

Investigating The Relationship Between Level of Income, Method of Contribution and Appointment of Islamic *Waqf* Bank as an Agent in Collecting *Waqf* Fund

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Abstract

Cash waqf is a trust fund established in cash for mankind's benefits in the name of Allah. The gifted capital was "transferred" to borrowers for certain period, which was then spent for all sorts of pious and social purposes including for the investment objectives. It is recognized that there is no ample study in the area of cash waqf especially for managing the waqf fund. Therefore, the research on the management of cash waqf fund is essential in order for the fund to be used efficiently. The objective of this article is to investigate the relationship between level of income and contribution method of cash waqf fund in Islamic waqf bank as well as the appointment of Islamic waqf bank as an agent in collecting the fund. This research employs quantitative analysis on 231 respondents among Muslim public in this country. The finding of this article shows that, with the proper contribution method and the appointment of Islamic waqf bank an agent in collecting the cash waqf fund, there is a strong tendency that the Islamic waqf bank's operation will be run effectively.

Keywords: waqf, cash waqf, Islamic waqf bank

INTRODUCTION

The word *waqf* is derived from the Arabic root verb "*waqafa*" means 'causing a thing to stop and standstill'. It also takes the meanings of 'detention', 'holding' or keeping. *Waqf* which (pl. *Awqaf*) is called *Boniyad* in Iran and *Habs* (pl. *Ahbas*) in North and West Africa. However, by taking its different meanings into consideration, *waqf* can be applied to non-perishable property whose benefit is extracted without consuming the property itself. Although *waqf* is not specifically mentioned in the Holy Quran, the concept of wealth distribution is strongly emphasized therein (Chowdhury *et.al.*, 2011).

In fact, in the Quran, there are many verses which discuss and encourage Muslims to donate and give charity such as in Surah al-Baqarah (2: 261), al-Baqarah (2: 271), Ali Imran (3: 92), Ali Imran (3: 134), al-Lail (92: 18-21)

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and al-Hadid (57: 18) (Muhammad Ridhwan Ab. Aziz, 2012). Distribution of wealth is a key issue in the modern economy to make it more dynamic, prejudice free and entrepreneurial.

However, a hadith narrated by Abu Hurairah [May Allah be pleased with him (Ra)] is considered as the origin of this institution in the world of Islam. "Abu Hurairah (Ra) reported Prophet Mohammad [Peace be upon him (PBUH)] as saying:

"when a man dies, all his acts come to an end, but three; recurring charity (sadaqah jariyah) or knowledge (by which people are benefited), or a pious offspring, who prays for him"

(Reported by Muslim, No. 4223)

From *Shariah* point of view, *waqf* may be defined as holding a *mal* (an asset) and preventing its consumption for the purpose of repeatedly extracting its usufruct for the benefit of an objective representing righteousness or philanthropy. This definition also covers several new forms of *waqf* that were not discussed in the classical literatures, such as the *waqf* of financial rights and *waqf* of usufruct. (Monzer Kahf, 1998). The contemporary jurists also justify the validity of the cash *waqf*, because it is in the interest of the *waqif* (the donor), its beneficiaries and the society (Tahir, 2011).

In addition, *waqf* assets can also be immovable or moveable (e.g. cash *waqf*). In cash *waqf*, *al-Waqif* (donor) endowed cash instead of real estate. Cash *waqf* began in primeval Mesopotamia, Greece and the Roman Empire. In fact, in the eighth century, Imam Zuhair had approved cash *waqf* in the Islamic World for the first time. According to him cash *waqf* would be invested through *Mudarabah* and profits would be spent for charity. Nevertheless, cash *waqf* did not expand and mature until the 16th century and after that century, it became popular, especially among the Ottomans.

Although there was controversy on the legality of cash *waqf* among the Muslim scholars but thousands of cash *waqf* continued to be endowed. In particular, cash *waqf* was supported by the Ottoman Sultans, because funds were financed in the expansion of Islam in Europe (Cizakca, 2004, 2010).

Therefore, many Muslims did not get chance to participate in *waqf* endowment because there is a wrong perception among Muslims that there may be *waqf* endowment through only land not in cash. They believed that land can fulfill the three conditions of *waqf* such as perpetuity, irrevocability and inalienability. However, land may be subject to demolition, destruction due

to the natural calamity and *waqf* will only last till its value exist (Mohammad, 2008). Through proper cash *waqf* management, it is easily possible to hold *waqf* value as well as value enhancement. As a result, those who do not have land can participate in endowment through cash *waqf*. Nowadays, people have more choices for *waqf* by including cash into *waqf*.

