



INTERNATIONAL ACCOUNTING AND BUSINESS CONFERENCE 2015, IABC 2015

Potential of Micro-Waqf as an Inclusive Strategy for Development of a Nation

Mohd Amran Mahat^{a*}, Mohd Yassir Jaaffar^a, Mohamed Saladin Abdul Rasool^a

^aAccounting Research Institute & Faculty of Accountancy, Universiti Teknologi Mara, Malaysia

Abstract

Waqf is an Islamic voluntary financing instrument which has significantly supported the development of economic and social order of Muslim community in the past. This prominent Muslim endowment mechanism was reported to have successfully created pools of fund and properties which were administered and managed by the appointed authorities (trustees) for the purpose of syariah compliance charitable activities. Despite of its proven capability and character in assisting the development of Muslim nation, today, waqf institutions are reported to have merely mild contribution particularly to the improvement of Muslim community in Malaysia. Based on scholarly reviews, several explanations and suggestions for improvement were discussed and offered to rectify the polemical situation. One of the issues highlighted was on the low level of understanding among the local Muslim on the concept of waqf. The main objective of the present paper is to propose a small scale waqf project named as “Mikro-Waqf: PayungTeduhan Ilmu” (MWPTI). The aim of this innovative project is to rejuvenate waqf as well as to improve the awareness on the concept of waqf among Muslim community in an academic institution in Malaysia. The multi-purpose project is envisaged to spur the culture of waqf among the Muslim community surrounding the campus in Alor Gajah, Melaka, especially within the campus community and outside the campus.

© 2015 The Authors. Published by Elsevier B.V. This is an open access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/4.0/>).

Peer-review under responsibility of Universiti Teknologi MARA Johor

Keywords: Micro-waqf; Education; Malaysia

1. Introduction

“*Waqf*” is a powerful concept to be explored by the Islamic scholars to the best level of *waqf* dimension. Even

* Corresponding author. Tel.: +6018-2087097

E-mail address: mohda229@melaka.uitm.edu.my

though the term ‘*waqf*’ is not precisely mentioned in the *Quran* (Mohsin, 2013), the consensus made by the Islamic jurists, based on the legitimacy and principles outlined in the *Quran* and the *Sunnah*, have agreed that *waqf* refers to the creation of funds, administered by the appointed trustee, for the purpose of *syariah* compliance charitable activities (Farhana Mohamad et al., 2014). Over decades, *waqf* played significant role to the social and economic development of Muslim society (*ummah*). However, its popularity as unique and progressive development tool shows a decreasing trend in the Muslim community nowadays (Ihsan and Ibrahim, 2011). Previous studies indicated *waqf* evolves through times, particularly in its orientation, management as well as its instruments. For example, from purely charitable non-profit motive during the pre-colonial era, *waqf* was reintroduced by the British colonist with commercial dimension, together with modernize structure of *waqf* management (Oberauer, 2008). *Waqf* has also experienced the innovative changes in its instruments through the introduction of diversified *waqf* products that fulfil not only the basic needs of the Muslim social welfare and development, but possess promising future as a rejuvenate economic force that appear robust for the current real world challenges (Mohsin, 2013, AbulHasan, 2002, Farhana Mohamad et al., 2014). Therefore, mutual and collective understanding and awareness on the potential significant contribution of *waqf* to the wellbeing of Muslim society in particular and the world population at large should be embraced by every Muslim individual. In addition to the promised perpetual reward as mentioned in the *hadith* of Prophet Muhammad (PBUH) on the important of *sadaqah jariah* (Islamic endowment).

“When a man dies his acts come to an end, except three things, recurring charity, knowledge (by which people benefit) and pious offspring, who pray for him.” (Narrated by Muslim)

The notion of charity is also duly emphasized by God (Allah) in the *Quran*:

“Help one another in furthering virtue and God-consciousness (Taqwa), and do not help one another in furthering evil and enmity” (Quran 5:2).

