

## Viewpoint by Guest Writer

# Cash Waqf for education: Prospects and challenges

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### ABSTRACT

This article is written based on author's personal experience with waqf program implementation (philanthropy activities) mainly in executing cash waqf for education in Malaysia, Indonesia and Cambodia. In particular, the article provides brief literature on waqf and cash waqf, describes success story, highlights prospects and challenges in implementing cash waqf for education.

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## 1. Introduction

Waqf is a pious foundation initiated by Prophet Muhammad s.a.w 1400 years ago. Initially, waqf usage is concentrating on mosque for prayers and education centers. This has caused mushroom of waqf land and landed properties. The spirit of waqf has been growing throughout Muslim world especially during the time of Ottoman Empire including the Malay Archipelago. Waqf, then, is not limited to land and landed properties only.

During Ottoman period (end of 16th Century), cash waqf became popular all over Anatolia and certain part of European provinces of the Ottoman Empire (Murat, 1995). The cash waqf had benefited not only the government but also to all humankind including non-muslim. The income generated from cash waqf was used to finance free education, public health, capital projects, public works and alleviate poverty.

Cash waqf is defined as the confinement of an amount money/cash from the founder and the dedication of its usufruct, according to founder's condition(s), in perpetuity to the welfare of the society (Magda, 2009). In Malaysia, cash waqf has been introduced by Perak Islamic State Religious Council in 1957, followed by other State Islamic Religious Council (SIRC). Cash waqf in Malaysia gains popularity

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when the Department of Waqf, Hajj and Zakat (JAWHAR) and Yayasan Wakaf Malaysia (PWM-Malaysia Waqaf Foundation) as well as Waqf An Nur Corporation Berhad initiated various waqf projects through cash waqf scheme. As a result, waqf hotel, hospital and clinic were successfully developed to benefit people at large.

In Indonesia, the author himself had successfully established Koperasi Syari'ah Garut (Syari'ah Cooperative) based on waqf microfinance. The Koperasi Syari'ah Garut was running under Qard al Hassan scheme where the objective is to alleviate poverty by providing interest free loan to poor people to start small business. The source of fund (waqf share) came from individuals (the waqfer) with minimum contribution of Rp 1 million (equivalent to RM320). This waqf shares is a practical model for public waqf and had improved the wellbeing of the community in Garut, West Java. The program was successfully executed, but later faced sustainability issue. Though the impact is small, the waqf model has been tested as proven model to alleviate poverty and produce entrepreneur.

In addition, three mosques, two pieces of paddy field and one Quranic Boarding School have also been developed using waqf concept in West Java region. The mosques, land acquisition and Quranic Boarding School were completed using waqf khas (specific waqf) methodology through crowd funding and the strength of "followers and social media connection". As a result, three mosques (Masjid Abu Bakr As Siddiq, Masjid Fatimah Az Zahra and Masjid Ummu Mariam) are currently performing the above expectation, not limited as a place of worship. The mosques have been successfully bonding community, providing free education for poor people, acting as centre for small business, meeting point for local entrepreneurs, organizing MABIT programme (spiritual development program) and providing fresh free clean water for the community.

In addition, the Quranic Waqf Boarding School (Pasentren MiftahulKhoir) has been funding through cash waqf since 2015. The Boarding School had so far produced 41 huffaz (students memorizing Qur'an), where they also learn other skills. For benchmarking purposes, the author had also visited various waqf foundation such as Sinergi Foundation and Yayasan Darut Tauhid in Bandung. These foundations have their own cash waqf model where the collection of cash waqf has been used to buy properties, hotel syari'ah, develop entrepreneurship programmes, medical services, educational facilities, poverty alleviation and sponsor tuition fees for poor students.

Trust has been the fundamental foundation of waqf in Indonesia. Although the waqf governance framework is not officially formulated, these foundations have their own way to ensure integrity and reporting in place. For instance, every Friday, these foundations will make official announcement on the status of waqf fund, total collection and total disbursement. Accountability to ALLAH and donors are given highest priority. Open book management allows public/donor to scrutinize waqf practices of these foundations. Based on the above experience in implementing waqf, this article further share some pertinent prospects and challenges to implement cash waqf in Malaysia.

## **2. Prospects**

This term refers to the huge information available on the internet that can be used to understand issues in emerging economics and Islamic research. As mentioned above, the big data phenomenon exploded due to four characteristics: volume, variety, velocity and veracity.

The waqf assets (including cash waqf) are used to generate income for the institutions. As a result of good governance and professional management, the proceed of the waqf assets then be used to provide scholarship to poor students including non-Muslims. In Malaysia, the Ministry of Higher Education (MOHE), JAWHAR and various SIRC have shown commitment to implement waqf for education. With

this positive respond, it opens up greater possibilities and prospects for waqf education, in particular cash waqf, to be implemented. Some of the pertinent waqf prospects are discussed below.

