

SYNERGIZING CASH WAQF INTO PROPERTY – THE CASE OF HOUSING INAFFORDABILITY IN ISKANDAR MALAYSIA

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Abstract

At the early 15th Century, the Ottoman Empire used to incorporate cash waqf into property investment and development. Using the cash waqf as an instrument, they have successfully been able to develop property waqf distinguishably. Similar development has been sighted in the Islamic world years later especially in Egypt, Kuwait and Indonesia. In Malaysia, since the inception of the fatwa on the applicability of cash waqf in 2007, many have been promoting and capitalising the availability of cash waqf into property albeit risky investment. This paper sought to examine the way in which cash waqf is utilised in the growing activities of waqf property. By comparing and contrasting between these two instruments of waqf, one needs to fully understand the importance of inalienability, perpetuity and illiquidity as investment qualities of them. Using secondary data in the case of Iskandar Malaysia, the scenario of inaffordability in owning properties is sighted. Interestingly, therefore, cash waqf offers an alternative in contributing to the success of Transformation Agenda of Affordable Residential Property Waqf in the country.

Keywords: *Cash waqf - Property waqf – Waqf Property Transformation Agenda – Iskandar Malaysia*

1.0 Introduction

Cash waqf has become increasingly renowned particularly because of its flexibility. Cash waqf is a monetary trust fund received by a *mutawalli* (awqaf or fund trust manager) that will be invested or transferred into other types of assets in generating some returns. The return will be used to assist the needy or other pious and social dedication as requested by the *waqif* (donor) accordingly. Historically, cash waqf not only plays an important role in providing public services needed by the community but also had been proven being an important funding for Islamic expansion in Europe (Cizakca *et al.* 2004). In fact, an effective of cash waqf certificate program thru Social Investment Bank Limited (SIBL) had positively reduced the poverty in Bangladesh (al Jaber *et. al.*, 2013).

Generally, cash flow might be generated from three different sources namely operating, financing and investing activities. Thus, cash waqf in Malaysia no longer restricted on its traditional nature. It has evolved and extended towards contemporary approaches such as receiving cash via banking services like cash waqf Selangor Mualamat, through sukuk and shares waqf issuance as well as waqf crowdfunding. Cash waqf aims to mobilize the public funds to be pooled as a waqf asset (either financial/ capital/endowment asset). Those assets will be managed in a good governance that could generate income stream besides maintaining its initial value to grow, or at least to preserve its perpetuity. Hence, there is controversy among the jurist on the cash waqf validity because of its convertible in nature that leads to the violation of perpetuity (*ta'bid*) character.

2.0 Cash Waqf Liquidity Management

There is no doubt that having cash around as "spending money" is a necessity. Yet, the exclusive perpetuity character of waqf creates an effective platform for sustainable economic growth and differentiation from other benevolent. Based on majority of jurists from Malikies, Shafiiies and Hambalies, cash *waqf* is permissible subject to an element of non-preservation of its corpus if it can be transferred into a sustainable asset (Ellias, Kadir, & Haron, 2015).

Alias (2011) asserted limited knowledge and access to the potential investment instrument had caused materialising cash waqf monetary values restricted to real estate investment (Osman *et al.* 2010) and ordinary general investment. Therefore, the past decade has seen cash waqf in Malaysia is fast developing into various means of property. Property has been attracting considerable interest as it offers a range of different quality of comprehensive investment. Property is inalienability and most interestingly, is perpetuity as compared to cash waqf, Property is hedge against inflation (HAI) since the average appreciation rate in property investment is always higher compared to inflationary rates.

3.0 Property Investment Qualities

Property waqf is considered as a permanent instrument of protection or retaining wall of the ummah (the belt that reinforcing and strengthen the assets of the ummah in long term). Despite real estate waqf protects the ummah from erosion in landownership (Ismail Omar, 2015a), the development of real property is highly capital intensive and encompass several of complexity layers. Currently, there are several financial supports that could secured waqf property financing but due to volatility of the economic situation, the use of the external financing for waqf property is risky and costly. Besides, there are other few challenges associated with property asset such as ageing infrastructure, inadequate funding, limited infrastructure information, globalisation and the need to satisfy multiple stakeholder demands (Too & Too, 2010).

On the other hand, the Malaysian property investors are delighted to invest more in the very near future. The valuers have examined the property market and highlighted the increasing trend in Malaysian property values up to 40 per cent in 2016 (Ismail Omar, 2016). The past years indicated up to 30 percent appreciation in property values. Since property values are sensitive to government's agenda of development, the Government Transformation Agendas had designated a certain extending rate to strengthen the return and yield growth in property.

