POTENTIAL OF WAQF FUNDS AND INSTRUMENTS IN CONTEMPORARY ECONOMIC SYSTEM

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ABSTRACT
The act of making waqf is verily one of the good deeds enjoined by Islam. The practice of waqf has been around since the time of Prophet Muhammad SAW until today. The potential of waqf funds has been made significant contribution in dealing with the recent global financial crisis, shrinking public revenues and highly demand and increasing cost of health expenses, education and community development. Thus, the main objective of this paper is therefore to review these various waqf funds and instruments in contemporary economic system. This paper is based on the literature review research work and descriptive analysis to get an overview of the instruments in enhancing the potential of Waqf Fund in current practices. Information on the instruments has been gathered from the previous research and literature for the period of 1999 until 2013. At the end of this research found that, seven (7) instruments have been identified and the instruments are 1) cash waqf and waqf shares, 2) waqf in financing education. 3) Waqf in Microfinance. 4) waqf as social bank /trust fund. 5) Waqf and Mudarabah Investment. 6) Waqf and Sukuk Investment and 7) Waqf in Business growth and economic development. All these instruments are assumed can inspires a positive sustainable development through the Islamic Economics System.

Keywords: Waqf Funds, Revival Waqf Instruments, Contemporary Economic System

1. INTRODUCTION
A number of cooperating factors have contributed to the interest and effort to revive waqf management, administration and funding in particular in the areas of funding higher education. The recent global financial crisis (2008-2009) and its effect on global trade, economic growth and consequently Government revenues, has implications on the ability of the Government to provide additional resources to finance development of the social sector (e.g health, education and community development). Success of the voluntary sector – waqf, sadaqa, hibah and wasiyya – in Islamic history in providing social and public goods are excellent benchmarks to follow. An excellent example in higher education is Al-Azhar University in Egypt – an awqaf-led institution – which has provided free education and training from primary to tertiary level to students local and foreign. Both Albukhary International University and Islamic International University Malaysia have benefited from endowments. Revival of the waqf institution in this country requires the enhancement of the charity culture the waqf way among members of the Muslim society in particular. There has been the perception that endowed waqfs are in the form of mosques, madrasahs and Muslim burial grounds only. But significant developments have occurred in recent decades with the introduction of other instruments of waqf that are syariah-compliant. The main objective of this paper is therefore to review these various instruments.
The term waqf has not been specifically mentioned in the Al-Quran or al-hadith but are interpretations made by the fuqaha on sadaqa jariya (Abdul Shakor Borham, 2011). What is meant by *waqf* (singular); *awqaf* (plural)? ‘A waqf is an act of holding certain properties and preserving them for the confined benefit of certain philanthropic purposes that disallows any use or disposition of them outside the specific objective (Kahf, 1998). According to Imam Mohammad al-Khatib Syarbiniy waqf is holding something that could be used to perpetuate the form (‘ain). Therefore, all transactions are subject to the laws of Islamic syariah (al-Sharbiniyy, Mohammad Khatib, 1933 : 376). Interestingly, AOAFI mention on the definition of Waqf in Arabic to mean preventing something from movement. In Shariah's terminology, *waqf* refers to making a property invulnerable to any disposition that leads to transfer of ownership, and donating the usufruct of that property to beneficiaries as specified by the endower.

**2. WAQF PRACTICE IN SOME ISLAMIC COUNTRIES: A REVIEW**

Most of the endowment assets developed by some countries are in the form of building for educational institutions, mosques and even business premises. Al-Azhar University in Egypt for example is a great benchmark in developing the institution of waqf endowment assets for the Islamic higher education. This pioneer university was founded in 975 AD. The University received full financial contribution enables fund for free education for students from all over the world. Al-Azhar education system covering from primary, secondary to university. The success of Al-Azhar University is also inspired by managing the endowment in other countries such as the construction of Al-Qurawiyyin in Fez and Madrasah Nizamiya in Baghdad (Mashitoh, 2006). Other than for the purpose of education, the commercialization of waqf lands were also taken into account by the waqf administrators in Singapore and Bangladesh. Islamic Religious Council of Singapore (MUIS), through its subsidiary Warees Pte Limited has been successful in developing waqf land in Bencoleen Street from the site of an abandoned donated land to a commercial residential buildings that have generated large returns to MUIS to be distributed to Muslims who are in need (Shamsiah, 2006).

