

CHAPTER 5

THE ANALYSIS OF WAQF BANKING PRODUCTS IN MALAYSIA

5.0. Introduction

Concerning the first objective of this study, which is to identify the concept of WBPs based on financial inclusion in Malaysia, this chapter discusses in detail the concept of WBPs and their role in addressing financial inclusion in Malaysia from the interviewees' perspective. This chapter also describes the definition of WBPs, the reason behind the development of WBPs, the awareness among the public of WBPs, and the cash waqf structure for WBPs from the interviewees' point of view.

5.1. The Definition of Waqf Banking Products

As discussed in the previous chapter, to formulate WBPs, this study must understand the definition of waqf, IBPs, and the Islamic window. This study also needs to elaborate on the waqf definition and study the function of waqf for the Muslim community. Moreover, since WBPs are waqf products and also IBPs, this study needs to explore the role and connection of these two subject matters. Other than that, this study also needs to comprehend the practice of the Islamic window in Malaysian conventional banks.

Waqf is an Arabic term that means to preserve, stop, maintain, and uphold certain assets in the name of Allah (SWT) (Ab. Aziz & Yusof, 2019). In Islamic economics, waqf refers to a voluntary endowment act of wealth, assets, or fiat money for charitable

purposes such as building masjids, schools, hospitals, orphanage homes, etc. A specific organization manages donated waqf assets.

On the other hand, cash waqf can be defined as a movable waqf that aims to provide convenience to the Muslim community in performing waqf donations (Hayari et al., 2018). Since the end of the 16th century, the Ottoman Empire has regularly employed cash waqf. Cash waqf was utilized to finance entrepreneurs' businesses during the period, with the proceeds going toward public services such as hospitalization, education, water channeling, bridges, and roads. Cash waqf played a significant role in the empire's economy (Asni et al., 2020b).

In Malaysia, waqf is administered by SIRC in each state with a state enactment. Each state in Malaysia has its own waqf enactment. As a result, waqf management is different in each state. Additionally, some of the waqf institutions offer waqf products. For example, PWS offers Waqf Selangor Muamalat in collaboration with Bank Muamalat Malaysia Berhad, which functions as a waqf collection product (Othman et al., 2021).

The purpose of waqf in Islamic economics is to solve the problem of the ummah. For example, during the time of our Prophet Muhammad (SAW), Madinah citizens needed water for their daily lives. The problem is that the Jews own the well. Saidina Uthman bought the well from the Jews and donated (waqf) the well to all Madinah citizens (Hadith. an-Nasa'i. Kitab al-'Ihbas. #3608). So this example shows that the purpose of waqf is to solve the problem of the ummah (Amri, 2021).

Thus, waqf is a mechanism that can develop the economy while not neglecting human development (Ashran et al., 2021). In the era of our Prophet Muhammad (SAW),

waqf was used to develop the ummah. For example, this hadith shows that the practice of waqf for economic well-being has been practiced since the era of the Prophet (SAW).

Hadith narrated by Anas bin Malik:

Abu Talhah (Zaid bin Sahl), a companion of Rasulullah SAW, has a date farm in Bairuha, located not far from the Medina Mosque. The date farm is his most loved and proud asset. Abu Talhah (Zaid bin Sahl) rushed to the Messenger of Allah (SAW) and said, "I want to practice what Allah has commanded to give to charity what we love, O Messenger of Allah.

With the hope of getting a blessing in the sight of Allah, take it and put it where it suits you. Please accept Bairuha' garden, the only treasure I have, as alms. I leave it to you to distribute to those in need." The Messenger of Allah accepted the alms and assigned the technical division of the farm to Abu Talha himself and said, "This is a sacred asset. I have heard what you said, and I accept it. I will return it to you and give it to your closest relatives."

The Prophet only suggested that the revenue from the date farm be distributed to the closest and most needy family of Abu Talha, first, then to others. Then the Prophet gave his share to a poet, Hassan bin Thabit al-Ansari. Among the other recipients were Zaid bin Thabit and Ubay bin Ka'ab.

Source:(Hadith. al-Bukhairi. Kitab al-Wasaya. #2769)

In contrast, IBPs can be defined as banking products that operate under the principle of Islamic jurisdiction (El Mallouli & Sassi, 2021). In other words, IBPs are

Islamic financial products or Sharia-compliant financial products. The Sharia law prohibits IBPs from being part of riba' neither charging nor paying, and involved in prohibited business activities such as gambling, alcoholic drinks, gharar, maysir, etc. There are two principles of IBPs: profit-sharing and prohibition of riba' (Alhusban et al., 2021).

There are various contracts that have been practiced in IBPs, such as Mudharabah, Musyarakah Mutanaqisah, Ijarah Thumma al-Bay, Tawaruuq, Bay al-Innah, Bay Bithaman Ajil, Bay al-Istisna', etc. (Alhusban et al., 2021; Muneeza, 2018; Muneeza et al., 2020; Muneeza & Mustapha, 2020). Islamic finance addresses financial inclusion issues from three directions. The first is risk-sharing contracts, which offer an alternative to a conventional loan. The second is profit-sharing contracts, which provide an investment instrument for Muslim society. The third is other Islamic finance instruments that redistribute income or wealth among the Muslim community, such as zakat, waqf, and sadaqah (Shinkafi et al., 2020).

