

Waqf A CATALYST PLATFORM FOR HUMAN CAPITAL DEVELOPMENT UNIRAZAK-BANK RAKYAT MODEL

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Abstract

This paper sheds light on the role of waqf as an instrumental tool in education. The main objective of this paper is to propose a waqf model to support orphans in obtaining higher education. The method employed in this paper is based on secondary data, adapting as well as adopting from current working waqf models in educational institutions. The author of this paper proposes the waqf model to be implemented by Universiti Tun Abdul Razak's (UNIRAZAK) members, students should not to be excluded to create awareness and promote the habit of social support. Bank Rakyat and other financial institutions may be included in this model. The goal is to provide financial support to orphans enabling them to further their higher education and entitling them to a better quality of life. The implementation of the proposed model will enable the aforementioned benefits.

Keywords: Waqf, Orphans Educational, UNIRAZAK Model

Introduction

Waqf plays a pivotal role in activating the principles of corporate social responsibility through the contributions of various companies and individuals to participate in endowment/waqf for the development of human capital which helps solve chronic problems such as illiteracy and unemployment. Waqf is a viable tool capable of reducing the rate of poverty if is utilised efficiently, which further emphasises that the value and importance of waqf cannot be overlooked. There is no direct injunction in the Quran about waqf. However, during the prophetic era, many of the companions were highly concerned with general waqf such as house endowment, farm land endowment and drilling wells. The most famous endowers among the companions of the Prophet Mohammed (peace be upon him) were Omar Bin Al Khattab, Othman Bin Affan, Ali Abu Talib and Al-Zubair ibni Al Awam May Allah be pleased with all of them. The Prophet (peace be upon him) advises on making waqf to be irrevocable, inalienable and perpetual. Therefore, waqf is perceived as a permanent dedication by a Muslim of any property with good faith and an act which is recognised as being charitable (Abdel Mohsin 2009).

Muslims throughout the world are exposed to the practice of waqf, yet not a single study focuses on the level of penetration rate of knowledge and practice of waqf among Muslims. The awareness of practicing waqf among Muslim societies is vital given how much value it presents to the Muslim community. The practice of educational waqf in Malaysia began with the arrival of Islam in The Malay Archipelago and could be perceived as a positive tradition that needs to be expanded. Waqf education practice occurs in various forms as will be further discussed in detail in Section (4). Waqf has been viewed as an alternative source to finance education including universities besides maintaining religious institutions. Certainly, there are numerous examples that waqf has contributed to this area in the past and in current applications.

Throughout history, there are various prominent universities that have used waqf as an instrument for funding their institutions such as al-Azhar University in Cairo, College of Abu Hanifah in Baghdad and many others. Currently a significant number of outstanding universities in the world were founded and maintained using waqf properties such as the Vakif Universities or Universities of Turkey such as Abant İzzet Baysal University, the King Abdul Aziz University of Saudi Arabia, the University of Cordova in Spain and University Islam Indonesia in Jogjakarta, Indonesia. (Osman et. al., 2015). Endowment or waqf is not limited to the Muslim world, there are many universities based on endowments with a well-established fund. The concept of endowment fund has become the drive of Western progress particularly in the field of education such as Oxford University and Cambridge University in the United Kingdom as well as Harvard and Stanford in the United States are among universities which were founded based on endowments as well.

During the Ottoman Empire, there were enormous cash waqf practices in the early fifteenth-century. The concept of inalienability and perpetuity has made people question the implementation of cash waqf because of its differing nature in comparison to immovable waqf. Cash waqf has been debated and discussed due to its concept, which is fundamentally different in nature as compared to other waqf instruments. In Malaysia cash waqf was given the authorization in 2007 by the Malaysian Fatwa Council; various financial mechanisms were developed to promote cash waqf. These divulge its potential in developing Islamic economic growth. Cash waqf could be an ideal financial mechanism as it allows wider ranges of income earners to participate in waqf, instead of presenting the opportunity solely to high-net worth individuals. Thus, even a low-income earner could contribute small portions, with a high volume of contributors the amount contributed will grow to a significant amount, which concurrently reduces poverty.

Thus, positing cash waqf as an expedite tool to alleviate poverty in developing countries. Current development of waqf activities in Malaysia includes the participation of corporate entities in the development and management of waqf properties. The concept of corporate waqf sets the direction of managing waqf assets by corporate companies, known for their culture of competence, accountability and transparency. In Malaysia, number of corporate bodies are well known for actively engaging in the practice of waqf development and competence management. In several countries, endowment contributes significantly by playing a micro-economic role for certain universities. Several universities in the United Kingdom, United States, the Arab world, Turkey and South-East Asia depend on endowment funds on top of tuition fees and business unit revenues for sustainability. The author of this paper aims to shed light on cash waqf contributions and corporate waqf models, to show how these instruments can support in providing knowledgeable human capital. She proposes the establishment of a corporate Waqf for orphans, initiated by UNIRAZAK, Bank Rakyat Bhd and other financial institutions through their contribution and obligation of corporate social responsibility (CSR).

