inclusion of the peripheral market in their network, by leveraging their advanced financial expertise and exporting their energy technological know-how. Figure 9.2 shows how the relationships are clustered around the local peripheral market, attractive for its profitable infrastructural investment opportunities.

The process of integration can be synthetized in the following steps: (1) the creation of a big local public utility company, the *CNG* (dark orange community in Fig. 9.2) and (2) the late promotion of a large local modern investment banking company in Naples (*Banca Napoletana* then

Credito Meridionale violet community in Fig. 9.2) as a long shadow of the mid-century European banking revolution; (3) the role of gatekeeper of few local powerful actors.

The network shows the emergence of a central foreign community clustered around the *CNG* (dark orange community in Fig. 9.2) with the Franco-Belgian component (Parent, Schaken, Lebeuf de Montgermont) of the Parent's business group (light green community in Fig. 9.2) more central than the Swiss one represented by Edouard Hentsch and Auguste Dassier. The composition of this large business group is consistent with both the export of technological know-how of the gas industry, and the improved investment conditions favored by the 1865 Latin Monetary Union. The network also shows a change in the peripheral financial market, with the establishment of a bank of the credit-mobilier-type, the *Banca Napoletana* (1871), and *Credito Meridionale* (1885). The peripheral market also institutionalizes credit relations, albeit with a considerable delay. The international business groups play a role in this change, by participating in its foundation, with Edouard Cahen d'Anvers and Basile Parent and his group playing a key role in this change.

In the network, it is clear how the integration process of the South within the complex international financial network of the first globalization is favored by some powerful Neapolitan economic actors who became integral part of these foreign business groups thanks to their role of gatekeepers in the local market. For example, Leopoldo Persico (a local financier who played a crucial role in the Italian issuing bank, Banca d'Italia), Giacomo De Martino (a deputy of the Italian Parliament, among his numerous roles), and Antonio Cilento (a primary local merchant banker) are located in the center of the network and they act as a bridge between the business groups among the *CNG*, the *Banca Napoletana*, the Turinese community of the *Banca di Credito Italiano* (founded by the French *CIC*), and the foreign business group of Basile Parent.

The Change in the Financial Relationships Between the International Business Groups and the South of Italy (1880–1900)

Finally, Fig. 9.3 shows how the 1880s led a deep change in the relationships across the international business groups and with the South of Italy. The emergence of the second industrial revolution and of electricity as a new leading energy sector represented a challenge toward the diversification in energy sources that meant a harsher competition between foreign business groups. The emergence of a new energy sector marked a change in the technical and financial know-how related to the new energy source strengthening the role of the Swiss financiers. Furthermore, at a political level, the Triple Alliance—which had brought Italy closer to Germany and Austria—changed the international balances and alienated French capital. The Franco-Belgian group headed by Raymond Marie Lavaurs (son of François Louis) (light green community in the upper right part of Fig. 9.3) moved away from the core of the network while Ernest Hentsch (green community in Fig. 9.3) gained a central position at the strategic crossroads between local and Swiss gas and electricity companies. The network clearly shows the contiguity between the Naples and the Swiss communities (Fig. 9.3) with the newborn *Società Meridionale di Elettricità* (*SME*) (1899) and the *CNG* (dark orange community) (and the *Società Generale per l'Illuminazione SGI* yellow community) closely connected to the *Société Franco-Suisse pour l'Industrie Electrique* and the *Compagnie Genevoise du Gas* (*IDG*). Notwithstanding the turnover in the business groups in the energy sector, French finance did not completely break its relationships with Naples, proving the transversality of international finance to political balances. Indeed, the Anglo-French business group headed by Edward Blount emerges in the network (violet community in the upper left part of Fig. 9.3) approaching Naples with the London-based water public utility company *The Naples Water Works Company Limited* (*NWW*), for the construction of the city aqueduct, closely linked to the French *Compagnie Générale des Eaux pour l'Étranger* (CGEE).

In this period, the role of the local actors becomes even more evident with two large communities (light blue and turquoise in left lower part of the network) clustered around the *Magazzini Generali* and the *Credito Meridionale*. Leopoldo Persico (and his brother Federico, yellow community) and Antonio Cilento, along with Edouard Cahen d'Anvers, gained centrality connecting the local business groups with both the newborn *Società Generale per l'Illuminazione* (*SGI*) and *SME*.