2. Waqf in the past

Waqf is simply beyond the Islamic ritual act of giving. *Waqf* instrument provides opportunity for individual *waqf* donor, motivated by religious and pious will, to participate in the formation of a highly influential institution in their communities (Miran, 2009). Apart from significantly contributed to a wide range of public services and infrastructures, *waqf* instrument also promotes and preserves Islamic moral values in the Muslim communities. One of its significant contributions in the Islamic civilization history was its ability as the catalyst of economic change for Muslim community (Rani and Aziz, 2010). This has been proven in the past, with about 500 cash *waqf* established under the Ottoman *waqf* system to support the economy by offering financing facilities to the small scaled enterprises at the end of the 18th century (Dilek et al., 2012). During that period, a proper accounting application was also applied to ensure the utilization of cash *waqf* revenue was made exclusively for social purposes. Similarly, the mechanism was exploited to monitor acceptable level of interest rate charged by the credit facilities offered from the Ottoman cash *waqf* system (Dilek et al., 2012).

During the pre-colonialism era in Sultanate of Zanzibar, the prevailing traditional *waqf* practices reflected the dominant social status of the donor family (Oberauer, 2008). After the Arab Sultanate was conquered in 1890 by the British colonial administration, a commercial dimension was introduced in the operation of family *waqf*. A study conducted by (Khalfan and Ogura, 2012) found that the British Kingdom set a new benchmarking of Islamic *Waqf* management of Zanzibar by enacting 12 consecutive decrees to control *waqf* affair and turn the *waqf* tradition in favour of commercialization over charity. In line with the British capitalist view, the colonist urged the wealthy patron families, who controlled the family *waqf*, to use their wealth as business resources, a significant shift from their merely charity dimension. By transforming the *waqf* orientation towards commercialization, it has effectively reduced the dependency and loyalty of slaves and other *waqf* beneficiaries on the patron’s charity for their living. It is believed that this strategy was introduced by the British colonist to exert their political influence and dominance in the local Muslim community.

3. Current development in waqf

Waqf is believed to be at its reviving stage for a greater impact on the Muslim community nowadays (Siraj, 2012). Earlier, *waqf* has been reintroduced as the potential mechanism to overcome poverty problem as well as the appropriate socio economic development tool of a poor nation (AbulHasan, 2002). As a comprehensive solution that supports the *maqasid syariah*, Lukman et al. (2014) recently introduced faith-based model to complement the conventional poverty reduction model to eradicate of poverty in Muslim majority nations. It is an integrating system of a corporate social investment which is funded extensively from *zakah* and *waqf* funds. As a result, the funds were pooled to deploy in a strategic eradication poverty including the infrastructure development, education, micro-credit assistance, training and social assistance and welfare for the poor people, and other economically unfortunate groups.

On the other hand, Mohsin (2013) found the potential of *waqf* as a new financing mode of variety goods and services needs across the globe. This finding has magnified the possible significant contribution of *waqf* in developing the Muslim nation without heavily depending on the government funding. Based on study conducted by Rashidah Abdul and Faisal (2013) discovered that *waqaf* and *zakah* funds are among the key pillar to be explored as a dominant factor of an Islamic financial instrument. A new era and fresh outlook of *waqaf* and *zakah* funds should be empowered by strengthening on technical aspect of these instruments for the benefit of *ummah*. A study conducted by Rifki (2013) proposed that *Waqf* central bank certificates, *Qardh hassan* central bank certificates and *Hibah* (gift) central bank certificates have significant complement of Islamic gracious monetary instruments to be invested in the financial market. The enormous potential of these instruments could benefit for the both *Shariah* compliance trading based investment such as *Ijarah* and *Murabahah* financing and *Shariah* compliance investment based such as *Mudarabah* and *Musharakah* financing. Rose (2014), on the other hand, suggests the optimizing use of cash *waqf* as a source of Islamic micro finance to compensate the weaknesses of conventional micro finance. The roles and functions of *waqf* as the economic pillars have not been utilized at the best level. Therefore, it's urged to revitalize the *waqf* system from informal to formal Islamic micro finance institution that is emphasizing on the significant commercialization but still continue to provide the source of financing to the poor entrepreneurs as this instrument complied with *Tawhidi* principles of contract and fulfil the Islamic *Muamalat* which are free from elements of *riba* and *gharar* and promotes fairness.