Recognizing the importance of having business premises to Muslims, waqf authorities in Bangladesh have built business premises for rent and the rents would be counted in the endowment fund. In Bangladesh, the cash waqf certificate introduced by the Social Investment Bank Limited (SIBL) has helped the construction of mosques for Muslim use. Muqarada scheme Waqf Cash Deposit Account (MWCDA) was offered to individuals and organizations to open deposit accounts and used for endowment purposes (Abdul Halim & Kamaruzzaman, 2006). The experience of waqf institutions in the country of Kuwait which uses the concept of centralized administration is also a good example of management implementation to develop the waqf property. Government of Kuwait has established the Awqaf General Foundation of the Kuwait or the Kuwait Awqaf Public Foundation (KAPF) to execute all activities related to waqf mainly for promotion, fundraising and development of waqf properties (Abdul Halim & Kamaruzzaman, 2006). The establishment of waqf fund such as waqf fund for Mosque, and waqf fund for Health, have contributed to the improvement of society.

According to Dato’ Nik Mustapha Hj. Nik Hassan, Director General, Institute of Islamic Understanding Malaysia, the *awqaf* mechanism is a very relevant and a dynamic approach in organising the present economic society. The purpose of the mechanism of *awqaf* “is religiously to encourage individuals who are well-to-do in the society to voluntarily donate some of their properties to be used for a specific purpose like building of mosque, hospital, cemetery, hostel, play ground, etc. for general purposes that can be beneficial for the present and future generations” (Nik Mustapha, 2013).

If it is properly mobilized and managed, waqf can be an important instrument in the socioeconomic development of the Ummah and society. Islam encourages and provides mechanisms for the redistribution of wealth from the rich to the poor and the needy.
3. THE POTENTIAL OF WAQF: A CASE OF MALAYSIA

The investment in real estate’s sectors has a high potential to be developed as it represent the most preferable mode of investment. In case of Malaysia, a research done by JAKIM in 2000 recorded that there are 20,735.61 acres of registered waqf lands (refer appendix 1). The potential is to develop the registered waqf land under the State of Islamic Religious Council (SIRC). On top of that, it is found that waqf lands in Pulau Pinang, Federal Territory and certain part of Johor particularly within the area of Johor Bahru are considered as the most strategic and valuable property in term of high demand for commercial purpose (ZulkifliHasan and Muhammad Najib Abdullah, 2008).

In order to make the waqf land to yield more benefits to the ummah, the managers of the waqf land should start to think on how to optimize the potential of waqf land so that the ummah can gain the benefit for a long period of time. Creative and innovative strategy on how to implement the intention of the al-waqf to the specific of purpose should be taking place. For example, the intention to build a mosque on waqf land. It is a normal concern or traditional perception as when we talk about waqf, then the intention is more on to build a mosque, grave yard or etc. The problem is that the need of the mosque is not urgent as there is already sufficient number of mosques around the area. But to embrace the purpose of the intention, the building should be built up several levels with multi-functions to incorporate the mosque or musolla with other urgent needs such as commercial premise, education purpose or healthcare centre. However, to fulfil this require innovative initiative besides additional funds to support this project. Herein lies the importance of the cash waqf or waqf shares.

The development of waqf assets should also be supported by cash flow either by generating profit from the property’s business or contributions in cash waqf by society. The cash flow’s funding is essential to ensure the waqf assets can be maintained and continue to contribute significantly and be able to be used by the current society and the future.

Since the early years of independence, the government has implemented numerous policies including the New Economic Policy (NEP) and the latest policy namely New Economic Model (NEM). However there has not been significant change on Bumiputera capabilities through equity possessions. Until 2006, the Bumiputeras only hold the equity of ownership around 19.4% compared to 43.9% non-Bumiputeras (Chinese 42.4%, Indian 1.1% 6.6% Non-nominee and others 0.4%), while foreign ownership is 30.1%. However, it is reported that Bumiputeras have achieved success in the field of employment where until 2005, a total of 58.5% of Bumiputeras were in professional jobs compared to Chinese 31.9% and Indian 8.2%. On top of that, 59.5% of Bumiputeras were involved in technical and associated profession while Chinese 29.7% and 10% were Indian (Ragayah Mat Zin (2011).

Ability and achievement of Bumiputera in professionals fields should be translated in the form of ownership in terms of waqf possession with waqf possession benefit would be continuously gained by the future generations. By the ability of equity ownership, it is not seen as a limitation possession of an individual people, but rather on the ability of the equity ownership in togetherness as one society or one ummah. This effort would be to strengthen the government's policy in the form of equity holdings of Bumiputera through the waqf property. This policy is also very useful to enhance the community and the country and best practice in Islam as to support the sustainable development.