Concluding Remarks

The case studies analyzed well epitomize the international relational dynamics through which the South of Italy was progressively integrated into the first wave of financial globalization.

Our analysis shows how the construction and development of vast international business groups were functional for (more or less known) big financial players to enter the evolutionary trends in the international credit markets and to expand their business influence from the core countries of Europe toward a peripheral area such as Southern Italy.

Within the framework of interlocking directorates, and exploiting some descriptive tools of Social Network Analysis, we obtained three networks by unifying the ego-networks of the selected business actors (Basile Parent, the Hentschs, Auguste Dassier, the Cahen d'Anvers family, and Edward Blount).

Despite the expected fragmentation of the networks obtained via the graph union of ego-networks, a first relevant result worth to notice consists in their connectedness and density. These characteristics attest to the centrality of the selected individuals (egos) and their pivotal role as bridges, connecting numerous international and local business groups.

As a second result, our analysis shows interesting patterns that exemplify how progressively expanding relational strategies worked in structuring ever larger diversified multi-regional business groups. Skillful entrepreneurs/financiers played a strategic role in acting as network hubs starting from local partnerships, developing cross-border big business opportunities (railway constructions), adapting to credit institutionalization and connecting cores to peripheries, and finally paving the way to the first wave of financial globalization.

Particularly, the networks allow to identify the structuring of large business groups that operated in the South of Italy over the nineteenth century in which some large companies—international banks such as *Crédit Mobilier*, *CIC*, *Société Générale*, *Crédit Lyonnays*, *Paribas*, and foreign and local public utility companies, such as, *IDG*, *CNG*, *SME*, *CGEE*, *NWW*—acted as big attractors while the selected actors acted as brokers (high betweenness) along with some local gatekeepers, consequently connecting the peripheral South of Italy to the European cores of the industrial and financial revolutions.

The presence of members of prominent foreign families in different business communities well exemplifies how business relationships and kinship ties, also across different generations, ensured the persistence of power positions in the business networks in the South of Italy over time.

Finally, even though our analysis does not allow to assess what role foreign business groups played in the South of Italy, some evidence suggests that they may have played a questionable positive role. On the one hand, as suggested by Khanna and Yafeh (2007), in emerging markets and under certain conditions, business groups may have made up for under-developed economic institutions yielding some positive effects. On the other hand, there is some evidence that foreign business groups may have acted as extractive and rent-seeking elites (Schisani & Caiazzo, 2016) not really favoring the modernization of the host country. For example, the presence of foreign expert technicians (e.g., Daniel Colladon) did not allow the know-how to be transferred to the local entrepreneurial system. Furthermore, the modern financial institutions/markets in the countries of origin of foreign actors, acting as reference for their business groups, might be considered as one of the possible factors of the late financial modernization of Southern Italy.

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CHAPTER 10

From the Dutch to British Hegemonies: What Were the Differences?

Toshiaki Tamaki

Throughout his extensive career as an economic historian, Patrick Karl O'Brien has highlighted the government's role in economic growth (O'Brien, 1988, 1994; O'Brien & Engerman, 1991; O'Brien & Quinault, 1994; Mathias & O'Brien, 1976). Governments provide public goods necessary for economic growth; therefore, their fiscal policies are key to economic success.

Considering the overwhelming influence of Kenneth Pomeranz's (2000) *The Great Divergence*, which does not describe governmental roles as being particularly important, we cannot ignore O'Brien's several counterpoints. For example, states can create and maintain efficient institutions for economic growth, such as Great Britain, which we explore in this research. According to the theory of the Modern-World System advocated by Immanuel Wallerstein (2011), which O'Brien (1982) has aggressively criticized, the first hegemonic state was the Netherlands in

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the seventeenth century and Britain was the second in the late nineteenth century.

We must consider the differences between both states' hegemonies during their periods of dominance. On the one hand, the Netherlands was a much decentralized country ('t Hart, 1993) and it was eminent in Europe for its religious tolerance. The Dutch Republic was an old-fashioned coalition of merchants, where cosmopolitan merchants participated in international trade freely. However, the government did not have enough power to control the outflow of merchants and money to foreign countries, which led to the decline of the Netherlands.