First, RM billion of cash waqf can be generated using crowd funding, alumni participation, employees salary deduction etc. Some of this initiatives have been done by Perbadanan Wakaf Selangor (PWS) and Yayasan Wakaf Malaysia (YWM). University such as UiTM, is believed to be able to pull cash waqf into practice. For example, during the launching of Dana Wakaf Ilmu UiTM in March 2017, the Vice Chancellor of UiTM had optimistically announced a target cash waqf of RM1 billion within eight years through strong involvement of alumni and support from business sector. This is doable given strong numbers of UiTM's alumni.

Second, to promote cash waqf, there is a need for Malaysian government to allow income tax relief for waqf contribution. While income tax relief is allowable for zakat contribution and donation to approved institutions, waqf (including cash waqf) has been denied similar treatment.

Third, one critical area for Malaysia to progress is our readiness in providing state of the art technology. Strategic assets and technical laboratories which are expensive, can be financed by corporate and business through waqf fund. Thus, it is high time to invite and engage corporate and business sector involvement in waqf programme to finance these assets.

Fourth, there is strong prospect to adopt latest fintech tools and digital technology such as Block Chain and online crowd funding, Waqf App, just to name a few. The cash waqf which is currently operating based on physical waqf-certificate, may be transformed to waqf-digital certificate. Since waqf new innovation is still fresh, further studies is required to explore waqf through Block Chain or Waqf Coin.

### **3. Challenges**

The research landscape has changed due to the explosive nature of data dynamics from the internet. The economic and Islamic research have no exception and must be scaled to the environment. The complexity of the environment demands versatile and robust tools to analyse the data and produce meaningful results. There are many tools available for the researchers to choose from; depending on the type of data being analysed. Traditional statistical tools are the most common but some methods from the area of computer science have started to contribute for some interesting results and better performance. These machine learning methods that are used in computer science research have also been tested on finance and business data. The results have shown positive outcomes and proved to be useful to overcome the complexity of the big data environment.

In reality, it is very challenging to execute waqf model in Malaysia. First, the level of awareness and understanding are still low. The waqf is always associated to free service, thus waqf is synonym to "free or subsidy mentality". This misconception among Muslims in Malaysia need first, to be corrected. Based on study on waqf awareness in Malaysia, out of 350 respondent, only 39% understood waqf, while the rest are not clear or uncertain (Wael, 2017). This fact should trigger policy makers, practitioners and waqf champions to work harder in promoting waqf and its benefit.

Second, waqf in Malaysia is a State matter, prerogative of State Islamic Religious Council (SIRC). Limited space is provided to universities or education institutions to explore and execute waqf due to the fact that the roles and responsibilities to manage waqf is a State matter. The waqf regulation and framework need to be revised to reflect progressive waqf implementation. The SIRC, waqf experts and professional Muslims have to work together to harmonize these roles and responsibilities. For instance, Selangor (one of the states in Malaysia), has allowed universities to implement cash waqf in order to assist higher learning institution to raise fund. In order to ensure good governance and accountability, a

joint-Waqf Board has been set up at various universities including private universities. However, there are still some limitations which may affect fast pace progress of waqf universities in Malaysia.

Third, since the day of Malaysia's independence in 1957, human capital and waqf expertise are less given attention. Most of the officers at SIRC, waqf and zakat centre are graduates of shari'ah, usuluddin and various Islamic studies. As a result, waqf innovation, planning and development are not aggressive enough to meet expectation. Unlike Turkey, waqf managers and administrators come from various background including business, law, engineer, accounting, just to name a few. Amanah and integrity of mutawalli/ nazir or waqf manager are of paramount importance. Therefore, special skill set and competencies need to be developed to those holding the waqf management position.

Fourth, new innovation such as fintech, digital payment and others need to be regulated or monitored. There are quite a number of fraud cases on traditional cash waqf practices. Proper accountability may be absent if it is not regulated or monitored. With innovation such as fintech and digital payment, the flow of collection and reporting might be faster and efficient. This innovation not only motivate many waqf programmes, but also may encourage false waqf project if they are not closely supervised.

Finally, this paper highlights another critical challenges to implement cash waqf, namely. the governance and accounting treatment of asset and cash waqf. Based on previous studies, the governance and accounting practices of waqf are not consistent among SIRC (Zain et al., 2012). As a result, to ensure the success of Malaysia education, JAWHAR is currently finalizing Waqf Manual for Education in Malaysia. The Manual is expected to encourage greater participation and growth of Waqf education, ensure guidelines, management, governance and accounting of waqf are transparent within the scope of maqasid syari'ah.

In conclusion, waqf has been proven a practical model and instrument to improve social economy and stability of a country. This paper briefly mentioned the success story in implementing cash waqf in Indonesia, which can be a good benchmark for Malaysia education. The waqf practices are not only limited to finance education, but also contributed to the development of overall economy including basic needs hypermarket, properties, hotel syari'ah, medical services and local entrepreneurs. Finally, the prospects and challenges mentioned in this paper may help policy makers and waqf champion to explore and promote cash waqf for education in Malaysia. Waqf is proven to be an alternative source of funding education in other Muslim countries such as Turkey and Egypt, thus it is our role to promote and implement effective waqf (including cash waqf) for education in Malaysia.

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