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

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Abstract

Receiving a good education helps empower people knowledge, thus making them strong enough to look after themselves in any given situation. It keeps oneself aware of given surrounding as well as the rules and regulations of the society they living in. Moreover, the technology that we use today is a result from the advancement and improvement of education. On the other hand Islamic *waqf* bank is a special designed financial institution in Islam. This bank will benefit the student and also their parents, due to its unique structure that could finance students' education in term of fees and cost of living. Islamic *waqf* bank uses the concept of cash *waqf* in terms of funding the education. While cash *waqf* is a trust fund established with money to support services for mankind's benefits in the name of Allah. The objective of this article is to examine the relationship between level of income and contribution method of cash *waqf* fund in Islamic *waqf* bank as well as the appointment of an agent in collecting *waqf fund* in Islamic *waqf* bank. The methodology of this research is a quantitative research towards 287 respondents among Muslim public in this country. The general finding of this article shows that, with proper contribution method and the appointment of Islamic *waqf* bank as 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, *waqf* management.

1. 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

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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) 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 immoveable or moveable (e.g. cash *waqf*). In cash *waqf*, *al-Waqif* (donor) endowed cash instead of real estate. Cash *waqf* begin in primeval Mesopotamia, Greece and the Roman Empire. In fact, in the eighth century, Imam Zufar 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. Anyone, subject to certain *Shariah* conditions, can be *al-waqif* (donor) through cash *waqf* (Chowdhury *et.al*, 2011).

2. Literature Review

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*. 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. In addition, Muhammad Ridhwan Ab. Aziz *et.al.*(2013) explain about the *waqf* bank models that can be applied for Islamic *waqf* bank and also concluded that there is possible structure for *waqf* model and instrument that can be implemented in the future for the financing in education.

Besides, Mohd Asyraf Yusof and Muhammad Ridhwan Ab. Aziz (2013) concluded that there is strong willingness to contribute for Islamic *waqf* bank from any level of income despite the low income level as well the high income level. The only reasons that people did not want to contribute for Islamic *waqf* bank is lack of knowledge about *waqf* and lack of trust for the people who represent as an agent for Islamic *waqf* bank to collect *waqf* donation. Thus the study about *waqf* collection instrument has to be made in order to solve the problem. Also institute of higher learning have to provide reading material regarding *waqf* for public to understand the concept of *waqf*.

Moreover, Muhammad Ridhwan Ab. Aziz *et.al.*(2013) stated that students will be more motivated if they get free education from Islamic *waqf* bank thus it will ease the burden of their parent. Islamic *waqf* bank is an alternative for education loan and a replacement for PTPTN. Also, there is high demand on the establishment of Islamic *waqf* bank among Muslim public and student.

According to Muhammad Ridhwan Ab. Aziz, Mohd Asyraf Yusof and Fuadah Johari (2013), managing cash *waqf* is crucial to facilitate Islamic banking management system especially in the area of Islamic *waqf* bank. There is possible structure for *waqf* model and instrument that can be implemented in the future for the use of Islamic *waqf* bank. 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.

On the other hand, Mohd Asyraf Yusof, Muhammad Ridhwan Ab. Aziz and Yusof Ramli (2013) stated that there is a possible opportunity and mechanism for implementing Islamic *waqf* bank model. Electronic method is appropriate for individual contributor thus, it will smoothen the cash inflow of Islamic *waqf* bank. Besides, appointing an agent to collect *waqf* funds also important for individual contributor due to not all contributors is familiar with electronic method especially the old citizen. Also the *waqf* funds should be invested for increasing the economic value of the funds. Managing cash *waqf* is crucial to facilitate Islamic banking management system especially in the area of Islamic *waqf* bank. There is possible structure for *waqf* model and instrument that can be implemented in the future for the use of Islamic *waqf* bank.

3. 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 287 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: Exploratory Factor Analyses

No	Item
Cronbach Alpha=0.857	
1	Electronic method appropriate for individual contributors
2	Direct debit method appropriate to corporate contributor for continuous contribution
3	Appointment of agents for *waqf* bank would be needed for public

4. Discussion and Findings

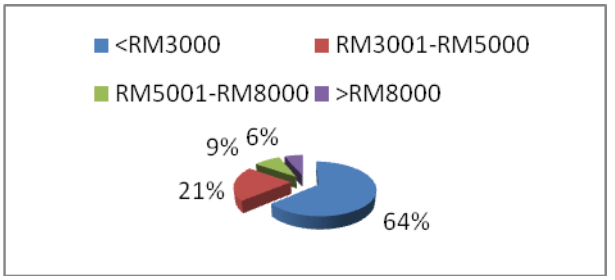

Figure 1: Income

Based on Pie chart above, the majority of respondents have income less then RM3000 per month which is 64% out of 287 total respondents, followed by respondents who have income between RM3001 to RM5000 comprising of 21% from the total respondents. Next are respondents who have income between RM5001 to RM8000 which is 9% out of total respondents and lastly is respondent who have income more than RM8000 which is 6% out of total respondents.