Britain was a much more centralized state than the Netherlands. It is true that historians warned about the English-centric focus on history in the "new British history," but England also simultaneously owed the majority of the British tax revenue (O'Brien 1988). Britain became a centralized state in terms of its fiscal and financial policy. After the establishment of the Bank of England and especially the South Sea Bubble financial crash in 1720, British fiscal and financial issues were decided in London (Carswell, 1960; Dickson, 1967). Eventually, Britain set up a centralized constitution.

In this chapter, I will discuss some prominent features of the Dutch and British hegemonic systems and how their different constitutional structures affected their hegemonic modalities.

Age of Mercantilism

In early modern Europe, transport costs comprised a very large proportion of all costs (alas, it is impossible to calculate the exact cost). The invisible trade might be much more important than the balance of trade for acquiring and increasing benefits in early modern Europe (Roseveare, 1987). The Netherlands had the largest merchant fleet in Europe; therefore, the country certainly received the largest profits from its shipping activities compared with other European countries.

The Dutch Republic was not "the first modern economic state," but "the first modern economy" (De Vries & van der Woude, 1997) because it did not have a tendency toward centralization. Thus, it is difficult to consider the Republic "as a unified state" ('t Hart, 1993). The fundamental difference between the Netherlands and Britain was that the Netherlands adopted a free-trade policy in Europe (but not in Asia) and England protected its economy very efficiently. In doing so, England facilitated its commercial economic prosperity and consequently became the most successful mercantile state worldwide (Magnusson, 1994, 2009, 2015).

Early modern Europe experienced many wars caused especially by the introduction of firearms (Parker, 1988). During these wars, merchants could not trade formally with enemy countries, but they could still do so informally via neutral trade states or cities (Müller, 2019). For example, Hamburg was eminent for its neutral trade policy and acted as a neutral city from 1618 to 1868. If wars started between belligerent nations, they were sometimes forced to use neutral ships or raise neutral flags on their own ships to continue their international commerce. When the Netherlands fought other countries, some Sephardim escaped from Amsterdam to Hamburg, which was a Lutheran city of religious tolerance. Only Lutherans could obtain citizenship in Hamburg, but the Sephardic Jews were permitted to engage in commercial activities (Kellenbenz, 1954, 1958).

The Rise of Amsterdam

The importance of the distinctive hierarchy of the Amsterdam staple trade system has been emphasized in Dutch historiography (Lesger & Noordegraaf, 1995), with its local, regional, and international markets. Klein and Veluwenkamp (1993) observed that "surpluses of these regional markets were traded on market of a higher level, so that a hierarchy of markets came into existence, at the top of which there was a central permanent entrepôt, the concrete world market" (p. 31). Many internationally traded goods were stored in Amsterdam and many international merchants operated in this city.

In contrast, Clé Lesger (1999, 2006) maintained that Amsterdam was a "gateway" not only of commodities but also of people, money, and information; thus, the city acted as an intermediary between the European hinterland and the rest of the world. One feature of early modern Europe was the shortage of reliable information (Trivellato, 2007), which was highly sought after by merchants for their commercial success. In this sense, Amsterdam was the most important city in Europe because its residents were able to obtain commercial information of various types and from various sources, which was sometimes also the most reliable.

Many kinds of merchants were based in Amsterdam. Notably, the city hosted a colony of exiled Sephardim, which appeared to be unusual because the Netherlands was a protestant country. As mentioned earlier, however, Dutch religious tolerance was outstanding in Europe and Catholic merchants could trade with Protestant merchants in Amsterdam. Amsterdam was central to European commerce and finance and so commercial information and know-how were accumulated in this city. Therefore, many merchants found it very convenient to settle there permanently or temporarily. While some merchants lived in Amsterdam only temporarily, they were still able to acquire the commercial knowledge necessary to participate in international commerce.

Commodities, people, money, and information spread through Amsterdam's gateway to Europe and the world. In early modern Europe, Amsterdam merchants used commission agents to reduce their transaction costs. Using commission agents would be a logical way for the Dutch to reduce the transaction costs. However, it would do harm to them in the long run by decreasing their commercial advantages because Dutch commercial know-how would not be diffused throughout Europe if the Dutch had not relied on commission agents.