In contrast, property investment has its own drawbacks. By comparing to cash, property offers low liquidation rate that it is taking a longer time to convert into cash. It takes a longer while to subdivide, partition or amalgamation whilst cash has high liquidity. Ismail et al. (2014a) and Ismail Omar (2015b) remarked, difficulties in waqf property are confined to 3 categories; legal and administrative, economic and financial and socio-political elements of waqf land supply constraints:

First, the legal and administrative frameworks are consisting of lacking in terms of proper registration of waqf land and inadequate database. Additionally, problems in administering land tenure, rental management, planning and difficulty in controlling the charges and payments to the authority further dampened the good governance and state-of-the-art of waqf land management and administration.

Secondly, the financial rules in securing fund for development from banks and financial institutions had dampened the initiatives to develop waqf land. In addition, there are cases whereby the rental paid by tenant to the religious council is lower than the rental market due to long term rentals and non-renewable rental agreement.

Thirdly, regarding socio-political agenda, sensitivity of the ownership and survivorship of the Malay/Muslims agenda had adversely affected the way waqf land must be viewed to enhance its highest and best use and the achievement of best and highest price in the open market.

Nevertheless, property offers satisfactory in protecting the owner in a long run as compared to cash. Moreover, Professor Sirman Jaffe of the University of Wisconsin-Madison in the United States of America pointed out that investment in property offers IDEAL kind of investment (*income producing, always have demand, equitable, capital and rental appreciation and leveraging with the bank loan*) which indicated that the investment in property is good prospects. Furthermore, with reference to socio-political agenda, sensitivity of the ownership and survivorship of the Malay/Muslims, the way cash waqf must be viewed in enhancing property highest and best use and the achievement of best and highest price in the open market. In the end, it has to be able to protect the ummah in the long run.

4.0 The Case Study Iskandar Malaysia – Inaffordability of Housing Ownership, can waqf be an alternative ?

In this study, the methodology adopted is case study. Using documented and published data and empirical fieldworks by interview schedules, distributed within the case study areas. Data is then analysed to arrive at the objectives of the study. Discussion follows accordingly.

The empirical fieldwork was undertaken within the 5 flagships in Iskandar Malaysia - Flagship A (*Johor Bahru City Centre*), Flagship B (*Nusajaya*), Flagship C (*Western Gate Development*), Flagship D (*Eastern Gate Development*) dan Flagship E (*Senai-Skudai*). 1,000 respondents have been interviewed succinctly to study their affordability in buying houses and find out solution in relations to waqf (Ismail Omar *et al* 2013).



Figure 1 : The Case Study Areas

Income Distribution %

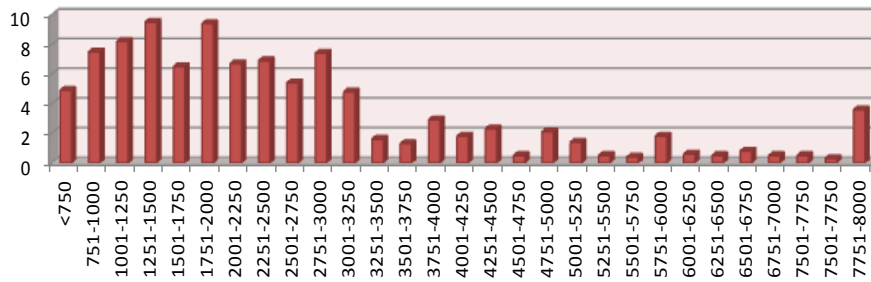


Figure 2 : Income Distribution in Iskandar Malaysia, 2014.

Source: Iskandar Malaysia Property Study 2014-2015.

Income distribution within Iskandar Malaysia indicates highest percentage 9.5 per cent between RM1,000 and RM3,200 per month (Ismail Omar *et al*, 2014).

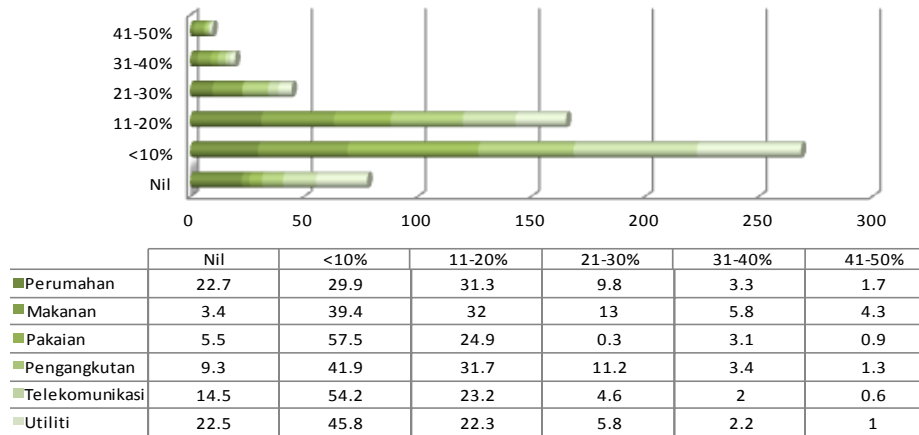


Figure 3: Income Spendable of Population

Source : Iskandar Malaysia Property Studies, 2014-2015.

