

WAQF: A POVERTY ALLEVIATION TOOL IN MALAYSIA

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Abstract: Waqf is a charitable instrument in Islam that has many roles including helping the have-nots in the society. This paper discusses Waqf as a poverty alleviation tool in Malaysia, the key roles of Waqf institutions and the issues faced by those institutions in Malaysia. This is a conceptual paper which has been developed through literature reviews some of the current literature, journals, report and news on the subject matter. The findings includes the discussion on Waqf as a poverty alleviation tool which include socio-economic development for the poor and supporting in providing the facilities such as mosque, hospitals, orphanage shelters and others.

Keywords: Awqaf, waqf, poverty, cash waqf, education waqf

Introduction

Waqf is a perpetual voluntary charitable act (Sadeq, 2002). It is one of the instruments available in the Islamic economic system with the aims to promote equitable and just distribution of wealth. Singer (2008) stated that the political and socio-economic growth and development of Muslim countries and communities over the years were so significant due to the contributions of Waqf and as for this, it has been labeled as the most visible evidence of charity in Islam. A unique feature of Waqf for Muslims is, this form of charity will assure the donor a continuous reward in the life after death for as long as the useful years of the underlying asset remain. This is being a motivation for Muslims to contribute their assets to Waqf.

Waqf also plays an active and vital role in making sure the needs of the society are taken care which otherwise will be overlook in the development and economic growth. One of the objectives of Waqf socially and economically comprise heart reconciliation between the haves and the have-nots, fulfilment of the basic economic needs of the unfortunate, defence of the Muslim *Ummah* and its ideology, solving problems such as poverty, unemployment and catastrophes (Ahmed, 2004; Kahf, 2007). Besides that, Waqf also contributes to the socio-economic wellbeing of the people, Muslim and non-Muslims including in religious, educational, poverty eradication, health and others (Mohsin & Mohammad, 2011).

Poverty alleviation is being one of the main objectives of Waqf in Islam. Poverty is worldwide problem faced by Muslim or non-Muslim. The World Bank has estimated 1.2 billion people are poor. However, based on the statistics by the Department of Statistics Malaysia shows the incidence of poverty in Malaysia for 2007, 2009, 2012 and 2014 as in Fig. 1 (Economic Planning Unit, Prime Minister's Department, 2017).

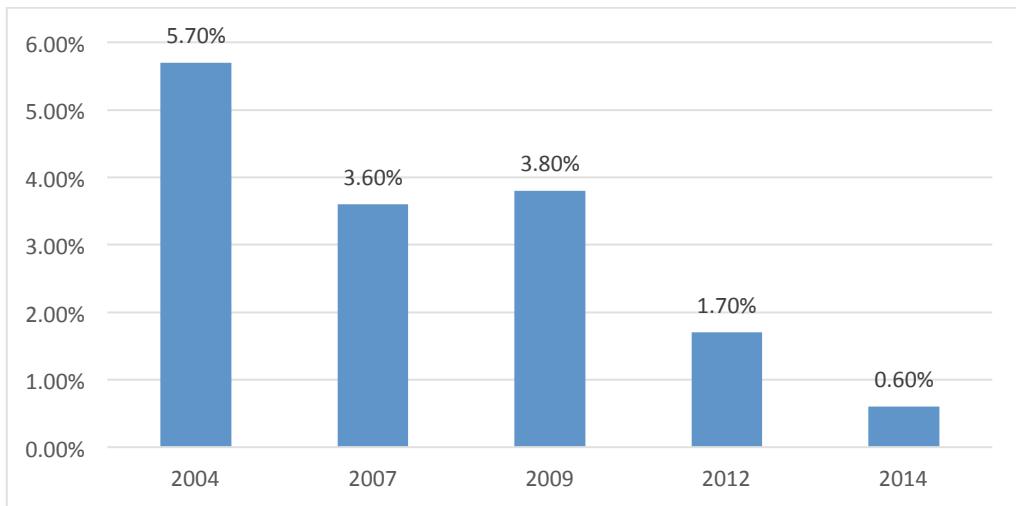


Fig. 1: The Incidence of Poverty in Malaysia For 2007, 2009, 2012 and 2014

Waqf is viewed as an alternative to reduce those incidence numbers especially in Malaysia. According to Kahf (2007), the voluntary Waqf institutions has complement the state in fulfilling their responsibility towards the provision of public goods including health, education and defence which many contemporary economist and political sociologist believe to be as of the domain of the government responsibility since the golden afe of Islam to the end of Ottoman Empire.