Furthermore, cash *waqf* is far more important since it is more productive compared to land, buildings, books, cattle and so on, as it is testified by the existing research studies and have been found profitable in the practices of modern Islamic financial system. In fact, in cash *waqf* the amount or value of the *waqf* is not an important issue, rather it is worthy to involve whole *ummah* in the process of *waqf*, so that everyone irrespective of financial condition could be involved by contributing as little as a cent within the prescribed systems of institutionalizing the concepts under government or private initiatives and guidelines provided by Islamic doctrines, since it is not only the preserve of the wealthy (Chowdhury *et.al*, 2011). Anyone, subject to certain *Shariah* conditions, can be *al-waqif* (donor) through cash *waqf*.

LITERATURE REVIEW

M. A. Mannan (2008) mentioned that in mobilizing efforts of cash *waqf* fund at local, national and international levels is very crucial in development of social infrastructure of the Muslim *ummah*. He mentioned on the implementation of the new frontiers of Islamic Voluntary Sector with special reference to the floating of Cash-Waqf Certificate as a financial instrument by Social Investment Bank in 1997 as an innovation in the history of Islamic finance. The purpose of this new frontier is in the direction of monetizing Islamic Voluntary Sector, accumulation of Social Capital and National Wealth for implementing strategic social investment program that reinforces family values, family heritage and stimulates economic, social and moral foundation of a caring society. Cash-waqf Certificate provides new opportunities to transfer liquid asset and make connection with one another on a global scale and opened up new possibilities for developing Social Capital Market for the first time in the history of Islamic Voluntary Sector Banking. At the end, he propose the need for global mobilization and creation of Cash-Waqf fund towards eventual establishment of World Social Bank in the private sector to expand as well as open up new frontiers of human freedom that includes freedom from educational, social and economic deprivations. Thus, Islamic *Waqf* bank is very significant in filling the social gap in current needs.

The study of cash *waqf* was done by several researchers in recently time. Murat Çizakça (1998) explains that historical evidence indicates that the real exiting potential lies in the cash *waqf*. The *waqf* system has provided

throughout Islamic history all the essential services at no cost to the state and a successful modernization of the system implies a significant cut in government expenditure and all the associated benefits including downsizing the state sector and a reduction or elimination of *riba*. Cengiz Toraman *et.al.* (n.d.), conclude that in a society where health, education and welfare were entirely financed by gifts and endowments, the cash *waqf* carried serious implications for the very survival of the Ottoman empire.

Islahi (1992), stated that the internationalization of the voluntary institution of *waqf* is needed nowadays, by setting up a non-government Muslim foundation which should provide public goods on large scale and attempt to combat illiteracy, sickness and lack of technical know-how. Monzer Kahf (1998), explain the importance of *waqf* for socioeconomic development, which is consists of creating and developing a third sector distinct from the profit-motivated private sector and the authority-based public sector, and changing this third sector with the responsibility of performing a group of tasks whose nature will make them better achieved. This third sector assigned in education, health, social and environmental welfare. Furthermore, it can provide defense services and public utilities in many instances.

Chowdhury *et.al.* (2011) explain that cash *waqf* would also help to reform the present institutional setup and their networking throughout the country with a view of increasing their performances. According to Muhammad Ridhwan Ab. Aziz (2012), *waqf* in education is not a new development in Islam. Looking at the history, it can be observed that since the beginning of Islam, in the early seventh century, many educational activities were financed by *waqf* and voluntary contributions. It is a historical fact that Muslim society depended considerably on *waqf* for the funding of education at all levels. For instance, it is reported that, under the Islamic rule, the island of Sicily had 300 elementary schools. All of them are built by *waqf* and all of them are provided with *waqf* revenues for payment of teachers and school supplies.