To ensure the sustainability of Islamic Banking Institutions, IBPs charge a certain amount of profit to cover management costs. In Malaysia, BNM has set a Base Financing Rate: the ceiling price or ceiling profit rate charged to the consumer (Zulkhibri, 2018b). Thus, to ensure the sustainability of WBPs, this product also needs to set specific fees so that the issuing bank of WBPs can cover their operation costs. The profit charge by the issuing bank is barely a minimum of 1% (R. Bakar & Nawal, 2020).

On the other hand, the Islamic window is a system that allows other banks, including conventional banks, to offer IBPs to their customers. An Islamic window issues IBPs through conventional bank branches or dedicated Islamic branches. A total of thirty-one commercial banks were entirely operated to meet consumers' needs. Five of these

commercial banks are full-fledged Islamic Commercial Banks, ten have Islamic subsidiary banks; and five use Islamic windows (BNM, 2021).

Table 5.1 illustrates licensed commercial banks in Malaysia with a list of commercial banks that operate Islamic windows. With the rise of so many banking institutions offering Islamic banking products, the variety of available products is not fully understood. Different banking organizations have widely adopted diverse Sharia terminologies and concepts, causing confusion among clients (H. Mohd Thas Thaker et al., 2020). Although there is concern regarding the Sharia-compliant issue, the Islamic window continues to grow in terms of market value and raises the profit of conventional banks (Shabbir, 2020). Thus, conventional banks' capital and asset sizes drastically increase, yielding snowballing market power (W. Ali et al., 2021). WBPs can apply the Islamic window concept to issue the product.

On the contrary, economic development needs to consider matters relating to humanity, focusing on economic growth that takes human development into account and does not concern itself with worldly profit. Thus, the combination of IBPs with waqf products is the solution for financial inclusion since most Malaysians nowadays live below the poverty line, especially during this COVID-19 pandemic (Ashran et al., 2021; A. R. Ismail, 2021). Therefore, WBPs are generous products that can help the poor, especially B40 (Amri, 2021). WBPs are special-purpose products meant to do a specific task or solve a problem (Manan, 2021). Thus, this product must align with Sharia law or precise waqf rulings (Hartini, 2020). If WBPs do not comply with waqf rulings and Islamic law, they will be regular IBPs or even conventional banking products (Amri, 2021; Arif, 2021; Othman et al., 2021).

Table 5.1: List of Licence Commercial Banks in Malaysia

No	List of Commercial Banks	Nationality		Type of Banks			Islamic Window
		Local	Foreign	Conventional	Islamic	Islamic Subsidiary	
1	Affin Bank Berhad	√		√		√	
2	Alliance Bank Malaysia Berhad	√		√		√	
3	Al Rajhi Banking & Investment Corporation (Malaysia) Berhad		√		√		
4	AmBank (M) Berhad	√		√		√	
5	Bangkok Bank Berhad		√	√			
6	Bank of America Malaysia Berhad		√	√			
7	Bank Islam Malaysia Berhad	√			√		
8	Bank Muamalat Malaysia Berhad	√			√		
9	Bank of China (Malaysia) Berhad		√	√			
10	BNP Paribas Malaysia Berhad		√	√			√
11	China Construction Bank (Malaysia) Berhad		√	√			
12	CIMB Bank Berhad	√		√		√	
13	Citibank Berhad		√	√			√
14	Deutsche Bank (Malaysia) Berhad		√	√			
15	Hong Leong Bank Berhad	√		√		√	
16	HSBC Bank Malaysia Berhad		√	√		√	
17	India International Bank (Malaysia) Berhad		√	√			
18	Industrial and Commercial Bank of China (Malaysia) Berhad		√	√			
19	J.P. Morgan Chase Bank Berhad		√	√			
20	Kuwait Finance House (Malaysia) Berhad		√		√		
21	Malayan Banking Berhad	√		√		√	
22	MBSB Bank Berhad	√			√		
23	Mizuho Bank (Malaysia) Berhad		√	√			√
24	MUFG Bank (Malaysia) Berhad		√				
25	OCBC Bank (Malaysia) Berhad		√	√			√
26	Public Bank Berhad	√		√		√	
27	RHB Bank Berhad	√		√		√	
28	Standard Chartered Bank Malaysia Berhad		√	√		√	
29	Sumitomo Mitsui Banking Corporation Malaysia Berhad		√	√			
30	The Bank of Nova Scotia Berhad		√	√			
31	United Overseas Bank (Malaysia) Bhd.		√	√			√

Source: (BNM 2021)

The development of WBPs must be based on the development of the ummah and welfare. In the context of waqf banking products, the Islamic economic system has provided a mechanism for redistributing wealth to ensure that the community shares economic development through waqf. Therefore, waqf is the origin of the distribution mechanism in the Islamic financial system because waqf does not need to be forced to do it (Ashran et al., 2021).