The main discussions of this paper will be on the concept of Waqf, poverty alleviation role of Waqf institution in Malaysia, and issues faced by Waqf institutions in Malaysia. This is a conceptual paper with analytical presentation based on desk research with a view to adding to the existing literature on the subject and synthesizing opposing views on the socio-economic role of *Waqf as a poverty alleviation tool* and the recommendation in revitalising its practices in Malaysia. This paper presents waqf as a poverty alleviation tool in malaysia, consists of seven (7) sections. Section two explains the w aqf definitions. Section three shares the historical beginning of waqf. Section four discusses the role of waqf as a poverty alleviation tool while section five emphasizes on issues on waqf management in Malaysia. This is followed by section six which explains about waqf implementation's approach in Malaysia and end with conclusion in section seven.

Waqf Definitions

Waqf is a voluntary act of charity that is classified under the general terms of *Sadaqah* which means voluntary charity and *Infaq*, a voluntary spending for the sake of Allah. The literal meaning of Waqf is derived from the root verb Waqafa, meanings stand still, hold still, not to let go (Ahmed, 2004). Below are several definitions of Waqf :

- Kahf (1998) technically defined Waqf as holding an asset and preventing its consumption for the purpose of repeatedly extracting its usufruct for the benefit of an objective representing righteousness and/or philanthropy for as long as its principal is preserved by its own nature - as in land - or from arrangements and conditions prescribed by the Waqf founder.
- Hassan (2010) describe Waqf as a perpetual charity that means holding certain property and preserving it for the confined benefit of certain philanthropic purposes. He further added that application of Waqf can be in form of non-perishable properties such as: fixed property, land or buildings, cash money, books, shares, stocks, and other assets.

History of Waqf

The establishment of Waqf is done by the Prophet Muhammad (Peace and blessing of Allah be upon him) himself and advice to his companions. As the result, many Waqf properties has been

established for religious and charity purposes. Prophet Muhammad (Peace and blessing of Allah be upon him) has established the first Waqf with the purchase of land to build a mosque in Madinah, the Prophet Mosque (Ahmed, 2004). Besides that, according to Ibnu Hisham (1955), Mukhayriq has left seven orchids to the Prophet (Peace and blessing of Allah be upon him) as Waqf after his death in the battle of Uhud. The fruits from these orchids were used by the Prophet on household expenses and purchasing of weapons for defence.

According to Ali (2009), the real innovations of Waqf came in the early Islamic period in Madinah and after the first generation of Muslims, it grew by leaps and bounds, and its endowment became a pillar in the religious, social, cultural, scientific, economic and political life of Islamic society to the extent that for every conceivable enterprise of social benefit there was a Waqf covering mosques, education at all levels, hospitals and other health care facilities, orphanages, houses and food for the poor, the blind and battered/abused women, wells, aqueduct and fountains, public baths, watchtowers, bridges, cemeteries, salaries, pensions, guest houses, libraries, books and animal welfare.

Second type of Waqf known as *philanthropic Waqf* also recommended by the Prophet Muhammad (Peace and blessing of Allah be upon him). In this type, the aims are to support the poor in the society and all activities that are of interest to people at large such as public utilities, education, roads, bridges, dams, health services, care of animals and environment, libraries, scientific research, lending to small businessmen, parks and others. Kahf (2007) and Ahmed (2004) state that, philanthropic Waqf was initiated by the Prophet (Peace and blessing of Allah be upon him). This happens when he calls the people to help in the effort to alleviate the water-shortage related suffering faced by their brothers. Other than that, the Prophet Muhammad (Peace and blessing of Allah be upon him) had also given his advice to Umar (May Allah be pleased with him) to make Waqf of his most valuable land in Khaybar. In this event, the land was made a Sadaqah that could neither be sold nor given as a gift, and the fruits from the land were to be distributed to the poor and kinships, to liberate slaves, to provide for guests and the wayfarer, and some reasonable quantity to its custodian.