Cash *waqf* has also become a widely accepted instrument on moveable properties dimension of *waqf* in many Muslim communities nowadays (Mohsin, 2013). The author stressed the dire needs of the diversification in *waqf* institution by focusing on the holistic impact of cash *waqf* to Muslim society, especially in the twenty-first century. Therefore, the author studied the potential of six cash *waqf* schemes namely the deposit cash *waqf* scheme, *waqf* share scheme, corporate *waqf* scheme, compulsory cash *waqf* scheme, deposit product *waqf* scheme, and co-operative *waqf* scheme. Furthermore, by looking into the great impact of cash *waqf*, the author proposed the comprehensive framework of cash *waqf* financing institution with the ultimate objective to provide the standard procedures and guidelines in managing the cash *waqf*. Earlier in 2007, the National Fatwa Council in Malaysia has approved the concept of cash *waqf*, consistent with several other State Islamic Religious Authorities including Terengganu and Selangor (Ellias, 2014). The approval of cash *waqf* were based on three essential conditions set by the Muslim scholars for a legitimate moveable form of *waqf*, namely irrevocability, perpetuity and inalienability (Mohsin, 2013). The compulsory fulfilment of these three requirements are established to ensure the prolong benefits of *waqf* properties will be sustainably offered to the *waqf* beneficiaries.

To date, *waqf* contribution was utilized for a holistic approach in developing local Muslim population, specifically on economic, social and welfare development. In Singapore, S\$130 million was successfully collected from a monthly *waqf* contribution through salary deduction initiative. The huge cash fund was then used to construct 22 mosques around the island state. In Malaysia, although they were very much ignored in the past, *waqf* and its management have started to initiate several high impact projects especially after the introduction of the cash *waqf* (Ellias, 2014, Siraj, 2012). Among others are Grand Puteri Hotel in Terengganu, The Regency Seri Warisan Hotel in Perak and Pantai Puteri Hotel in Melaka. A culinary academy is also established in Terengganu using the cash *waqf* fund with the cooperation from others; including Malaysian Waqf Foundation and a vocational institute (*Giat Mara*). These development are consistent with Farhana Mohamad et al. (2014) that found Waqf Fund Scheme, established under the State Islamic Religious Council in Malaysia, has made significant contribution to the Muslim

population and its jurisdiction, particularly through financing asset acquisition as well as providing cash fund to finance Islamic associations and committees.

4. Waqf in Malaysia

Albeit it has promising future, a series of challenges impede the efforts of realizing full potential of *waqf* assets in Malaysia. One significant issue highlighted by Rani and Aziz (2010) is from the legal perspective, where *waqf* properties are considered to be highly regulated by various authority regulations, including Parliamentary Acts. Rani and Aziz (2010) proposed focus to be made on improving the administration and management of *waqf* institution in Malaysia, particularly in addressing the challenges posed by the regulating legal framework, including the National Land Code Act 1965, Local Government Act 1976 (Act 171), Trustee Act 1949 and Land Acquisition Act 1960 (Act 486). Aiming at introducing good governance and systematic procedures, the improvement in *waqf* administration and management would ultimately strengthen *waqf* mechanism in providing perpetual advantages and benefits to the Muslim community.

On the other hand, after a series of in-depth interviews and analyses on six-year period (2000-2005) financial reports of a selected cash *awqaf* in Malaysia, Hairul Suhaimi and Hisham (2011) suggested some fundamental modifications on the existing accounting and reporting mechanism to improve the accountability of the *waqf* institution under studied. The authors further raised two fundamental issues surrounding the application of accounting and reporting of *awqaf* operations. First, the objective of the accounting and reporting, including the terms used and format chosen must be properly aligned with the philanthropic motive of *waqf* institution. Second, the conceptual definition of cash *waqf* collection needs to reflect *mutawalli-awqaf* fund relationship. However, a successful *waqf* management must not solely rely on the utilization of accounting application. Based on case studies conducted on two *awqaf* institution in Indonesia, it was found that *waqf* institution led by professional with strong Islamic characters result in more efficient, accountable and transparent *waqf* management as compared to another comparable institution, despite of lacking in its accounting information system and few numbers of its educated personnel (Ihsan and Ibrahim, 2011).

In addition, Siraj (2012) highlighted some various issues that are worth for immediate attention in the effort of realizing the full potential of *waqf* in Malaysia. Among others are the prevalent use of budget as the tool for planning and control. According to the author, budget as management tool seems to be too rigid and very much focus on enforcing compliant, with minimum attention was given on efficient resources deployment. In other words, a more relevant and recent management technique need to be introduced and exploited especially to address the absent of strategic planning activities in the *waqf* institution. Another issue is on *waqf* reporting such as the absence of necessary standard of reporting, which leads to no uniformity in recording as well as lack of transparency. Additionally, institutional setbacks such as financial and operational deficiencies are also prominent, which may lead to other significant issues such as accountability and effectiveness of *waqf* management in Malaysia. As suggested by Chowdhury et al. (2012), a new, innovative and viable as well as sustainable approach for *waqf* in Malaysia is necessary to ensure more benefits enjoyed by its intended beneficiaries. Similarly, (Rani (2012)) call for collective efforts from various parties, including the academician, to revitalize *waqf* institution for realizing its full potential in improving the economic condition of the Muslim in Malaysia.