The Classical Concept and Characteristics of Waqf

Waqf is defined as an act of possession of an asset and given out as waqf endowment for charitable purposes. Cash waqf can be defined as cash or an amount of capital donated or given by the donor deliberately to fulfil the requirements of the needy, especially those who face financial difficulties. Such monies are channelled into profitable transactions as a means of generating income for the waqf endowment. It can be inferred from the waqf concept that cash waqf is a form of donation for devotional purposes (Abdel Mohsin, 2014). Cash waqf benefits a large spectrum because it alleviates or reduces the poverty rate among Muslims provided that such cash waqf is consciously managed by a sincere and honest management. The main characteristics of classical waqf are irrevocability, perpetuity and inalienability

Irrevocability

Irrevocability means the lack of power of the waqif to revoke his donation at any time. According to Abu Yusuf waqf is effective and binding as soon as the declaration is made by the donor without any need for delivery of possession to the beneficiary. The property is transferred from the ownership of the waqif to the 'ownership' of Allah and hence irrevocable.

Perpetuity

Perpetuity is a bond with no fixed maturity date. Once the declaration of waqf is made by the donor, a legally binding waqf is automatically effected. Thus, waqf cannot be constrained by time and temporariness and the subject matter of the waqf should remain so forever. Perpetuity, hence, includes irrevocability, as is the case in the first meaning.

Inalienability

Inalienability means that after a valid declaration is made, the subject matter of the waqf passes out of the ownership of the waqif and it cannot be alienated or transferred either by the waqf founder or the waqf manager nor do their heirs can take it by way of inheritance’.

Formation of Waqf

The outstanding feature of waqf is that the ownership of property dedicated for the waqf vests to the Creator/Allah (s.w.t). It has been put thus, the tying up of property in the ownership of Allah (s.w.t), the Almighty, and devotion of the profits for the benefit of mankind. Once the dedication of property is made to the waqf, the ownership of the waqf is extinguished, and it is transferred to Allah (s.w.t). For a waqf to be made there are specific characteristics to be followed, the waqf founder to be known, and he/she could be the waqf manager or can appoint another individual or an entity to manage the waqf property. The beneficiary has to be identified and specified clearly. Once a property whether it is movable or immovable, is given as waqf it is not possible for it to be taken back by the waqif.

Waqf Founder (Waqif)

Who makes his/her property as waqf to gain Allah’s (s.w.t) blessing.

Waqf Manager (Mutawalli)

Who manages Waqf per the intentions of the Founder of waqf. A Waqf manger is known as a mutawalli.

Beneficiaries of Waqf (Moquf lahu)

Who are specified for benefits, in general the poor and needy, family members or whoever is specified by the waqf founder.

Subject Matter of Waqf (Moquf bihi)

Waqf could be immovable items such as land or any other property, or movable items such as chattels and cash.

Waqf Institutions in Malaysia

The establishment of corporate waqf is one of the resolutions discussed in the Third Islamic Economy Congress on 12-15 January 2009 and States Islamic Council Malaysia Congress on 26-27 September, 2011. The resolution spots the role of corporate waqf in transforming the country’s economy. Corporate waqf is also seen as a stepping stone to upgrading the implementation and administration of waqf property as stipulated in the Corporate Management Code 2012 and Corporate Management Action Structure 2011 under the supervision of the Securities Commission (Ministry of Finance, 2011).

To comprehend the concept of corporate waqf in Malaysia, the IQRA foundation formed under the Trusteeship Act 1952 (Act 258) established Baitul Awqaf Fund (BAF). Through BAF, the IQRA foundation is appointed as an authorised receiver of cash waqf and waqf share from individuals and corporations while the financial securities institutions are given power as Mutawalli registered under BAF to manage the waqf as agreed in the waqf deed. IQRA foundation plays

a major role in managing BAF based on the best corporate implementation and management practice (Ministry of Finance, 2011). Another example is, Johor Corporation (JCorp) which has come up with their innovation on corporate waqaf, via aqaf An-Nur Corporation Berhad ("WANCorp") which is a Limited by Guarantee Company) established to manage the assets and shares of Johor Corporation Group of Companies. Awqaf Holdings Bhd, (Awqaf), was established by the Malaysian Islamic Chamber of Commerce and started operations in December 2014. Furthermore, the project is growing, the contributions of Awqaf exceeded RM1.8 million in waqf contributions*.