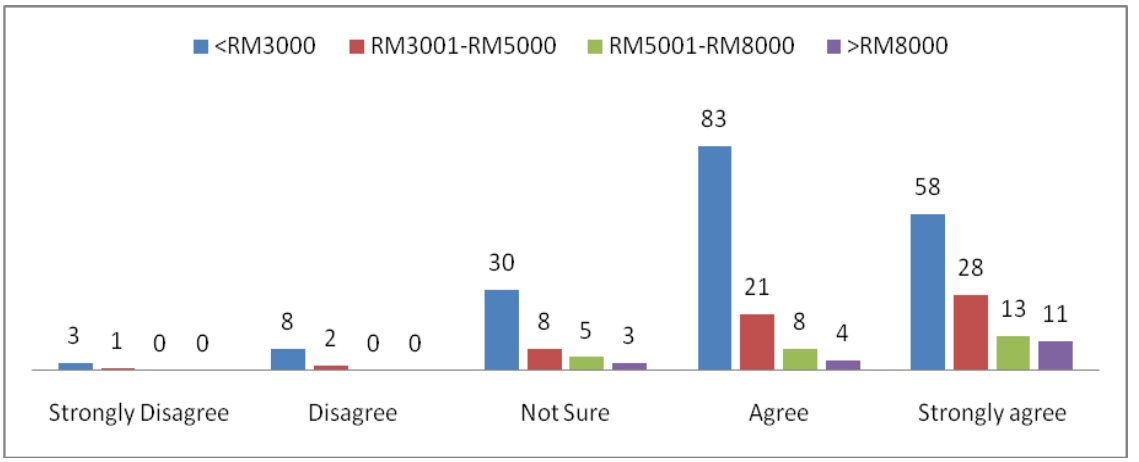

Figure 2: Electronic Method Appropriate for Individual Contributors

The above Bar chart indicates that there were 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 were only 3 participants who strongly disagreed to use electronic method in contributing for Islamic *waqf* bank and 8 respondents who were disagreed to use electronic method in contributing for Islamic *waqf* bank. Perhaps, they seldom use electronic device in their daily activities and have low confident to use it. There were 30 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 were 83 respondents who agreed and 58 respondents who strongly agreed 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 was only 1 person who strongly disagreed and 2 person who disagreed to use electronic method in contributing for Islamic *waqf* bank. Conceivably, they confuse about the mechanism for collecting the fund. There were 8 respondents who not sure how to use electronic method in contributing for Islamic *waqf* bank maybe because some of them is an old citizen who did not use much of a gadget. There were 21 respondents who agreed and 28 respondents who strongly agreed 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 were only 5 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 8 respondents were agreed and 13 of respondents were strongly agreed to use electronic method in contributing for Islamic *waqf* bank.

Furthermore respondent with income more than RM8000 almost all were agreed to use electronic method in contributing for Islamic *waqf* bank. Perhaps 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.

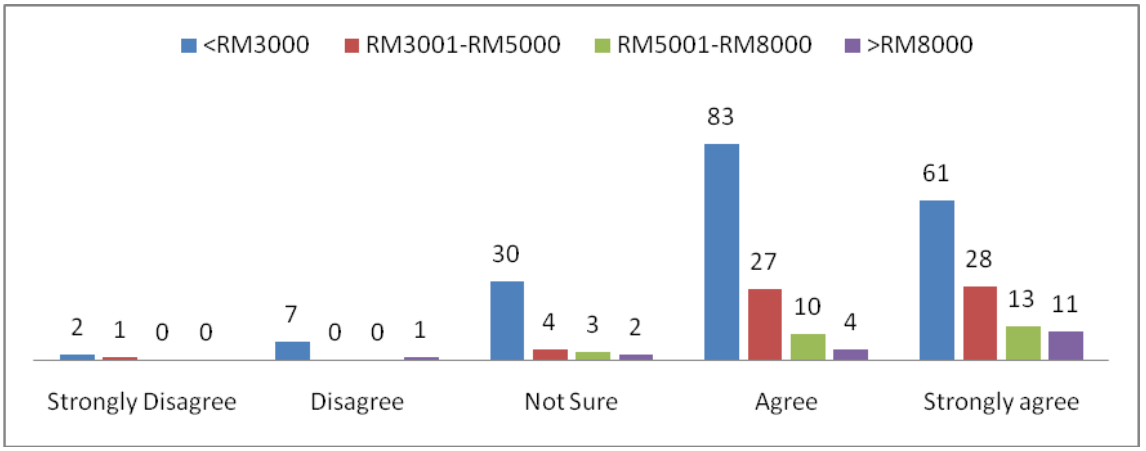

Figure 3: Direct Debit Method Appropriate to Corporate Contributor for Continuous Contribution