In fact, the provision of *waqf* for education is probably responsible for the usually common independent mentality noted in scholars that kept them away from being influenced and manipulated by certain quarters. This has contributed in enhancing the integrity of the scholars and academia as a whole and also contributed to reduce the socio-economic differences by offering education to those who can take it in merit basis, rather than on ability to pay educational services. Therefore, the economically poor people in the society will be assisted to reach the socioeconomic pathway faster. In order to advance in the educational field and revive the glory of the Muslim society, the International Islamic University Malaysia (IIUM) for instance, has established the IIUM Endowment Fund (IEF) since 1999 (Muhammad Ridhwan Ab. Aziz, 2012).

Moreover, Tahir (2010) explains that the *waqf* bank can be applied as the bank of the poor. It is permissible in Islam based on the validity of cash *waqf* and the need of *waqf*, its beneficiaries as well as the society. But, if there is favorable political will and strong support from the government, the institution of *waqf* through the establishment of *waqf* bank will contribute significantly to the society.

Tahir & Hamid (2006) explain that the new formulation of *waqf* may be realized by making a distinction between the perpetuity of the physical being of the object and a 'dedication' of benefits. New form of *waqf* can be declared in the non-traditional way. Old *waqf*, however, may still remain subject to the old conditions as long the greater interests of the *waqf* are not threatened by these conditions.

Wafa (2010) explains that the impact of developing *waqf* for education in Malaysia not only promoting the significant rule of *waqf* towards the country, but also will (1) promote the third sector of Islamic economic, (2) establish economic activities through several projects, and business, (3) complement the government aid, benevolent and educational programs, and (4) promote the oneness of society.

RESEARCH METHODOLOGY

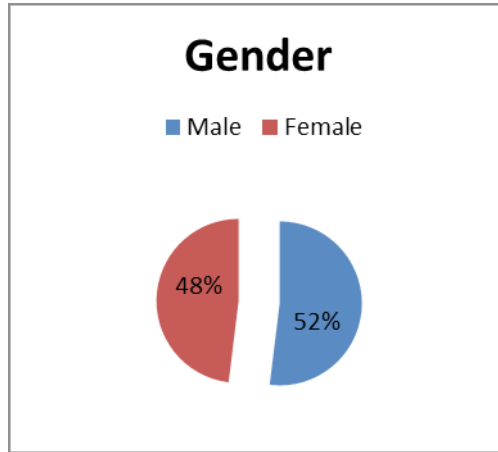
The research methodology used by the researchers is quantitative method. The method used throughout the research is through the questionnaires since the use of questionnaires allow us to get information in the most accurate. Questionnaire forms have been printed and distributed directly to each of the targeted respondents which are living in Klang Valley area, amounting of 231 respondents. Each respondent must answer all the questions in the form in less than 10 minutes. Researcher would randomly choose assigned respondents from various related parties. After a thorough survey, data from respondents' answers are analyzed statistically through the use of SPSS version 17. This study will analyze the frequency of each variable in the survey questions, since each respondent has their own evaluation on the issue, which is useful in this analysis. Results of the analysis will determine the level of assessment of each respondent on various aspects of this study. The reliability of the scale was tested using the Cronbach alpha. A coefficient alpha that is higher than 0.7 was considered to be good (Nunnaly, 1978). Table 1.1 below shows the Cronbach alpha for all scales; this to confirm the internal consistency of the instrument (Nunnaly,1987).

Table 1.1 Exploratory Factor Analyses

No	Item	Standard Deviation
Cronbach Alpha=0.807		
1	I am willing to donate to Islamic <i>waqf</i> bank	0.817
2	Understand concept of <i>waqf</i>	0.848
3	Agree <i>waqf</i> for student higher education	1.061
4	Individual with stable income contribute <i>waqf</i>	0.836
5	Establishment <i>waqf</i> bank help student free from debt	0.882
6	Establishment <i>waqf</i> bank boost economics as individual have free education	0.926
7	Corporate companies should contribute to <i>waqf</i> bank	0.834
8	Tax exemption given to funds contributors of <i>waqf</i> bank	0.857
9	Understand that contributors of <i>waqf</i> bank rewarded by god	1.259
10	Electronic method appropriate for individual contributors	0.933
11	Direct debit method appropriate to corporate contributor for continuous contribution	0.867
12	Appointment of agents for <i>waqf</i> bank would be needed for public	0.888
13	Government should give incentives in assisting establishment of <i>waqf</i> bank	0.771
14	Establishment <i>waqf</i> bank should be implemented as soon as possible	0.763
15	<i>Waqf</i> bank should invest its fund for multiplying its economic value	0.841
16	<i>Waqf</i> bank operation must be transparent and accessible by public	0.769