6. Mikro-waqf: Payung teduhan ilmu

Recognizing the insufficiency of studies on *waqf*, this preliminary study is conducted to explore the feasibility of micro-*waqf* project namely “Mikro-Waqaf: Payung Teduhan Ilmu” (MWPTI). The term micro-*waqf* is introduced as another innovative feature of *waqf*, referring to a specific small scale *waqf* project, eyeing for maximum and inclusive participation from the targeted community through a minimum *waqf* contribution.

This project is initiated with multiple objectives, mainly as an effort to disseminate the awareness on the concept of *waqf* among the community of higher learning. This project is believed to be the best platform to instil preliminary understanding on *waqf* values and its significant potential for comprehensive development of *Ummah* in a more practical way. Higher learning institution provides a favourable educational environment to realign the misconception on *waqf* among the targeted group dominated by students. The undergraduates, by their nature, are

known as being open minded, easily influenced by the surroundings and enthusiast on new things. Therefore, this project, MWPTI, is introduced to rejuvenate strong fundamental belief on *waqf* values and its potential in the best setting of an educational landscape.

MWPTI was proposed as an alternative solution to solve the unavailability of permanent structure to connect three main buildings in the campus; KPP1, KPP2 and the library. Instead of spending substantial sums to build permanent structure to connect those buildings, MWPTI was initiated as the immediate response to the situation.

6.1. Conceptual framework of MWPTI

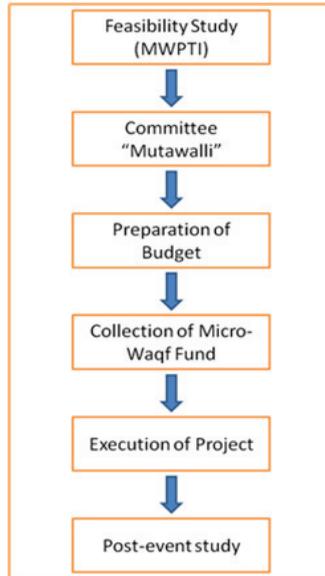


Fig. 1. Conceptual framework of MPWTI.

7. Methodology and findings

A preliminary study was conducted to evaluate the feasibility of the project using the concept of *waqf*. Sets of survey questionnaires were distributed among the users of the buildings. The feedback was then analysed and summarized in the following table and figures.

Table 1. Respondents' profile.

Category	Percentage (%)
Students	80.26
Lecturers	5.92
Staff	13.82

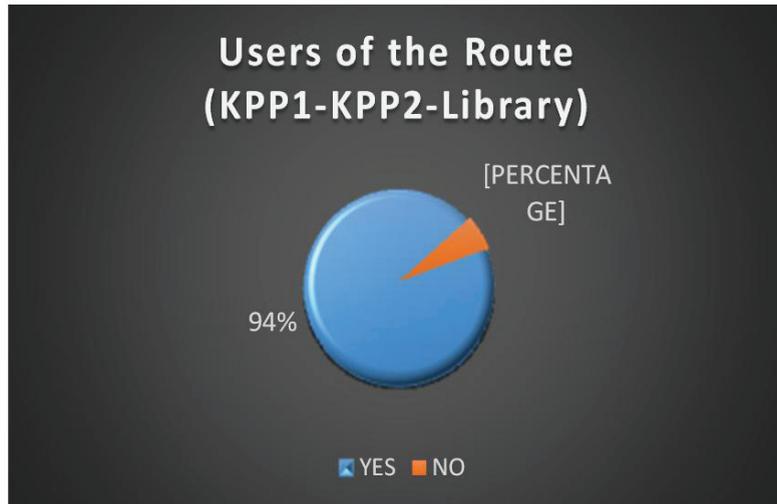


Fig. 2. Users of the route.