In the middle of the sixteenth century, prijscourant or price current (i.e., price list) was printed as a means for transmitting commercial information within the Netherlands. Before the introduction of the price current, price information was circulated among private networks and tended to be monopolized. Initially, a relatively small number of merchants could obtain the price current, but after it was introduced widely, it was available to everybody who wanted to participate in commerce (McCusker & Gravestrijn, 1991). The Dutch merchants could have monopolized their information about the prices of traded commodities, but they were not interested in their nation's but only in their own profits. The commodities information from these price lists were transformed from club goods to public goods over the long run.

The European society, especially in northwestern Europe, provided a suitable ground for economic growth because of their access to sufficiently dependable information for merchants to trade. Information about goods flowed very efficiently and became increasingly more transparent. Customers could successfully acquire knowledge about the commodities they would purchase. The extent of asymmetric information became increasingly smaller, partly because of Amsterdam's role as a gateway to the world for Europe.

While Pomeranz (2000) considers factor endowments to be the crucial factor in the great divergence, Joel Mokyr (2004) considers the "knowledge economy" to be more important. In addition, Douglas North (1990) insisted on the importance of property rights for economic growth because institutions that secure property rights can also promote economic growth. My standpoint is near Mokyr and North; however, I argue that the efficient and exact transmission of commercial information was of great significance for European economic growth in the early modern times (McCusker, 2005; McCusker & Gravestrijn, 1991). The Dutch made a great contribution to this ease of communication.

According to Wallerstein (2011), hegemonic states have great power and therefore become centralized. However, the Dutch Republic was not a centralized state ('t Hart, 1993, 1995). The Netherlands was a deregulated country with the most advanced economy in Europe during the seventeenth century and thus it did not need protection to maintain its economic power, The Netherlands adopted a liberal economic policy, which contributed to European economic growth and industrialization in the long run, especially in Britain.

Dutch–British Relations

In the "long eighteenth century," Britain was in a more-advantageous position than France in becoming a hegemonic state because it had adopted mercantilist policies. In addition, England was able to exclude Dutch ships to considerable extent because of its Navigation Acts (1651, 1660).

Britain became the second modern economy and the first industrialized state partly with the unintentional "help" of the Dutch merchants who diffused their commercial know-how to foreign countries because of their country's very liberal commercial policy. Dutch merchants invested widely in foreign countries, especially in London, England (Neal, 1990), and contributed to the growth of the European economy. Among European countries, England succeeded the most in inheriting Dutch commercial and financial know-how, and attracted much money from the Netherlands. Without this financial inheritance from Dutch merchants, Britain could not have become a hegemonic state. In a sense, the Dutch produced British hegemony and empire, in addition to its industrialization.

If we consider industrial revolutions in Europe from a long perspective, Europe transformed economically from an agrarian (or organic) economy into an industrial (or inorganic) economy (Wrigley, 2010, 2016). Industrialization refers to the formation of an inorganic society in the long run; hence, Britain was the first industrial nation globally (Crouzet, 1966; Mathias, 2015). However, we should distinguish between the first and second industrial revolutions. The first industrial revolution in England was an organic revolution based on cotton (Riello, 2013), while the second in Germany shifted from organic to inorganic modes of production, such as chemical fiber.

O'Brien (1996) maintained that British agricultural productivity was probably higher than in other countries, especially France, which contributed to the internal migration of laborers. We simultaneously must also consider the possibility of foreign labor migration. The internal migration theory for explaining industrialization is only validated in a closed economy. Laborers may undergo international migration, but O'Brien (1996, 2021) and other economic historians do not give this factor much importance because they follow the traditional closed economy model. However, I note that all economies are open economies.

In addition, the importance of cotton textiles for the British industrial revolution should be highlighted. Spinning, weaving, and *printing* were three important factors in cotton production. The hand-driven Indian cotton-spinning technique was imported by Armenians into Europe (Riello, 2013). The first industrial revolution occurred when the English imported substitutes for Indian cotton and accelerated cotton production; however, this did not lead to an economic transition from an organic to inorganic society.

Emergence of Commission Capitalism

By the time the 1815 Vienna Treaty was signed, Britain had become a hegemonic state with the strongest economic power in Europe (O'Brien, 1998), but not in the world. Using steamers, railway, and telegraph investments, Britain gradually increased its influence in economic matters, which increased rapidly after 1850. In this way, Britain became a hegemon not because of the industrial revolution itself, but by developing services, especially in the financial sector (Cain & Hopkins, 2016).