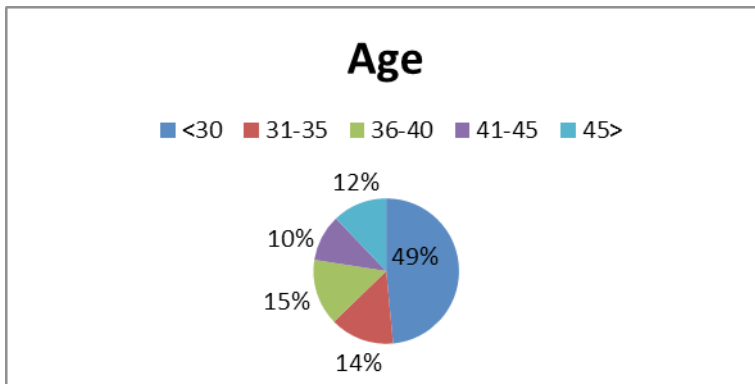
DISCUSSION AND FINDINGS

Pie Chart 1.2 : Gender



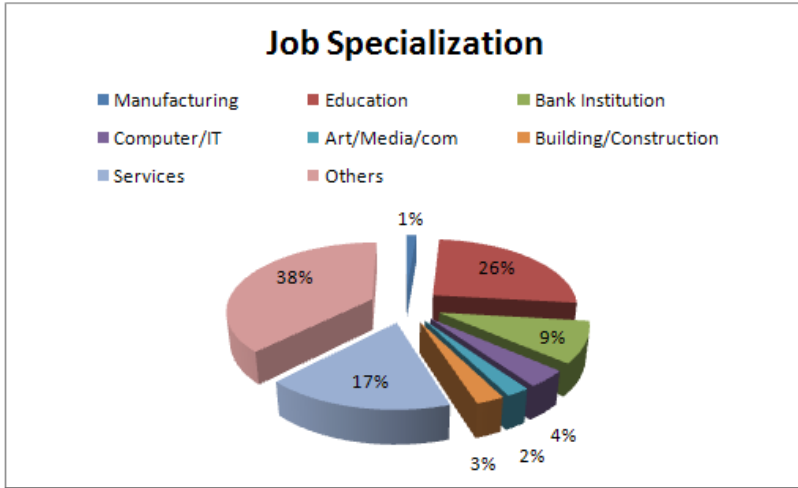
From the survey, above are the descriptive analyses of the respondents. The pie chart 1.2 reveals that male respondent is 120 persons which are 4% higher than female respondent, which are only 111 persons.

Pie Chart 1.3 : Age



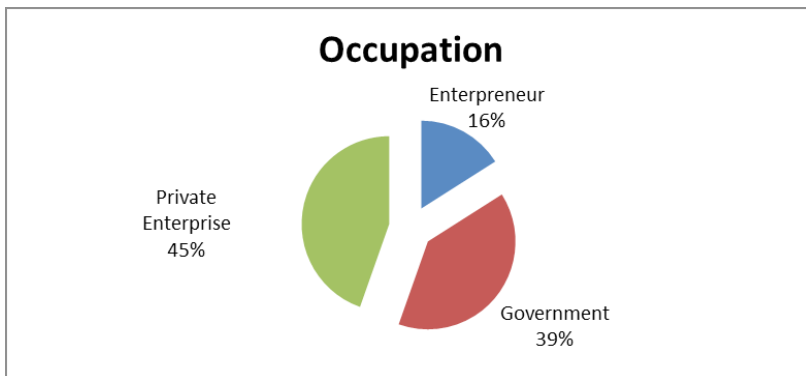
The pie chart 1.3 shows that the respondent aged below 30 years old is the majority respondents (112 people) representing 49% out of 231 total respondents, followed by 36-40 years old with 34 respondents or 15%. Next, respondent with aged 31-35 years old or 33 persons (14%). The second last and last category of respondent are in the age of 45 and 41-45 years old, 28 and 24 respondents respectively or 12% and 10% of the total respondents.