Kahf (2007) also documented another form of Waqf that is *posterity or family Waqf*. He further added that this Waqf started when Umar bn al-Khattab (May Allah be pleased with him) has invited some of the Prophet's companions (May Allah be pleased with them) to attest the document of his Waqf in Khaibar when he decided to put it in writing. Subsequently, many companions who owned real estate made certain Waqf, some of whom stipulated as part of the conditions that the fruits and revenues of their Waqf must first be given to their own children and descendants and only the surplus, if any, should be given to the poor. In this form of Waqf, the family and decedents are in the first place to receive proceeds from the Waqf asset then if there is any excess should be given to the poor. It is argued that the family Waqf is charitable in essence since the income/usufruct are given to persons free of charges and the welfare of future generation improves.

In addition to the above mentioned, cash Waqf is another form of Waqf which involves cash investment Waqf dated back to as early as the turn of first century of Hijrah, as associated by Imam Malik and Bukhari in their books. According to Ahmed (2004) describes that there are two forms of Waqf which are first, cash was made into Waqf for the purpose of free lending to the beneficiaries and second, investment is made using cash and its net return is allocated to be received by the beneficiaries of the Waqf.

The Role of Waqf as a Poverty Alleviation Tool

Waqf as an important institution of Islamic civilization aims at taking care of the needs of the society that are otherwise ignored in the process of economic growth and development. It is an institution that helps social development keep pace with economic growth in the society. The 3 major social and economic objectives of Waqf include heart reconciliation between the haves and the have-nots, satisfaction of the basic economic needs of the poor, defense of the Muslim *Ummah* and its

ideology, solving dangerous problems such as poverty, unemployment and catastrophes (Ahmed, 2004; Kahf, 2007). The motivation of establishing such a socio-economic activity is to control the desire for personal accumulation at any cost by encouraging socially orientated behavior; and to reduce socio-economic differences by providing support to the have-nots to bring them closer to the haves (Dogarawa, 2009).

It is this motivation that has kept the institution of Waqf not only alive and active throughout Islamic history but also made it to contribute significantly to various social causes such as health, education, research and meeting needs of less privileged/poor sections of the society. During the *Ottomans* for example, the financing of health, education and welfare was entirely left to the Waqf system. The system even flourished during that empire so much so that a person would have been born into a Waqf house, slept in a Waqf cradle, eaten and drunk from Waqf properties, read Waqf books, been taught in a Waqf school, received his salary from a Waqf administration, and when he died, placed in a Waqf coffin and buried in a Waqf cemetery (Baskan, 2002).

The significance of Waqf in historical Muslim societies of the past is evident from information available on the size of this institution. In some countries, the institution reached one-third or more of total cultivable land and other properties. This large investment in the social sector, according to Ahmed (2004) succeeded in transforming the society and empowering the poor segments of it. Education, offered almost only by the institution in those days, enabled the poor to move up the economic ladder and obtain high levels of economic and political power. The history of Waqf is therefore, very rich with impressive achievements in serving the poor in particular and enhancing the welfare of the Muslim community in general.

In Malaysia, the management of Waqf is administered by the Religious Council of each state, which amounted to 14 Waqf institutions in Malaysia. These state Waqf institutions are responsible for the administration of the Waqf assets including cash and properties. Even though there are different Waqf institutions in Malaysia, they share the same objective, to manage Waqf effectively for the development of the ummah. This development includes socio-economically and educationally. Among the method in practice for Waqf endowments are cash Waqf, property Waqf and so on. Recently, the federal government has taken the initiatives to establish, *Jabatan Wakaf, Zakat, dan Haji* (JAWHAR), a department to oversees the management of Waqf resources in the country. One of the objective of JAWHAR is to plan, implement, oversees and coordinating the development of Waqf, zakah and hajj institutions. This is to ensure those institutions to effectively plays their role in the socio-economic development of the ummah. With this effort, it is hope that the management of Waqf would be more effective. As we can see, one of the issues in Waqf management in Malaysia is the individualistic of Waqf management of each state.