Therefore, WBP can be defined as a waqf-based financing product that complies with the pillars of waqf and Islamic law. WBPs will be distributed via the waqf window through Islamic bank employees. The purpose of WBPs is for the development and welfare of the ummah. This product is designed to solve the problems faced by the ummah. Figure 5.1. summarizes the definition of WBPs.

5.2 The Reason Behind the Development of Waqf Banking Product

Based on the previous chapter, that is, chapter four, data analysis, sub-topic four point three of the analysis for a reason behind the development of WBPs, there are three main reasons behind the establishment of WBPs. The three main reasons that have been identified in content analysis are (1) economic development, (2) the need for financial aid, and (3) waqf institutions that do not have the license to issue banking products.



Source: (Developed for the current study)

Figure 5.1: The Definition of Waqf Banking Products Model

5.2.1. Economic Development

Economic development can be defined as the fabrication of affluence that can benefit the community (Kriese et al., 2019). The basics of economic development are the fundamental monetary policy determined by the long-term financial factors and indicators thereof, which have the characteristics of steadiness and persistence (Chakraborty & Abraham, 2021). Economic development focuses on developing social and human resources that aim to improve the standard of living (Avianto et al., 2021).

The key to economic development is increased production of goods and services, investment, human resources or labor resources, advancement of technologies, and human capital (Lal, 2021). Economic development is generally assessed as an increase in the accumulated price of new products and services produced, as measured by GDP (Shabir Ahmad & Bajwa, 2021).

Economic development is essential to retaining and growing employment and investment in a country (Yin & Jin, 2021). Expanding entrepreneurship, SMEs, large corporations, and other private sectors to create employment opportunities is essential (Nakara et al., 2020). Therefore, facilitating human resources, information, and opportunities and removing barriers are key to making it possible (Sajjad et al., 2020).

On the other hand, the relation of waqf with economic development is the use of waqf in diverting cash waqf funds and other resources into investment vehicles to generate revenue for Muslim society. In other words, waqf is the perfect combination of collecting and investing funds to produce income, which involves converting particular resources into productive assets that upsurge the accretion of principal investment in the economy (Ismail Abdel Mohsin, 2013b).

The waqf ruling prevented waqf assets from being disposed of in any form. Waqf assets should perpetually remain in the waqf domain. New waqf assets should be added to the waqf domain administered by a trustee, such as waqf institutions (M. Abdullah, 2020a). As a result, waqf assets incessantly grow and cannot be declined, as the waqf ruling prohibits it. Therefore, waqf is a regular investment and is growing (M. Abdullah, 2020b).

Consequently, the relationship between WBPs and economic development is that WBPs will be used to raise waqf funds to develop waqf assets, where these waqf assets can grow and generate income (R. Bakar & Nawal, 2020). It means that these WBPs can generate sufficient waqf funds to develop waqf projects and waqf assets and grow more widely (Ashran et al., 2021). WBPs must be designed to generate income from waqf assets for general use (Hartini, 2020). From the standpoint of the benefits of waqf property, WBPs are used to develop the economy of Muslims in Malaysia (Othman et al., 2021).

WBPs are needed to create waqf funds and develop the existing waqf assets. For example, if waqf institutions have a waqf investment product, they can generate more waqf funds and waqf assets that can provide income (A. R. Ismail, 2021). Therefore, the primary reason why WBPs need to be established is to prevent waqf properties in Malaysia from being left idle. On the other hand, WBPs can also ease the burden on the government to revive the economy (Manan, 2021).

From an economic point of view, waqf can be one of the alternatives for the economic development of Muslims. As the cost of living increases and the unemployment rate increases, WBPs will help solve Muslims' problems. WBPs will at least allow Muslims to remain competitive (Amri, 2021). Therefore, Malaysians need WBPs, especially the B40 group and those who have lost their jobs. Hence, Malaysians require WBPs for survival;

raising funds to develop waqf assets is crucial to meeting this objective (Ashran et al., 2021).

5.2.2. The Needs for Financial Aids

Financial inclusion is crucial to economic development (Abdullahi & Othman, 2021). The current role of waqf in addressing financial inclusion is vital for Muslims' economic development (Mokhtar Maouloud et al., 2021). On the other hand, the primary function of waqf in economic growth has been acknowledged in the literature, but it is less debatable in addressing financial inclusion (Nilakantan et al., 2019). Since the pandemic COVID-19 hit the world, measuring the status of financial inclusion has been rather unbearable (Bharti & Malik, 2021).

Waqf is considered a practical tool for poverty alleviation and addressing financial inclusion (Zauro et al., 2020). In an attempt to grasp financial inclusion in Islamic finance with a clear focus on addressing financial inclusion in Malaysia, this research has demonstrated that WBPs could be an alternative for the B40 community in Malaysia that lacks access to banking services (Basri, 2021).

Nowadays, people are in dire need of financial products (Amri, 2021). Due to the pandemic COVID-19 and the economic downturn (Manan, 2021), WBPs can provide a loan in the form of Qard al-Hassan. These funds come from Muslims and help other less fortunate Muslims. Some M40s have lost their jobs, so they deserve help (Hartini, 2020). Many Malaysians lost their jobs when COVID-19 hit the world. Most of them are from the B40 and M40 groups, and they cannot pay their debts to the bank (Othman et al., 2021).