Pie Chart 1.4 : Job Specialization



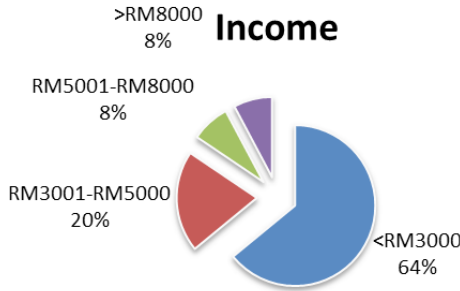
The pie chart 1.4 of job specialization indicates that the majority of participants are from others specialization which is 87 peoples comprising of 38% and followed by education sector, 59 persons or 26% out of total respondents. Next, is the service sector with 17% which accounting of 40 persons from the total respondents. Lastly, is the banking institution with 9% or 22 respondents followed by computer, building construction, art and media and manufacturing which are 4%, 3%, 2% and 1% respectively. Therefore, the education sector which represent of 26% can help in the formation of the *waqf* bank.

Pie Chart 1.5 : Occupation



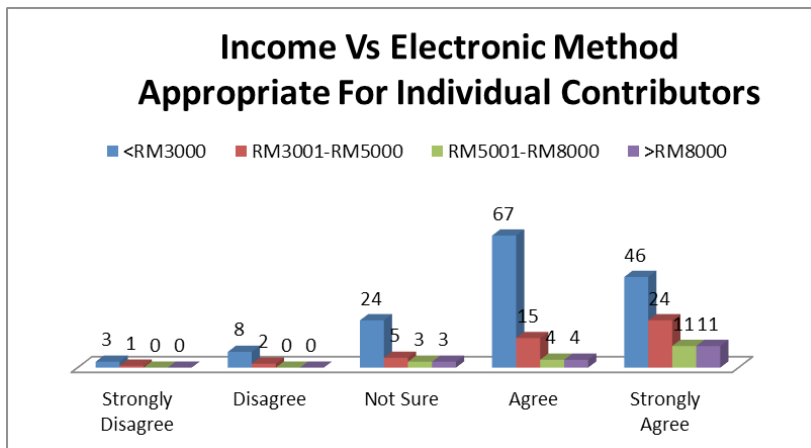
The above pie chart 1.5 shows that majority of participants are from private enterprise and government sector, which are 45% and 39% respectively. In the other hand, entrepreneurs are only 16%.

Pie Chart 1.6 : Income



Based on Pie chart 1.6 above, the majority of respondents have income less than RM3000 per month which is 64% out of 231 total respondents, followed by respondents who have income between RM3001 to RM5000 comprising of 20% from the total respondents. Next is respondents who have income between RM5001 to RM8000 and respondent who have income more than RM8000, both are 8%. Based on the above data, income respondents less than RM3000 per month represent of 64%, so, it is necessary to set up small-scale *waqf* scheme for the State Islamic Religious Council.

Bar Chart 1.7 : Income vs Electronic Method



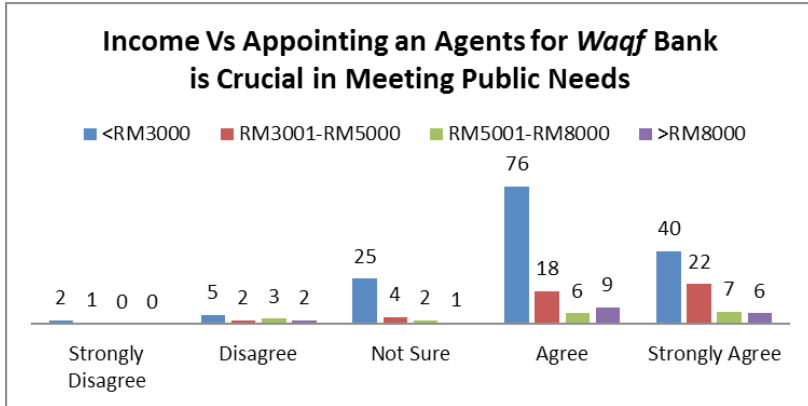
The above Bar chart 1.7 indicates that there are strong willingness among the respondents to use electronic method in contributing for Islamic *waqf* bank. Respondents who have income less than RM3000 show strong willingness to use electronic method in contributing for Islamic *waqf* bank. There are only three participants who strongly disagree to use electronic method in contributing for Islamic *waqf* bank and eight respondents who are disagreed to use electronic method in contributing for Islamic *waqf* bank. It worth mentioning that, they seldom use electronic device in their daily activities and have low confident to use it. There are twenty four respondents who not sure to use electronic method in contributing for Islamic *waqf* bank possibly because they do not have sufficient knowledge about *waqf* and how to use electronic device for donating in this fund. There are sixty seven respondents who agreed and forty six respondents who strongly agree to contribute for Islamic *waqf* bank.