Based on the findings, the micro-*waqf* initiative was concluded as feasible, practical and collectively received unprecedented overwhelming support from the samples. Due to the absent of permanent covered structure in the area of concern, almost all respondents face difficulties to move in between the above said three buildings in the event of weather uncertainties. They also believe on the feasibility of MWPTI project as the alternative solution to the infrastructure setback. Interestingly, almost all respondents also agree that MWPTI would improve the awareness on the concept of *waqf* among the local community.

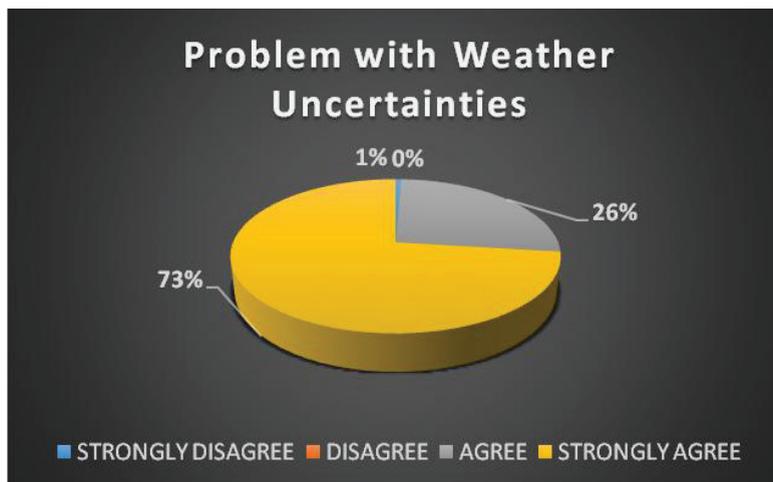


Fig. 3. Problem with weather uncertainties

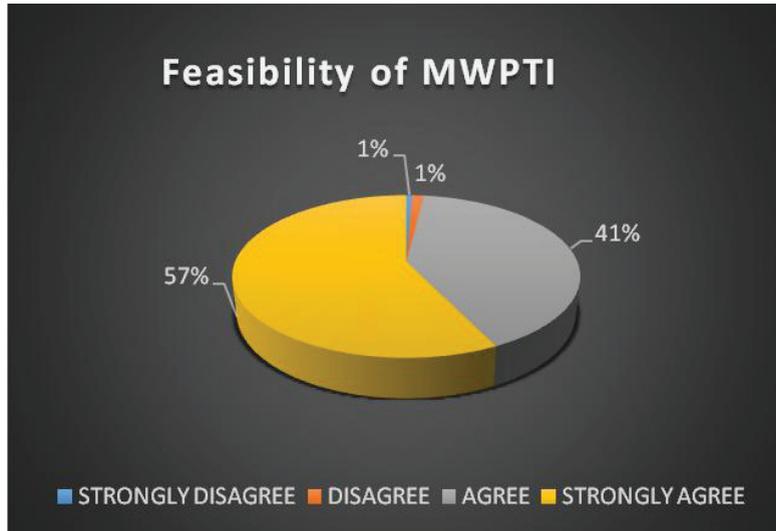


Fig. 4. Feasibility of MWPTI

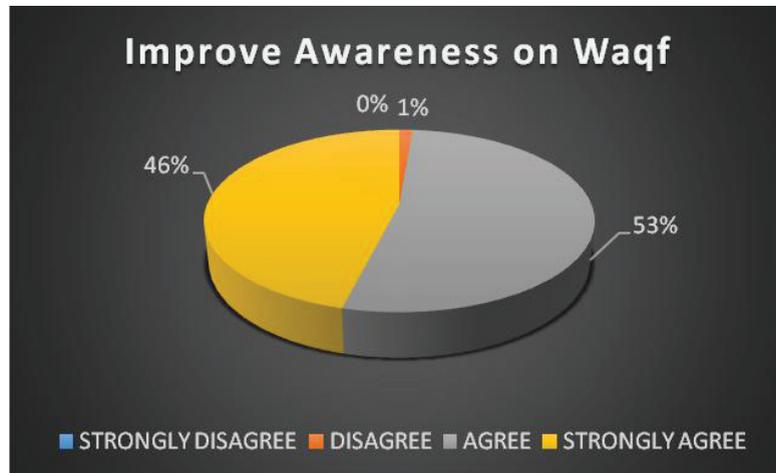


Fig. 5. Improve awareness on waqf.