Britain had the largest empire in world history. Britain is the only nation to have had an informal empire (Gallagher & Robinson, 1953) in the age of Imperialism. In addition, Britain once had the most powerful navy in the world and the largest number of merchant fleets. By around 1900, about 50% of merchant ships were British (Vries, 2013, p. 32). This dominance of international shipping meant that Britain could control the flow of goods traded internationally. For example, the British used their own ships to import and export commodities to and from Latin America and China. This shipping dominance facilitated Britain's informal empire.

With the development of international and coastal trade with China, the number of British steamers increased rapidly. The Chinese trade by sea was controlled more or less by these British ships (Liang-lin, 1974) since the latter half of the nineteenth century. When European ships discovered Asia during the Age of Discovery, the Asian logistic distribution system was controlled by Asian ships. However, European ships eventually successfully took over the organization of the Asian logistic distribution system. European shipping expanded the shipping industry so much that they came to control the Asian distribution of imported Asian goods and carried these goods worldwide. This creation of a European-controlled Asian and global distribution system, especially by British merchants, led these European merchants to become wildly successful.

Britain invested a large amount of money in railways and governmental funds during the eighteenth century and subsequently, the nineteenth century witnessed the international development of railways driven by British investments with the expectation of high enough returns on their investments. It was very successful (Stone, 1999). In addition, the large British mercantile fleet was able to distribute many goods worldwide. In this way, the informal British Empire was controlled by British financial and shipping industries via their railway and shipping networks.

The telegraph was the most valuable tool in the British hegemony (Ahvenainen, 1981). Daniel R. Headrick (2012) observed that the telegraph was an "Invisible Weapon" used for both military and commercial purposes. The telegraph became a symbol of British capitalism because all information for international commerce was transmitted through the British telegraph network. This made Britain the global information center and London became the center of international commercial transfers.

Hence, Britain developed a very efficient and useful system for global hegemony based on its telegraph, railway, and shipping networks. As the world economy developed, telegraphs were used more frequently. Most of the telegraph networks were established by British companies;

therefore, user commissions poured into London. The maintenance of British telegraph systems meant that Britain would continue to receive user commissions. By establishing systems for commerce used by most people, British merchants ensured their continual income through user commissions and rents, which is a typical feature of "Commission Capitalism." A hegemonic state wields the power to decide what structural systems for communication and commerce that people should be using. Susan Strange (1987) observed that structural power is "the power to choose and to shape the structures of the global political economy within which other states, their political institutions, their economic enterprises, and (not least) their professional people have to operate. This goes beyond the ability to dictate the discussion agenda or design, in American terminology, the international 'regime' of rules and customs" (p. 565). Therefore, a hegemonic state receives compensation for the utilization of its structural systems.

Although the United States and Germany overtook the British manufacturing sector by the beginning of the twentieth century, merchants from these countries still had to use British ships, telegraph networks, and insurance at least to some extent. The economic growth of the American and German economies also meant that Britain could expect to gain more commission for the use of their networks. As the world economy progressed, Britain received user commissions for other countries' use of British ships, telegraphs, and insurance. Thus, Britain became a capitalist state based on user commissions. In addition, the Gentlemanly Capitalism pursued by the British industry during the nineteenth century (Cain & Hopkins, 2016) can be considered as a type of Commission Capitalism.

As London was the center of international commerce in this period, the British obtained user commissions from every commercial transaction on their telegraph and shipping networks. Thus, Britain needed to maintain huge naval fleets to protect its telegraph networks, which facilitated their commercial networks because all economies worldwide were dependent on the British system of communication and must pay commission fees for using the system. This is the prominent feature of Commission Capitalism.

Concluding Remarks

Before the British industrial revolution, Asia needed almost nothing from Europe, but Europe needed spices from Southeast Asia. At this time, therefore, Europe had an unfavorable balance of trade with Asia because the Asian population was much larger than the European population. In addition, the Indian Ocean and the Southeastern and Eastern Asian seas were controlled by Asians in a unified commercial area as Asian merchant activities spread throughout the region by the fifteenth century. However, European merchants entered Asia especially after the end of the Opium War in the mid-nineteenth century.