The bar chart above shows the agreement statistics of respondents on the issue of direct debit method being appropriate for their corporate contributor to use on respondents' continuous contribution in *waqf*. As you can see, 2 respondents with income below RM3000 and 1 respondent with the income above RM3001-RM5000 strongly disagreed while none from respondents above RM5001-RM8000 and respondent with more than RM8000 income per month. Next is that 7 respondents from below RM3000 income and 1 from income above RM8000 disagreed and none from both respondents with income RM3001-RM5000 and RM5001-RM8000. Subsequently, 30 respondents with income below RM3000, 4 from income RM3001-RM5000, 3 from income RM5001- RM8000 and 2 from income above RM8000 are not sure with the decision. But the number rises for respondents who agreed instead which are 83 respondents with income below RM3000, 27 from income RM3001-RM5000, 10 from income RM5001-RM8000 and 4 from income above RM8000. Lastly, 61 respondents with less than RM3000 income, 28 respondents with RM3001-RM5000 income, 13 respondents with RM5001-RM8000 income and 11 respondents with income above RM8000 strongly agreed with the decision.

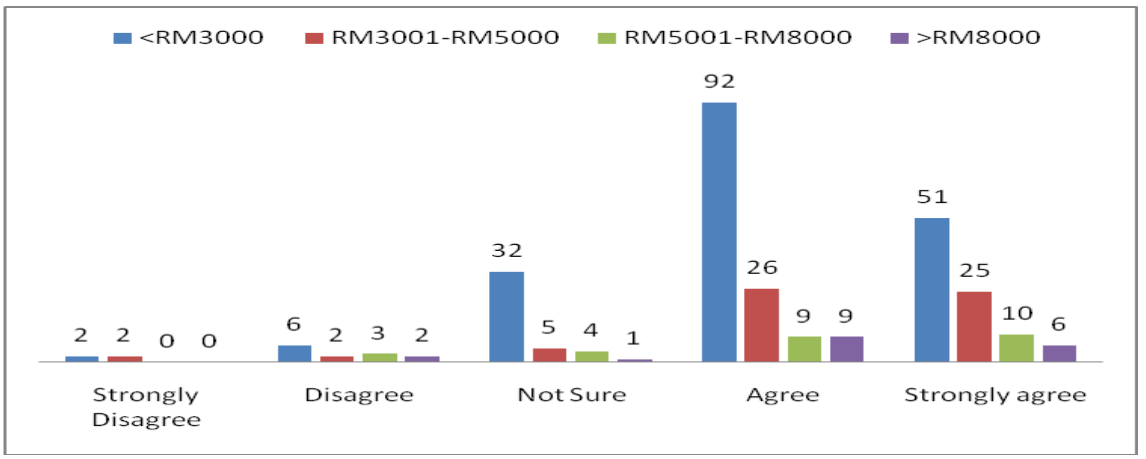

Figure 4: Appoinment of Agents for *Waqf* Bank Would be Needed for Public

The bar chart reveals the number of respondents responding to the relevant issue towards the need of appointing agents for *Waqf* Bank to the Public. As shown, 2 respondents with income both below RM3000 and RM3001-RM5000 strongly disagreed while none from two other incomes above. Whereas 6 respondents with income below RM3000, 2 from both incomes of RM3001-RM5000 and above RM8000 and 3 from respondent with RM5001-RM8000 income disagreed with the subject apprehended. Next, there are 32 respondents with an income below RM3000, 5 from RM3001-RM5000 incomes, 4 from RM5001-RM8000 incomes and 1 from the income above RM8000 who are not sure of the decision. To continue, there are 92 respondents with an income below RM3000, 26 from income of RM3001-RM5000, 9 from both incomes of RM5001-RM8000 and above RM8000 that agreed with the condition. Finally, there are 51 respondents from below RM3000 income, 25 from RM3001-RM5000 income, 10 from RM5001-RM8000 income and 6 from above RM8000 income who strongly agreed with the situation instead.

5. 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.

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