Once approval for MWPTI was granted by the top management of the university, a budget was prepared to finance the project. The needed fund was immediately collected from the targeted audience through staff and lecturers meetings, as well as students’ fund raising activities. The overwhelming participatory nature of this project shows a positive signal for the successful execution of this project. Total MWPTI fund collected was RM3, 000 and fully utilized to realize the idea. Three pit stops *Waqf* Stations, “*Waqaf Stesyen*” was ordered at a cost of RM2, 340, and the remaining fund was used to buy 20 sets of umbrella. The outlook of MWPTI panel is shown in **Figure 6**.



Fig. 6. The outlook of MWPTI.

8. Conclusion

MWPTI is believed to become an effective educational tool for *waqf*, which provides maximum opportunity for inclusive participation from the targeted community through barely minimum contribution. Consequently, this project might provide significant impact to the society, especially in the dissemination of awareness and understanding on the concept of *waqf*, in addition to the offering of feasible and immediate solution to the identified problem or challenges faced by the local community.

References

- Abulhasan, M. S. 2002. Waqf, perpetual charity and poverty alleviation. *International Journal of Social Economics*, 29, 135-151.
- Chowdhury, M. S. R., Chowdhury, I. A., Muhammad, M. Z. & Yasoa, M. R. 2012. Problems of waqf administration and proposals for improvement: A study in malaysia. *Journal of Internet Banking & Commerce*, 17, 1-8.
- Dilek, D., Türker, S. & Seçkin, G. 2012. Cash waqfs and their accounting applications at the end of the 18th century in the Ottoman Empire. *Ataturk University Journal of Economics & Administrative Sciences*, 26, 101-124.
- Ellias, M. R. F. 2014. Wakaf tunai selari dengan Islam. *Kosmo*, 25 Disember 2014.
- Farhana Mohamad, S., Asmak Ab, R. & Sabitha, M. 2014. The role of share waqf in the socio-economic development of the Muslim community. *Humanomics*, 30, 227-254.
- Hairul Suhaimi, N. & Hisham, Y. 2011. Accountability in the sacred context. *Journal of Islamic Accounting and Business Research*, 2, 87-113.
- Ihsan, h. & ibrahim, s. H. H. M. 2011. Waqf accounting and management in Indonesian WAQF institutions. *Humanomics*, 27, 252-269.
- Khalfan, K. A. & Ogura, N. 2012. The contribution of Islamic waqf to managing the conservation of buildings in the historic stone town of Zanzibar. *International Journal of Cultural Property*, 19, 153-174.
- Lukman, R., Ashok, P. & Ismail, A. 2014. Corporate social responsibility, waqf system and zakat system as faith-based model for poverty reduction. *World Journal of Entrepreneurship, Management and Sustainable Development*, 10, 228-242.
- Miran, J. 2009. Endowing property and edifying power in a Red Sea port: Waqf, Arab migrant entrepreneurs, and urban authority in Massawa, 1860s-1880s. *International Journal of African Historical Studies*, 42, 151-178.
- Mohsin, M. I. A. 2013. Financing through cash-waqf: a revitalization to finance different needs. *International Journal of Islamic and Middle Eastern Finance and Management*, 6, 304-321.

- Oberauer, N. 2008. "Fantastic Charities": The transformation of waqf practice in colonial Zanzibar. *Islamic Law & Society*, 15, 315-370.
- Rani, M. A. M. 2012. Instrument Wakaf: Agen Transformasi Ekonomi Orang Melayu di Malaysia. *Jurnal Pengurusan JAWHAR*, 6, 35-60.
- Rani, M. A. M. & Aziz, A. A. 2010. Waqf management and administration in malaysia: its implementation from the perspective of Islamic law. *Malaysian Accounting Review*, 9, 115-121.
- Rashidah Abdul, R. & Faisal, D. 2013. Challenges and solutions in Islamic microfinance. *Humanomics*, 29, 293-306.
- Rifki, I. 2013. The Islamic gracious monetary instruments: a theoretical approach. *Journal of Economic and Administrative Sciences*, 29, 63-80.
- Rose, A. 2014. Al-Tawhid in relation to the economic order of microfinance institutions. *Humanomics*, 30, 325-348.
- Siraj, S. A. 2012. An Empirical Investigation into the Accounting, Accountability and Effectiveness of Waqf Management in the State Islamic Religious Councils (SIRCs) in Malaysia. Cardiff University.