Before Europeans came to Asia, Chinese merchants built larger ships than European merchants. If the Portuguese explorer Vasco da Gama had arrived in Asia during the first half of the fifteenth century, he would have faced very strong enemies and Europe would not have been able to conquer Asia. However, owing to the lack of Chinese military resistance in the second half of the fifteenth century, the Portuguese explorers were able to enter Asia much more easily than they expected because by that time Asian seas were cross-cultural trade area and Europeans could travel to Asia very easily.

Commission Capitalism earned a huge amount of money because most of the international transactions were settled in London and much money poured automatically into Britain. In this way, British economic policies had established a British hegemony for the British themselves, but not for the world.

While the Netherlands contributed to the growth of the European economy and the British industrial revolution and hegemony, the country was decentralized and could not prevent Dutch merchants from investing money in foreign states. Many Dutch merchants made financial investments in Britain (Carter, 1975), which established the preconditions for the first industrial revolution. In contrast to the Netherlands, Britain had a strong and centralized state in the fiscal sense. Therefore, British merchants were able to establish a commission capitalist system through which Britain was able to "clip the ticket" on world economic growth to support and increase Britain's own economic growth. Hence, British hegemony meant a global economic system, "for the British, by the British, of the British" at the end of the nineteenth century. The situation changed after the end of the Great War in 1918; however, that is a story for another day.

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CHAPTER 11

Conclusion

Mehmet Bulut and Cem Korkut

This book consists of collective works reflecting a transformation of financial organizations, which have played a crucial role in the economies, of both the Ottoman Empire and other societies. The work in this book has been divided into nine chapters. The second chapter employs historical cash waqf contracts to develop a perspective for new fintech contract models. Through historical evidence, this study examines cash waqf contracts on how these experiences play a role in achieving the Sustainable Development Goals (SDGs). In organizing modern fintech contract models, the historical contracts provide a method for decreasing poverty, increasing the standard of living, and fostering economic growth. The findings indicate that the proposed fintech models establish a strong trust in the new cash waqf under new contractual structures. These contracts

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also solve the main problems of transaction costs, fraud, and accountability by promoting a high level of data protection. The third chapter, however, discusses the role of cash waqf organizations in providing alms. In other words, this study evaluates waqf organizations as a tool for collecting alms in addition to their role as financial organizations. The fourth chapter focuses on the different functions of waqf organizations. Their roles in higher education and the business sector generate the primary purpose. Data collected from various sources is employed to examine the role of waqf organizations in achieving the SDGs. The results also provide information for policy recommendations for developing the sustainable waqf sector. The fifth chapter uses historical evidence based on specific cases in determining the place of waqf organizations within the sustainable development goals. The findings of this study argue that the waqf organizations that appeared in the Ottoman Empire during the early modern period were useful and beneficial to achieving sustainable development goals. The sixth chapter presents many services financed by cash waqf organizations through longitudinal data. This analysis is based on a large dataset from Rumelia provinces of the Ottoman Empire. The findings, however, indicate a different result. Although cash waqf organizations provide financial resources for various services, their trends vary across time, location, and socioeconomic structure of founders.

Since the first chapters of this book focus on historical evidence based on the Ottoman Empire, the seventh chapter focuses on the historical development and evolution of the Qatari banking sector. This process reveals an interesting result in the development of this bank. The findings indicate that the long-term evolution of the Qatari banking sector contained a similar pattern to the long road of banking sectors of European societies, including Florence, Venice, and Genoa.

After this transitional chapter, this book covers the changes in financial organizations in Europe through specific cases and experiences. The eighth chapter evaluates the evolution from private bankers to public banks by employing historical evidence. The findings indicate the continuous motivation of financial organizations in financing public welfare services. These organizations fund public services and become the main foundations of modern banking, particularly in the south of Italy. The ninth chapter examines the evolution of financial organizations through big financial players located in the south of Italy. These groups play a strategic role in establishing network hubs to enhance credit institutionalization. The tenth chapter gives particular attention to the changing hegemonies of the Netherlands and Britain over time. This study argues that British hegemony was for the British themselves, while the Dutch merchants were more flexible in investing in other parts of the world. It can be argued that the Dutch merchants played a more significant role in the economic growth of Europe compared to British merchants.

By and large, this book has presented what the contributors consider an account of financial organizations, their development, and their roles in the economic progress of different societies. These collective works also allow interested readers to make comparisons in a single source. It is our hope that this source and its novel modes of data will be useful for further studies by researchers.

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