Apart from that, Malaysians nowadays have home financing, car financing, etc. They cannot pay the installment because they have lost their jobs, not to mention the increase in Overnight Policy Rate (OPR) and the interest rate (Othman et al., 2021). WBPs can help Muslims in need; for example, microfinancing from WBPs can help start a business to find a source of income and takaful products for protection (A. R. Ismail, 2021). Apart from that, the average income of Malaysians is still low. That is why B40s need to ensure that food is served on the table for the whole family every day (Amri, 2021).

For example, WBPs offer waqf microfinance products to help those who lost their jobs. And at the same time, WBPs can further develop waqf properties that were not created (Ashran et al., 2021). Thus, WBPs are a sustainable financing product that can help solve the problems of Muslims (Arif, 2021). Consequently, WBPs need to be implemented in Malaysia to overcome the B40 group affected by the COVID-19 pandemic. It's suitable for the B40 group to refinance through WBPs. Furthermore, with the rising cost of living and rising medical expenses, this product is much needed (Hartini, 2020).

5.2.3. Waqf Institutions do not have the License for Issuing Banking Products

According to Section 25 of the Civil Law Act 1965, the management of Muslim assets should be commensurate with Islamic law (Iqmal et al., 2018). There are thirteen states and one federal territory in Malaysia with their own SIRC (Abu Talib et al., 2020). That means each state has a different SIRC that enforces the legislation accordingly (Kamaruddin & Hanefah, 2021). Thus, waqf management and everything related to waqf are accountable to SIRC (M. Sulaiman & Alhaji Zakari, 2019).

As the SIRC is authorized to administer the waqf in each state in Malaysia, several other institutions are approved by the SIRC to act as denominators on behalf of the SIRC (Abu Talib et al., 2020). It includes the establishment of SIRC support institutions such as PWS within the Selangor State Islamic Religious Council (MAIS) and Pusat Wakaf MAIWIP Sdn Bhd of the SIRC of the Federal Territory (Kader & Mohamad, 2019).

In addition, there are other institutions authorized by the SIRC to manage waqf assets in Malaysia, although they are not directly under the control of the SIRC (M. A. Bin Mohd Thas Thaker, 2018a). These include Awqaf Holding Berhad (AWQAF), Waqaf An-Nur Corporation Berhad (WANCorp), public universities, and selected Islamic non-profit organizations in Malaysia (Sapuan et al., 2018).

On the other hand, the initiative by local Malaysian banks to participate in the collection of cash waqf facilitates Malaysian Muslims' cash waqf donations (S. Sulaiman et al., 2019). Six Malaysian local banks that participated in cash waqf collection were: BIMB, BMMB, Affin Islamic Bank Berhad, Bank Kerjasama Rakyat Malaysia, RHB Islamic Malaysia Berhad, and Maybank Islamic Berhad (Ab Shatar et al., 2021).

The role of Islamic banks has actively become important value-based intermediaries, and the funds raised from Islamic banks can be used for Sharia compliance investments (A. N. Hasan et al., 2020). In addition, the next proceeds can be used to support several projects that can stimulate economic empowerment, promote education, and improve the health system (Noor Mahinar Abu Bakar, Norhashimah Mohd Yasin, 2019).

In contrast, WBPs need to participate in Islamic banks to distribute the product (Arif, 2021). The question is, why do we need to use banks as marketing and collection agents? It is because waqf institutions do not have the expertise and license to distribute

financial products and collect debts (Amri, 2021). To overcome this problem, WBPs must be developed to create a bridge between an Islamic banking institution and a waqf institution (Ashran et al., 2021). The collaboration between these institutions will make WBPs possible, thus boosting the Muslim economy (R. Bakar & Nawal, 2020). With the bank becoming a marketing agent, this product will be easier to reach the consumer (A. R. Ismail, 2021).

5.3. Awareness Among the Public of Waqf Banking Products

Waqf's efficiency was recognized during the time of the Prophet Muhammad (SAW), the early Companions, and the Ottoman Empire. It is believed that this is the starting point of waqf as a means of socio-economic development (Tanjung, 2018). Almost all sectors, including health, education, and general welfare, were funded totally by waqf in all forms, including monetary waqf, under every Islamic Empire, including the Ottoman Empire. Despite its potential benefits, the significance of waqf, particularly cash waqf, in boosting the socio-economic sector has diminished dramatically over the years (Arshad et al., 2018).

Due to the widespread awareness and knowledge that waqf is only for religious reasons, such as in masjids, and religious schools, waqf assets remain stagnant (Zain & Muhamad Sori, 2020). Furthermore, past research has revealed that waqf is frequently interpreted as a type of lasting contribution, mainly in the form of land and properties rather than cash. Furthermore, there appears to be a reluctance to depart from the established waqf system's historical beliefs and resist change out of fear that any modifications will violate Sharia principles (Zauro et al., 2020).

It is evident in the general sense of complacency among most Muslims, who are unlikely to make additional efforts to learn more about waqf and advance their understanding. According to studies, the growth of waqf assets has been vulnerable or delayed in practically all Malaysian states due to the low budget encountered by the majority of the SIRC and JAWHAR (M. Sulaiman & Alhaji Zakari, 2019).