The Administration of Waqf in Malaysia

Waqf affairs are the responsibility of the Islamic Religious Council of each state. The courts recognised shariah as the governing law of property for Muslims including waqf. Section 25 of the Civil Law Act 1956 stated that the administration of Awqaf shall be in accordance with the Islamic law. There are 14 State Islamic Religious Councils, one for each of the 13 states and one for the Federal Territory. In Malaysia, waqf is under the umbrella of State Rulers (Sultan). The State Islamic Religious Councils (SIRC). SIRC assumed managerial and trusteeship mandates through delegated authority from their respective rulers in different states. This is further legitimised through various enactments. To date, almost all the 14 States in Malaysia have enactments/ordinances dictating the SIRC as the sole trustee of waqf assets. To discharge their responsibility, each SIRC has established a dedicated waqf unit/division or an independent agency to carry out waqf related activities within its jurisdiction. These institutions are hereafter referred to as SIRC Waqf Institutions (SWIs). According to Alhabshi, (1991) among the responsibilities of the SIRC as set forth in the clause are:

- All waqf properties are merely trusted under the council of Islamic religion
- The council must keep all the documents related to waqf properties
- Ownership of waqf properties must be transferred to the council

The council must use all returns from specific waqf properties for the intended purpose of the founder. The council must keep all the returns from general waqf properties in the general fund of the council or the baitul mal. Waqf institutions have historically been proven to be a financial charitable success in various countries such as Turkey, Sudan, Egypt and Syria. The recent establishment of corporate waqf has opened the door for more categories of founders, individuals, corporations, institutions, companies and organisations to create waqf for the benefit of the public.

In the Malaysian context, corporate waqf has proven to be successful by many corporations. Johor Corporation (JCorp) initiated a waqf clinic in 1998, which later on expanded into a corporate waqf entity known as Waqaf An-Nur Corporation Berhad (WANCorp). Another progressive waqf initiative in Malaysia is in Selangor. In 2009, the religious authority of Selangor, Majlis Agama Islam Selangor (MAIS) has incorporated Perbadanan Waqf Selangor (PWS) to push for more awareness and effectiveness in managing waqf properties. PWS signed a Memorandum of Understanding with Bank Muamalat Malaysia Berhad (BMMB) to establish Waqf Selangor Muamalat (WSM), a joint venture effort to make waqf contribution even easier and convenient for everyone via banking entity†. All these developments in waqf involving corporate entities provide a great alternative for individuals who do not have immovable assets but rather have movable assets or cash to donate. Thus, many have the opportunity to participate into charitable activities in the form of cash waqf. The author of this paper believes having these corporate waqf will increase the public awareness about cash waqf as still many are not exposed to the existence of cash waqf and nor have they digested its concept.

* <http://www.thestar.com.my/opinion/columnists/ikim-views/2016/10/18/corporate-waqf-bridges-national-economic-divides-this-hybrid-institution-combines-the-best-of-a-busi/>

† <http://www.wakafselangor.gov.my/en2/>

Waqf Implementation in Educational Institutions

Since the 2000s Malaysia began to implement endowment more strategically for public and private universities, to paradigm shift the financial dependencies on public fund and capital injection. The first educational endowment-based university in Malaysia was the Muslim College of Malaya (trans. Kolej Islam Malaya or KIM), established in 1955 in Klang. Since 2010 number of public universities in Malaysia have comprehended the role waqf plays in different sectors, the National University of Malaysia (UKM) is the first public university which has established its own waqf fund (Mahamood, and Ab Rahman 2015). Waqf fund in UKM has been established under the Chancellery Foundation in 2010 which provides two schemes for waqf donations. UKM has provided various modern technological facilities through its website, banking and electronic banking, as well as through direct debit to facilitate the donors to contribute to the waqf fund with more convenience. UKM added incentives to the contributors by given tax exemption for their contributions. Another scheme by UKM in a collaboration from Takaful operators is to provide endowment contribution scheme through the practice of waqf.

Another public University Universiti Putra Malaysia (UPM) has also initiated a waqf programme known as Dana Waqf Ilmu (DWI). This waqf fund has been established in 2011. Through this programme, DWI has received donations from various stakeholders such as individuals and corporations, non-governmental organisations etc. As an encouraging incentive, the Sultan himself has endowed RM 300,000 as a significant support to DWI's programme. The waqf fund collected from this programme is used towards the development and prosperity of academic activities in the University which is for student development, research, to finance the acquisition facilities and amenities needed for academic activities. (Mahamood, and Ab Rahman 2014). In another note, Ahmad, Rahman and Muhammad (2016) assert DWI programme has created awareness towards UPM's community to contribute toward the programme.