4. RESEARCH METHOD

This paper is essentially based on the literature review research work and descriptive analysis to get an overview of the instruments in enhancing the potential of Waqf Fund in current practices. Information on the instruments has been gathered from the previous research and literature for the period of 1999 until 2013. Thus, this study aims to identify the instrument to enhancing the potential of waqf fund. At least seven (7) instruments have been identified. The instruments are firstly, cash waqf and waqf shares. Secondly is waqf in financing education. Thirdly is Waqf in Microfinance. Fourth is waqf as
social bank /trust fund. Fifth is Waqf and Mudarabah Investment. Sixth is Waqf and Sukuk Investment and finally, Waqf in Business growth and economic development.

5. THE INSTRUMENTS AND THE POTENTIAL OF WAQF FUND

5.1 Cash Waqf and Waqf Shares

Cash waqf is now becoming popular mode of waqf not only in Malaysia but also in other countries such as Syria, Turkey, South Africa, Singapore, Pakistan and Egypt. A cash waqf is another avenue for the Islamic Religious Council to gain financial resources. A general public may dedicate a sum of money to the council and this money will be put into a special waqf fund. The fund can be used for social and welfare activities including investment. To encourage people to dedicate property for a charitable purpose, the government has provided a tax incentive for any donation given including a cash waqf in section 44(6) the Income Tax Act 1967 (Reference no. LHDN.01/35/42/51/179-6.5621 Government Gazette No. 14369 dated 27.07.2004) (Zulkifli Hasan and Muhammad Najib Abdullah, 2008). Another way to raise income for a purpose of funding the investment of waqf land is through waqfs shares scheme. Some states have initiated a scheme of waqf shares. Waqf share is a scheme where individual or organization purchase a few units of shares with the minimum value for example of RM10.00 per unit offered by the Islamic Religious Council. Waqf shares in form of certificate with the necessary value will be offered to the general public. The purchased waqf shares will be dedicated in perpetuity for the purpose of charity and hence the purchaser will not be given any dividend or profit. Several states such as Johor, Melaka and Selangor have already issued waqf shares. This is in line with the resolution of Majma’ Fiqh Islami on 24th november 2005. The success of this scheme can be shown by referring to Johor Waqf Shares Scheme which has been launched in 2005. It is reported that the scheme has contributed to several economic and educational developments in Johor such as Building of Johor Waqf Shares at cost of RM4 million, plantation project of 3,800 acres land and purchase of a six-storey hostel at Cairo, Egypt for students’ accommodation (Zulkifli Hasan and Muhammad Najib Abdullah, 2008).

5.2 Waqf in Financing Education

Waqf in financing education in Malaysia, has been implemented with initiatives from both public and private Malaysian Institution of Higher Learning themselves. Among them are a) Albukhary International University, Kedah Malaysia, b) Dana Waqaf Ilmu, Universiti Putra Malaysia, c) IEF (Islamic Endowment Fund, International Islamic University Malaysia ) d) Tabung Pemberian Islam, Universiti Kebangsaan Malaysia, e) Universiti Islam Malaysia f) Pusat Pembangunan Pembiayaan Wakaf (PPPW) / Center for Awqaf Development Financing, Universiti Sains Islam Malaysia (USIM).

a) Albukhary International University, Kedah Malaysia. This university was established based from the endowment from the Yayasan Bukhary for the purpose of facilitating high quality education and empowering the students either local or international those who are from low income and handicapped on condition that they satisfy entrance requirements.

b) Dana Waqaf Ilmu, Universiti Putra Malaysia. UPM has established the waqf fund called “Dana Waqaf Ilmu”. This is an initiative to raise funds for UPM endowment approach. Resource of Waqf funds are donations from individuals, corporate sector, cooperatives, non-governmental organizations (NGOs), the return of the endowment assets, returns from a portfolio of money market etc. Endowment funds collected provide complementary and sustainable fund resources to fund academic activities at the university. (http://www.fund4knowledge.upm.edu.my)

c) International Islamic University Malaysia’s Islamic Endowment Fund – IEF. The IEF was established in 1999 inspired by the al-Azhar University Waqf. Funds for the IEF have been raised from many sources viz. internal and external parties, organisations and companies, zakat collections through cooperation with Lembaga Zakat Selangor, business collaborations
and RM Campaign. The main objective of IEF is to help poor and needy students who are academically qualified to finance the costs of their studies at IIUM. (http://www.iium.edu.my)


e) Universiti Islam Malaysia. Universiti Islam Malaysia (UIM), the pioneer university in Malaysia granted with the mandate of The Rulers Council, has received a huge waqf amounting MYR 5.18 million from seven contributors including private company, clubs and individuals. The endowment was presented to the Sultan of Selangor Sultan Sharafuddin Idris Shah in a special ceremony in the Bukit Kayangan Palace. The main donor is the Permodalan Nasional Bhd (PNB) that contribute MYR 5 million.