Moreover, respondents with income between RM3001 and RM5000 also show strong willingness to contribute for Islamic *waqf* bank. There are only one person who strongly disagree and two person who disagree to use electronic method in contributing for Islamic *waqf* bank. Conceivably, they confuse about the mechanism for collecting the fund. There are five respondents who not sure how to use electronic method in contributing for Islamic *waqf* bank maybe because some of them is an old timer who did not use much of gadget. There are fifteen respondents who agree and twenty four respondents who strongly agree to contribute for Islamic *waqf* bank.

In addition, respondents with income between RM5001 and RM8000 also have strong willingness to contribute for this fund. There are only three respondents who do not sure whether to use electronic method in contributing for Islamic *waqf* bank or not due to lack of general knowledge about *waqf* itself. The other four respondents are agreed and eleven of respondents are strongly agree to use electronic method in contributing for Islamic *waqf* bank.

Furthermore respondent with income more than RM8000 almost all are agreed to use electronic method in contributing for Islamic *waqf* bank. It worth mentioning that, three respondents who not sure to use electronic method in contributing for Islamic *waqf* bank for the reason that they did not see a clear picture about the operation and the flow of Islamic *waqf* bank.

Bar Chart 1.8 : Income vs Appointing an Agent for Waqf Bank



The above Bar chart 1.8 reveals that there are strong willingness to appoint an agent for collecting *waqf* funds and it is crucial in meeting public needs. Respondents who have income less than RM3000 show strong willingness to appoint an agent for collecting *waqf* funds. There are only two participants who strongly disagree to appoint an agent for collecting *waqf* funds and five respondents who are disagree to appoint an agent for collecting *waqf* funds feasibly, they did not trust the agent that the bank hire for collecting the funds. There are twenty five respondents who are not sure whether to appoint an agent for collecting *waqf* funds possibly because they do not have sufficient knowledge about *waqf* and how does the Islamic *waqf* bank operate. There are seventy six respondents who agreed and forty respondents who strongly agree to appoint an agent for collecting *waqf* funds.

Moreover, respondents with income between RM3001 to RM5000 also show strong willingness to appoint an agent for collecting *waqf* funds. There is only one person who strongly disagree and two persons who disagree to appoint an agent for collecting *waqf* funds. Possibly they confuse about the mechanism for collecting the fund. There are four respondents who not sure whether to appoint an agent for collecting *waqf* funds maybe because some of them are more comfortable to give donation directly to the poor. There are eighteen respondents who agree and twenty two respondents who strongly agree to appoint an agent for collecting *waqf* funds.

In addition, respondents with income between RM5001 and RM8000 also have strong willingness to appoint an agent for collecting *waqf* funds. There are only three respondents who disagree to appoint an agent for collecting *waqf* funds. There are two respondents who are not sure to appoint an agent

for collecting *waqf* funds, maybe because they would like to use electronic banking thus, it is easier for them to contribute for the funds. The other six respondents are agreed and seven of respondents are strongly agree to appoint an agent for collecting *waqf* funds.

Furthermore, respondent with income more than RM8000 almost all are agreed to appoint an agent for collecting *waqf* funds. It worth to mention that two of the respondents who disagree and one of the respondents who is not sure to appoint an agent for collecting *waqf* fund is because of security purposes.

CONCLUSION

From the above discussion, the general finding of this article shows that managing cash *waqf* in terms of contribution method and appointment of agent is crucial to facilitate proper Islamic banking system especially in the area of Islamic *waqf* bank. There is possible contribution method and structure for Islamic *waqf* bank that can be implemented in the future for the success of Islamic *waqf* bank. Again, the discussion regarding cash *waqf* needs to be more extensive in order to find out the best method and structure of administration to be established. The permissibility of cash *waqf* and suitability of capital structure of Islamic bank can be considered as *waqf* instrument in solving the financing problem for the needy.

Acknowledgement

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