It is supported by a previous study by Thaker and Pitchay (2018), who discovered that such waqf property development costs are over RM 1 billion, taken from the Malaysian Federal Government's allocated funds in the Ninth Malaysian Plan (9MP) and the Tenth Malaysian Plan (10MP), respectively. As a result of the preceding, just a tiny percentage of Malaysian Muslims may know that waqf can benefit society in numerous ways.

Previous studies by scholars such as Afroz et al. (2019); Akmal et al. (2021); Nasiri et al. (2019); and others all agreed, albeit conceptually, that general public awareness and understanding of waqf in Malaysia was poor, stagnant, and trailing. Even though these studies concentrated on WBPs, awareness of waqf is likewise low. According to Bakar & Nawal (2020), understanding of waqf among the Muslim community in Malaysia is still inadequate, and only around 20% fully understand the term waqf.

It means that implementing WBPs is quite challenging and time-consuming (Amri, 2021). In the 90s, Malaysians rarely heard about insurance and takaful (A. R. Ismail, 2021). Because of the lack of awareness regarding the importance of insurance and takaful. The same goes for WBPs. Without understanding and awareness, Muslims in Malaysia will not understand what it is used for and how it works to help the Muslim community (Arif, 2021).

5.3.1. Muslims' Perception Towards Waqf Banking Product

Few studies have been done on the perception of waqf products in Malaysia. For instance, Noorhidayu et al., (2020) studied the perception of waqf base takaful products in addressing flood victims' problems. Other than that, Azrai Azaimi Ambrose et al. (2018) discuss waqf financing based on the concept and understanding. The study's objective is to assess the perception of waqf financing among Muslim societies in Malaysia.

The empirical evidence suggested that the perception of waqf financing and other products in Malaysia is only for religious purposes such as religious schools, masjids, graveyards, etc. (Amri, 2021; A. R. Ismail, 2021; Othman et al., 2021). It is due to a lack of waqf knowledge, lack of waqf understanding, and lack of waqf promotion and education in Muslim society (Ashran et al., 2021; R. Bakar & Nawal, 2020; Basri, 2021).

According to this study, focus group data by Othman et al. (2021), Muslims assume that WBPs will free banking products. It is because the term waqf is for charity, not profit-making products. This opinion is also supported by Amri (2021), who expressed concern regarding the perception of WBPs. If the term waqf is used in the financing products, Muslims will consider this type of financing accessible without having to repay the financing.

Theoretically, the perception of society is, waqf is for a charitable purpose whereas waqf is an alms deed where the community can freely use waqf properties. Therefore, if WBPs charge a specific profit rate, society will assume that this product is haram (Basri, 2021). Moreover, a lack of knowledge of waqf will impose a lousy perception of WBPs. Most Muslims think waqf is for charity purposes, while the function of waqf in the Islamic financial system is to develop ummah (Manan, 2021).

5.3.2. The Misconception of Waqf Banking Product

One of the misconceptions of waqf is that waqf should be in the form of fixed assets such as buildings, a plot of land, etc. (Muchlis Gazali et al., 2019). Furthermore, most Muslims think that waqf assets are for religious purposes such as masjids, religious schools, and other religious purposes. In other words, waqf should not be in the form of cash, and it is not permissible. Such a misconception will leave waqf assets stagnant and not expand (Traore et al., 2018).

Another misconception regarding waqf is waqf assets are only for Muslims (Alhabshi et al., 2020). Waqf assets are not only for Muslims, and they could be used by everyone, including non-Muslims except for those who are against Islam (Adila & Noor, 2021). It is supported by hadith al-Bukhari:

Allah's Messenger said, "While a man was walking he felt thirsty and went down a well and drank water from it. On coming out of it, he saw a dog panting and eating mud because of excessive thirst. The man said, 'This (dog) is suffering from the same problem as that mine. So he (went down the well), filled his shoe with water, caught hold of it with his teeth, and climbed up and watered the dog. Allah thanked him for his (good) deed and forgave him.'" The people asked, "O Allah's Messenger! Is there a reward for us in serving (the) animals?" He replied, "Yes, there is a reward for serving any animate."

Source: (Hadith. al-Bukhari. Kitab al-Misaqa #2363)

Al-Hafiz Ibn Hajar al-'Asqalani Rahimahullah has said: "From this hadith, there is in its encouragement to do good among fellow human beings. This is because if a

someone obtains forgiveness due to giving water to dogs, then giving water to Muslims is more rewarding and it becomes proof that one should give alms to the polytheists (non - Muslims)”. Sheikh Abdur Rahman as-Sa'adi Rahimahullah has said in interpreting this verse: “Allah does not forbid you from doing good, continuing friendship, rewarding and being fair to non-Muslims, whether your family members or not, as long as they not fighting your religion and not expelling you from your country (Al-Bakri, 2019).

Waqf needs cash donations to expand (Ainol-Basirah & Siti-Nabiha, 2020). No matter what living standard they are at, everyone should donate to waqf assets (Abd Aziz & Noh, 2019). Every Muslim in Malaysia will benefit from developed waqf assets (Mohammad Hidir et al., 2021). Therefore, this misconception about waqf in Malaysia needs to be addressed. People need knowledge regarding waqf and its potential for economic development (R. Hasan et al., 2018).