f) Pusat Pembangunan PembiayaanWakaf (PPPW) / Center for Awqaf Development Financing, Universiti Sains Islam Malaysia (USIM). The center was established by USIM with the cooperation of the State Islamic Religious Council (SIRC), Negeri Sembilan, to create a special fund called the Al-Abrar USIM Waqf Fund. PPPW’s objectives are to 1) Manage the collection and distribution of waqf fund based from the decision-MAINS Waqf Council and Waqf Fund Committee of Al-Abrar USIM Waqf Fund. 2) Identify and define the activities and projects that can be funded with waqf funds. 3) Develop products that are appropriate to the USIM’s waqf fund. 4) Conduct research on waqf financing of higher education.

5.3 Waqf in Financing Microfinance
Habib Ahmed (2007) suggested that Waqf-based Islamic microfinance institution should be introduced as an alternative to replace conventional microfinance institution. The role will be, in alleviating poverty and to attaining development in Muslim nations. The role of waqf in financing microfinance is the support system to develop successful entrepreneurs. This view is supported by Habibollah Salarzehi, et al., (2010) as he shows the significance of Waqf in developmental fields.

5.4 Waqf as social bank / Trust Fund
Mohammad Tahir Sabit Haji Mohammad (2011) argued that the waqf bank can be the bank of the poor and underprivileged. It can be permissible in Islam based on validity of cash waqf and the need of waqf, its beneficiaries as well as the society. The current banking system has failed to attend to the poor majority in the muslim countries. With special emphasis of cash waqf, it is show that, according to Mannan, M. A. (1999) Cash waqf certificate practise can monetize the Islamic voluntary sector and assist to accumulate social capital & national wealth- through global mobilization and creation of cash-waqf fund, forming a confederation of Islamic voluntary organizations, globalization of Islamic voluntary sector activities, strategic and futuristic social investment by committee of volunteers.

5.5 Waqf and Mudarabah Investment
Murat Çizakca, (2004) highlighted on cash waqf to be invested through Mudarabah. Cash waqf started by philanthropist through savings for charity and borrowing with collateral. Emphasis on partnership to cash Waqf Corporation, and the merger of cash waqfs and islamic banks is to tackle financial difficulty. He proposed rebirth of cash waqf to be waqf company relation. He suggests a model in which the concept of cash waqf can be used in contemporary times to serve the social objectives in the society.

5.6 Waqf and Sukuk Investment
Issuance of Bond or Sukuk through Waqf Fund as to support the sustainable development and to optimizing the potential of the Islamic Financial system locally and globally. The main objective is to
provide long term support with a focus on building capabilities and showing results. Sukuk is a proven Shari’ah-compliant financial product which has been used in Malaysia as well as in the other Muslim countries. This instrument could be the best practice to development of the waqf properties or a specific economic activity permitted by Shari’ah. Singapore for instance has implemented the issuance of bond or sukuk to develop the waqf properties. The Zam Zam tower complex, in Saudi Arabia was also built with waqf assets using sukuk intifa’ on the basis of time-share bond (Sliti Mashithoh, 2007).

5.7 Waqf in Business growth and economic development

Azliza Azrah Mohd Zakaria (2012), suggested that, waqf instrument could contribute immensely to business growth and development. She proposed a model with special characteristics in philanthropic venture waqf practices that could be implemented in Malaysia’s scenario. The characteristics are 1) low price of essential goods and services, 2) Creation of employment opportunities, 3) stimulates the growth of Islamic financial institutions and 4) establishing a waqf-based financing. Waqf instrument is vital in business growth and economic development as Alias (2012) suggest that Enterprise Waqf Fund (EWF) model that combines the cash waqf model with relevant concepts from venture capital is suggested to enhance the dynamism of cash waqf.

6. CONCLUSION

In Conclusion, seven (7) instruments have been identified and the waqf institution has great potential in enhancing the socioeconomic development of the Ummah given the fact that we are starting from a low base. Creative and innovative instruments have been developed. The critical success factors are firstly enhanced awareness among the Muslim society on waqf especially its position as of the good deeds enjoined by Islam. Secondly to ensure an effective delivery system require proper implementation of Waqf Enactments by professionals trained in management, investment finance and syariah requirements. Reflex to the potential of waqf funds and instruments in contemporary economic system, it is agree that this paper is limited to the data available from the literature review analysis. Thus, this paper suggested to expand the scope of the study to be more focus on the readiness of current society to contributing the waqf fund and what are the pulling and pushing factors that effects the successful of waqf financing in contemporary economic system.

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