In general, findings of spending shows about 90% of the population were spending on clothes (57%), utility (45.8 %) and telecommunication (54.2 %) compared to housing (29.9%) only.

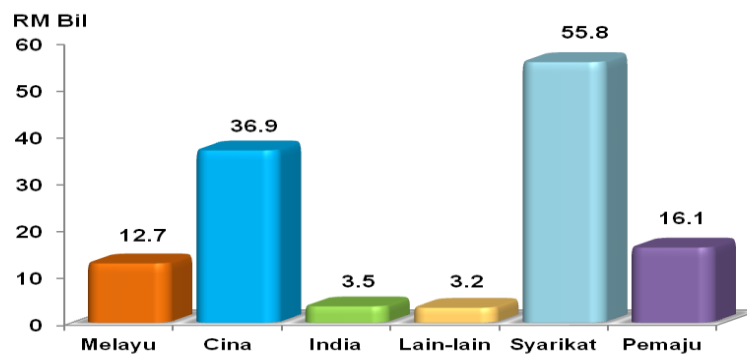


Figure 4 : Shows the asset property ownership within Iskandar Malaysia

Source: Iskandar Malaysia Property Study 2014-2015.

Figure 4.0 shows property the highest ownership is companies(55.8%), than Chinese (36.95), Malays (12.7%) and others. In other word, the Malay and Muslims is left far behind in property ownshing witihn Iskandar Malaysia.

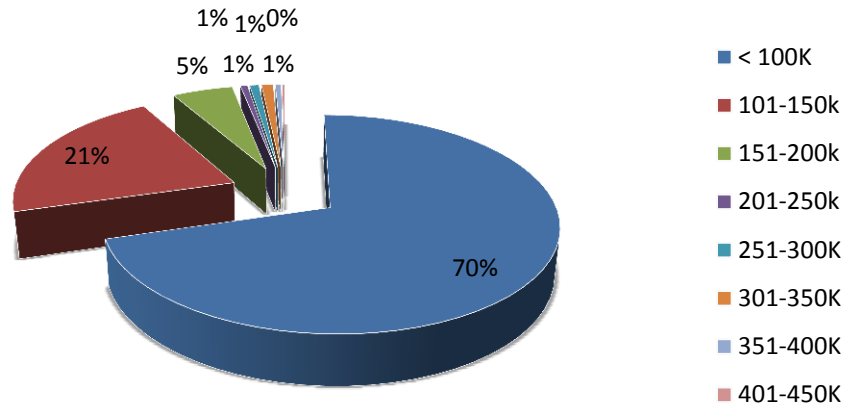


Figure 5 : Affordable Houses by Bumiputera in Iskandar Malaysia

Source: Iskandar Malaysia Property Study, 2014-2015.

The study shows that 70% of Bumiputera were afforded to own property between RM251,000 to RM300,000 in 2014. The rests were afforded to buy property with the prices below RM250,000. Only 1% afforded to buy up to RM450,000.

Table 1 : Median Income Within Flagships

	Flagship				
	A	B	C	D	E
Median Household Income (RM)	1750	2750	2000	2250	2250
Median Single Storey Terrace	200000	202084		145000	155000
Median Double Storey Terrace	310000	277000		200000	220000

Using the Affordability Index adapted from United Nation and Harvard University, the measurement for affordability in the study is shown below:

**Table 2 : Demographia International Housing Affordability Survey
Housing Affordability Rating Categories**

Rating	Median Multiple
Severely Unaffordable	> 5.1
Seriously Unaffordable	4.1 - 5.0
Moderately Unaffordable	3.1 - 4.0
Affordable	< 3.0

Table 3 : Median Multiple for Iskandar Malaysia

Median Multiple	A	B	C	D	E
Median Multiple Single Terrace	9.52	6.12	-	5.37	5.74
Median Multiple Double Storey Terrace	14.76	8.40	-	7.41	8.15

Table 3.0 shows that the level of affordability to own houses in Iskandar Malaysia is severely unaffordable which mean that the affordable price is between RM63,000 to RM99,000 only (Ismail Omar *et al* 2014). This means that the scenario of inaffordability to buy and own property within Iskandar Malaysia would be an opportunity for cash waqf to contribute to the success of waqf property.

4.0 Conclusion

There are structural and behavioural elements that influencing the initiative to undertake property ownership within Iskandar Malaysia. About 70% can afford to buy property up to RM300,000. As such, cash waqf may be useful to contribute to increase their affordability. There are problems with inaffordability of the people to invest buy property on their own using bank loan. As an alternative, waqf cash can be promoted to contribute to the financing waqf property and using the manfaat to help the people in providing habitable shelters to them. In addition, waqf property will be beneficial to protect the people in the long run using the “protected shield and retaining wall” to the ummah as a whole. In so doing, waqf will provide alternative ways in redesigning fragile geopolitical boundaries in the very near future. Therefore, these solutions may pave the way forward for the transformation agenda of waqf property in the country.

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