In terms of WBPs, Muslim society will also have misconceptions about how waqf institutions could offer financing products (R. Bakar & Nawal, 2020). Even though waqf institutions have this type of product, would it be the same as IBPs since non-Muslims can apply for IBPs (Arif, 2021)? As explained earlier, some misconceptions regarding waqf are that waqf is only for Muslims. Muslim society will have the same misconception about WBPs (Basri, 2021).

5.4. Cash Waqf Structure for Waqf Banking Products

Several researchers have done studies on the cash waqf structure. For example, Sulaiman et al. (2019) discussed the concept of a cash waqf structure for unit trust waqf, Ab Shatar et al. (2021) studied the collection of cash waqf by Islamic banking

institutions, and Thaker (2018) suggested the use of cash waqf can be extended to financing small businesses and entrepreneurship.

Cash waqf can develop the Muslim economy, especially in financing the poor (Saiti et al., 2021; M. Sulaiman & Alhaji Zakari, 2019). Although the discussion of the potential of cash waqf is essential, the argument regarding the growth, expansion, and legality of cash waqf is also crucial for sustainable cash waqf financing (Azrai Azaimi Ambrose & Abdullah Asuhaimi, 2021). Therefore, the discussion of cash waqf structure in this study will focus on the dos and don'ts of cash waqf structure, the investment of cash waqf, and the two models of cash waqf structure for WBPs.

5.4.1. The Do's and Don'ts of Cash Waqf Structure for Waqf Banking Product

The legitimacy of cash waqf has been confirmed by the Hanafi, Maliki, Shafi'i, and Hanbali schools of thought. Cash waqf is considered transportable or movable waqf, and it is permitted by the Hanbali and Maliki schools of thought. In its fifteenth meeting, al-Mujamma' al-fiqh (Islamic Fiqh Academy) released statement No. 140, which countersigns that cash waqf is permissible. Similarly, on May 11, 2002, Indonesia's "Ulama Council" issued a fatwa allowing cash waqf with the condition that the primary value of endowments be ensured sustainability (Aldeen et al., 2020).

Muslim scholars agree that once a property is designated as waqf, it is subject to three conditions. The same should be implemented in the case of cash waqf, namely: first is irrevocability: when a founder endows a cash waqf, he cannot revoke it, though he may take part of the profit in some exceptional cases; second is perpetuity; and third is

inalienability: it cannot be subject to any inheritance, gift, or isolation (M. A. Mohd Thas Thaker et al., 2021).

In the case of the cash waqf structure for WBPs, cash waqf cannot be directly used as capital for WBPs (Ashran et al., 2021). Instead, cash waqf must be invested in Sharia-compliant investment vehicles or transferred to fixed assets (R. Bakar & Nawal, 2020). Sharia-compliant investment vehicles also have to be waqf-compliant. Waqf-compliant means the principal amount of waqf donations must be preserved (Othman et al., 2021).

The ROI, or proceeds from fixed asset rental income, can be used as WBP capital (Hartini, 2020). Half of the WBP capital will then be channeled into three types of products: waqf home financing, waqf microfinance, and waqf takaful (Amri, 2021; Hartini, 2020; Othman et al., 2021). The half of the WBP capital will be reinvested in Sharia-compliant investment vehicles (Ashran et al., 2021). Figure 5.2. summarizes the Do's and Don'ts of Cash Waqf Structure for WBPs.