Apart from the mentioned universities, Universiti Sains Islam Malaysia (USIM) is another public university which has practiced and implemented waqf. The implementation of waqf in USIM is via a centre called Centre for Awqaf Development Financing. The University sets up a separate account so that the waqf funds collected are differentiated from the university's account (Alias, Johari & Rahman (2014). Recently there have been several established private universities such as University College Bestari (UCB) which is seen adopting the concept of waqf to finance its institution. Due to them being a private institution UCB does not receive any government funding. Therefore, the only way to collect fund is through waqf besides generating revenues in the form of tuition fees and accommodation fees. Waqf or Foundation is not limited to Malaysian Universities but many other universities are implementing the waqf concept to run their academic institutions. Such as Turkey, Kuwait, Spain, India and Arab Saudi which are implementing waqf in their higher education institutions.

From the literature on universities establishing waqf funding, the implementation of waqf in public and private universities are not much different. However, private universities are seen to have more privileges in terms of collecting waqf fund if they have their own asset like land as compared to public universities. According to Saleem, 2009, public universities do not seem to have much freedom in implementing waqf as they are bound by the universities rules and regulations in contrast to private universities.

Unirazak-bank rakyat model

From the above, we know many public and private universities have established waqf fund in supporting their universities. The author of this paper has felt there is an enormous opportunity for UNIRAZAK to establish waqf to support the orphans and less fortunate candidates who are willing and capable to study and need financial support. Noting the structure of the programmes in UNIRAZAK, the Islamic Banking Programme which has the biggest number of students who are aware of the waqf concept. The financial planning programme and the Master degree programme which specialises in Islamic finance should help to ease the introduction of the model to the students and the academic members as well as the operational staff of UNIRAZAK. The main reason to think about establishing waqf by UNIRAZAK is to help the academically capable and less fortunate orphans as well as to instil the great culture among UNIRAZAK's community, especially the students who could help to increase the awareness of waqf contribution with

even a small amount of funding. Another factor is the bonding between UNIRAZAK and Bank Rakyat Sdn Bhd, which provides further incentive to propose this model.

In the proposed model, students are encouraged to contribute any amount, even RM 5.00 monthly as a minimum contribution, for staff the monthly contribution is RM 10.00 minimum, the amount contributed is to be added to the contribution of Bank Rakyat, other financial institutions may contribute on a monthly or yearly basis, the amount is to be collected by UNIRAZAK. The collected amount is to be invested in Shariah compliant channels of investment, to maintain the characteristics of waqf the capital to be invested and the payment to be given are from the proceed of investment.

The proposed model can be UNIRAZAK as described below:

UNIRAZAK is the main founder that can establish corporate waqf and play the role of the trustee with the state supervision following the waqf system in Malaysia. Donors/contributors for this model can be UNIRAZAK' staff, students and other individuals who are interested to donate, such as corporate bodies, Islamic banks and conventional banks that can channel their corporate social responsibility, zakat or charities on an annual basis to the said trustee. UNIRAZAK's committee plays the role of the trustee to collect the accumulated funds from the different donors and then invest the collected fund into shariah compliant investment channels, to diversify the risk of investment the waqf fund is to be invested in a portfolio inclusive of Low, medium and high risks. Returns of investment to be divided into 80% the beneficiaries who are the orphan students, 10% as administrative fees and 10% to be re-injected to the main capital to ensure the continuity.

Conclusion

This study presents a waqf model where it engages UNIRAZAK, Bank Rakyat, individuals, corporate bodies and both Islamic and conventional banks, in supporting orphans and the less fortunate who are willing to further their university education. The beauty of this model is it encourages the Islamic tenet of charity as well as allowing conventional banks to channel part of their inherent aspect of profits as corporate social responsibility in the pursuit of helping the orphans to be well equipped and active members of society. This model hopes to increase the public awareness about waqf benefits and how even the lowest of contributions can make a difference in people's lifestyle. The implementation of this waqf model will ensure perpetual financing of orphans' education, which in turn will help them to find better jobs and improve their quality of life as well as eradicate poverty at the same time.

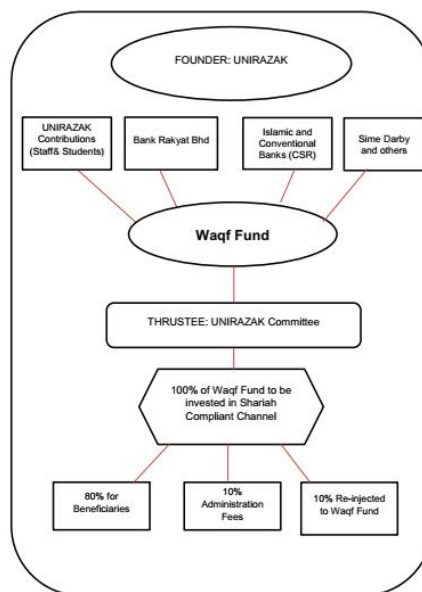


Figure 1: UNIRAZAK and Bank Rakyat Bhd Corporate Waqf Model

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