Another form of Waqf that recently gaining attention from various parties such as the government agencies, educational institutions and also the public is the cash Waqf. The flexibility of the cash Waqf distributions is one of the reasons making it as one of the effective poverty alleviation tool. In addressing the poverty issues, programs to be implemented needs funds to sustained it and dependency on the government funds should not be the sole source of funding. The process in cash Waqf involved the mutawalli or cash Waqf funds trustees will collect the funds from *waqif* (Waqf founder) and invest the money in the real sector or in any Islamic based investment funds (Farhah Saifuddin, 2014). Among the benefits from this investment profits gained can be used to finance initiatives by either the government, and other institutions and agencies that would benefit the general public, including poverty alleviation programmes. Fig. 2 shows the cash waqf received by “*Perbadanan Wakaf Selangor*” via the medium of “*Saham Wakaf Selangor*” (Perbadanan Wakaf Selangor, 2017).

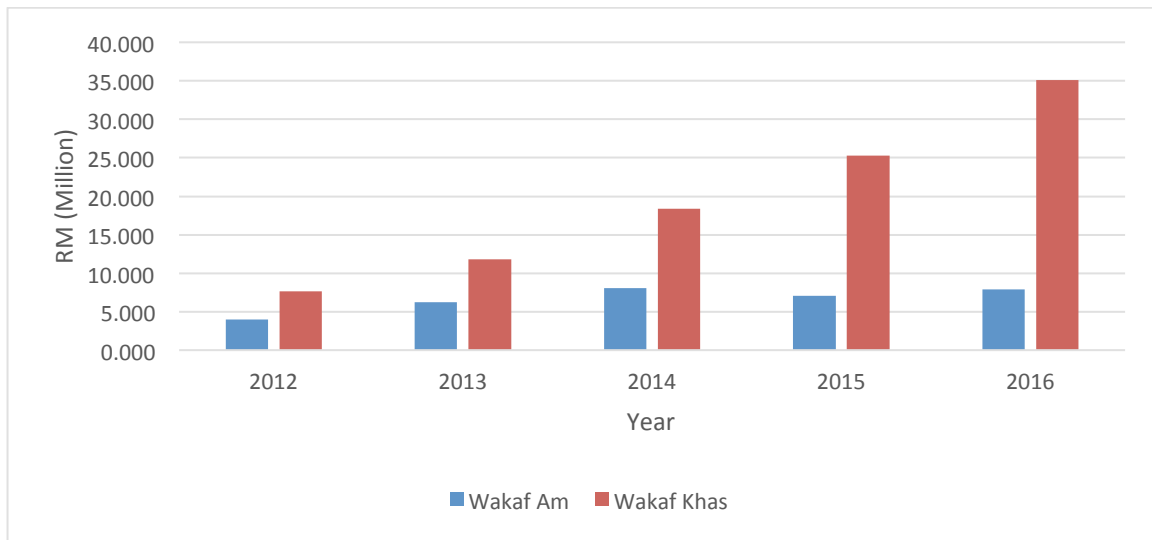


Fig. 2: Cash waqf received by “Perbadanan Wakaf Selangor” via the medium of “Saham Wakaf Selangor”

Issues on Waqf Management in Malaysia

One of the issues on Waqf management in Malaysia arises due to the individualistic management of Waqf institution by each states religious council. Since the administration of Waqf are regulated though various states law or enactment, there is no specific statute on management and administration of Waqf besides the Enactment of Wakaf (State of Selangor) 1999 and the Enactment of Wakaf (state of Malacca) 2005. Among the drawback caused by this is lack of expertise for the management of Waqf assets.