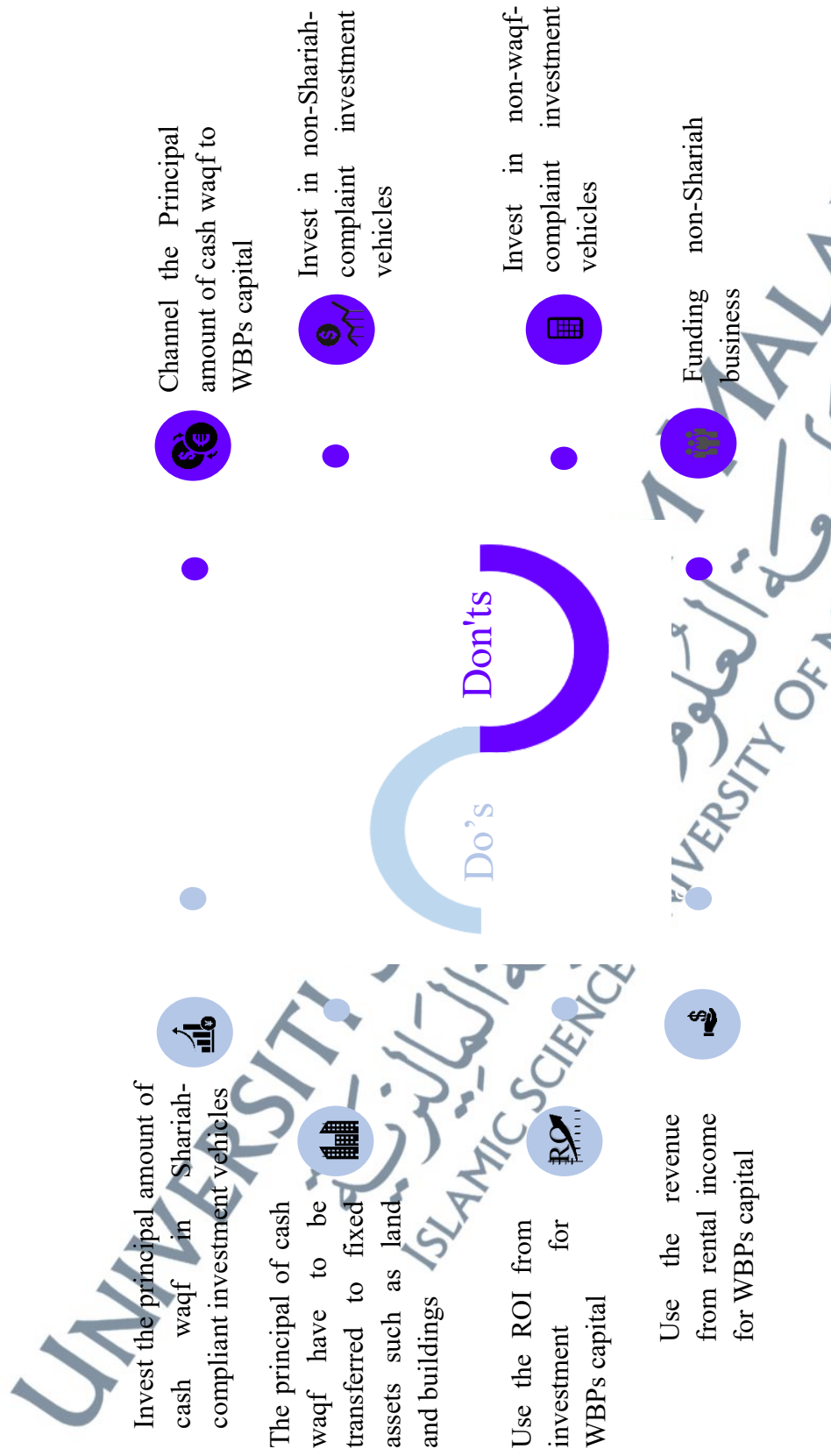
Figure 5.3. of the cash waqf structure for WBPs: model one depicts the cash waqf structure that supports the establishment of WBPs. The principal amount of cash waqf donated by waqif will be invested in Sharia-compliant and waqf-compliant investment vehicles (Ashran et al., 2021). The ROI will be kept in the WBPs fund account and managed by a fund manager (Arif, 2021; Basri, 2021; Manan, 2021). The WBPs fund will be channeled to these three products: waqf takaful, waqf home financing, and waqf microfinance (Amri, 2021).

5.4.2. Cash Waqf Structure For Waqf Banking Products: Model One

Cash waqf is a type of Islamic endowment that involves the contribution of cash instead of physical assets like property or land. The donor contributes cash to a cash waqf fund or foundation, which is set up for a specific charitable purpose. Cash waqf structures can take different forms based on the needs and preferences of the donor. For example, donors can set up a cash waqf fund as a perpetual endowment, where the principal amount remains invested and the returns are used indefinitely for the charitable purpose specified by the donor.

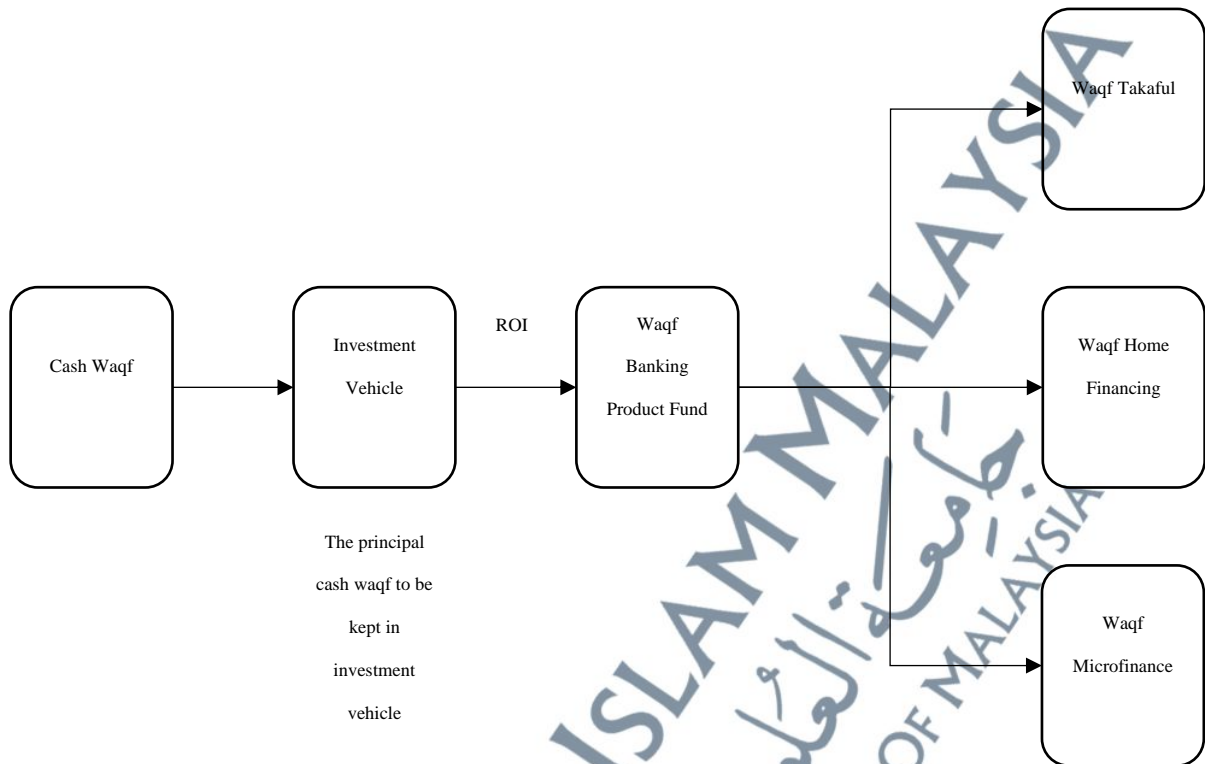
The nature of waqf is that it cannot be sold, is non-transferable, cannot be shared, and needs to be preserved. It means mutawalli has the responsibility to safeguard the waqf property to prevent the deterioration of its value. Although investing in certain Sharia-compliant investments could be risky, the principal amount of cash waqf can be invested in waqf-compliant investment vehicles (Othman et al., 2021).