Based on that issue, there seem to be problems arising such as administrative and efficiency of the Wafq institutions itself as a poverty alliaviation tool as it still lacking in establishing revenue streams to facilitate economic growth and development which eventually contributes to poverty reductions. This can be seen by the poor returns from the asset which led the assumption made on the inefficient management in recent years (Islamic Finance News, 2014). This is supported with the Thomson Reuter and Islamic Research and Training Institute (IRTI) in a recent report conclude that mismanagement of billions of dollars of charitable donations which actively could be managed actively to fight poverty in the Muslim countries is due to lack of professional management and poor accounting.

This scenario also can be seen in Malaysia where the advancement in accounting standards and procedures are recommended due to poor documentation and record keeping, lack of sound accounting system and seemingly chronic accountability lapses (Abdul Rahim e.t. all, 2011). The above issue may be the cause for the leakage of the benefits that should be received by the poor in particular. The effectiveness of channeling the Waqf proceeds to the poor is also affected. This leakage is believed to be one of the factors causing poverty to continue be a problem despite the ideal objective of Waqf.

Another issue surrounding the Waqf in Malaysia is the loophole in the legal framework. Currently, Waqf management and administration is governed through various states law or enactment. As for this, besides the Enactment of Wakaf (State of Selangor) 1999 and the Enactment of Wakaf (state of Malacca) 2005 there is no specific statute on the management and administration of Waqf. This has lead to administrative problems arises due to the current procedures. Differences in procedure are troublesome and have led to low effectiveness of management which eventually affects the overall management and returns performance.

Waqf Implementation's Approach in Malaysia

There are various approaches to waqf implementation in Malaysia organized by the state Islamic religious authorities and other authorities. Among them are cash and education waqf. Cash waqf is an important initiative in developing the socio-economic community. Earlier researchers also agreed that cash waqf was an optimum method for developing and expanding waqf properties (Azri Ahmad, 2008; Baharuddin Sayin, 2011). The implementation of cash waqf provides opportunities for the community which can be used in various sectors including the tourism sector, agriculture sector, education sector and so forth (Muhammad Sofiyuddin Zakaria & Mohd Zamro Muda, 2015).

In addition, education waqf is also seen growing in tandem with the development of institutions and education in Malaysia (Najibah Mustaffa & Mohd Zamro Muda, 2014). Establishment of education waqf fund implemented by several higher education institutions such as UTM Education Wakaf Fund (Berita Harian, 2017), Wakaf UiTM Fund (Wakaf UiTM Website, 2017), UPM Wakaf Ilmu Fund (UPM's Website, 2017), and etc show that awareness about waqf among professionals and the public increase. This education endowment is not just a matter of giving financial aid to students, but also involves academic, research and infrastructure development to enhance the effectiveness of teaching and learning.

Conclusion

Historically Waqf have a very significant role in enabling the development in Muslim countries besides the socio-economic and political aspects of the communities. Ideally, Waqf can be a very powerful poverty alleviation tools. Among the roles that Waqf plays are supporting the authorities in providing basics facilities such as religious facilities, educational institutions, poor orphanages shelters, health facilities and commercial centers and shopping complexes.

However, despite the major contributions of Waqf in the past, poverty still exist in the world nowadays. Among the factors contributing to this as identified earlier are lack of management expertise in Malaysia besides the loophole in the current legal framework.. This two has led to Waqf funds and assets to be ineffectively manage which eventually affect the recipients. Realizing this, efforts has been made by government to ensure that Waqf are manage properly such as with the establishment of JAWHAR. This development is hope to improve the performance of the Waqf institutions in Malaysia.

Efforts also should be made to further improve the current Waqf environment in Malaysia such as enactment of a specific statue on Waqf to cater the loophole in the legislation framework. Besides that, the returns from Waqf also could be increase by employing expertise in managing the Waqf assets. Privately owned Waqf trust also could be employ in achieving higher returns.

This paper is hoped to contribute to the existing literature on Waqf as a poverty alleviation tool. Besides that, highlights have been made on the role of Waqf and issues surrounding Waqf in Malaysia. Lessons learned from history on the full potential of Waqf as a poverty alleviation tool should be the motivation to revitalize the current practice. This is to ensure that poverty could be effectively alleviated.

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