Waqf-compliant investment vehicles such as Islamic fixed deposit investments could preserve the principal amount of cash waqf. Thus, this investment vehicle is the perfect place to put cash waqf, as the amount of cash waqf will not be depreciated in this kind of investment. The ROI from Islamic fixed deposits could be reinvested in other Sharia-compliant investment vehicles as it is not the principal amount of cash waqf donations (A. R. Ismail, 2021).



Source: (Developed for the current study)

Figure 5.2: The Do's and Don'ts in Cash waqf Structure for Waqf Banking Product



Source: (Developed for the current study)

Figure 5.3: The Cash Waqf Structure of Waqf Banking Products: Model One

Investment in unit trusts and share markets will increase Malaysia's GDP. To invest in unit trusts and share markets, again, this cash waqf structure of WBPs needs to use the ROI from waqf-compliant investment. It is because the investment in unit trusts and stocks is precarious. The price of stocks and unit trusts is unstable and changes daily. It may change upward or downward (Arif, 2021).

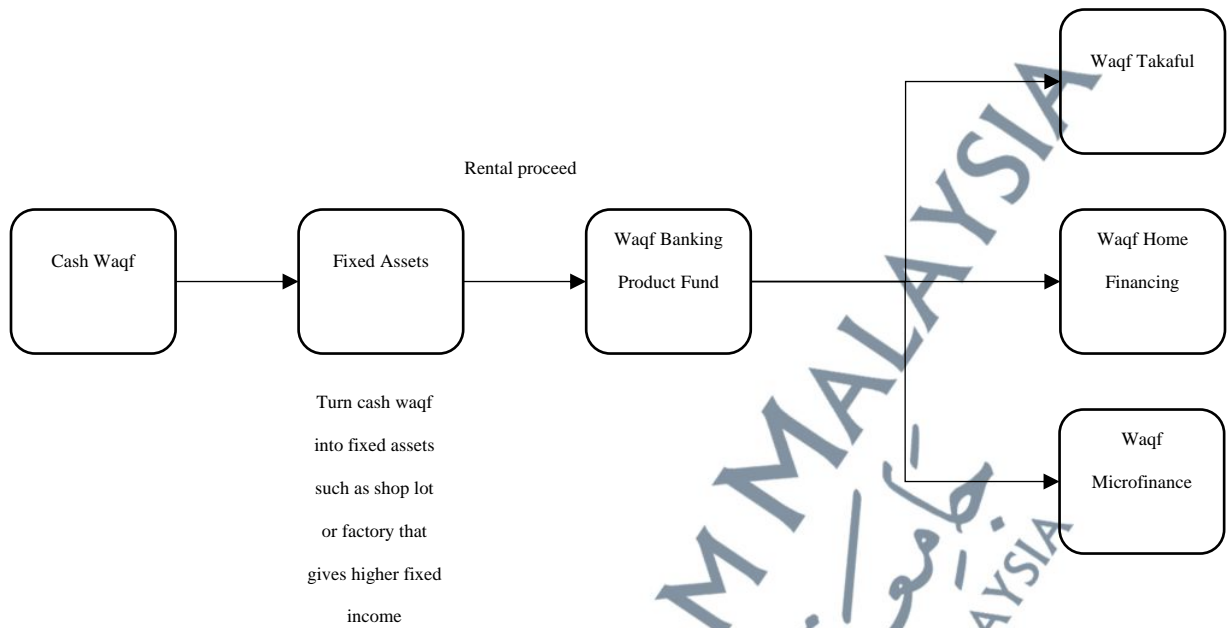
As a result, waqf has the advantage of time and can therefore be invested to maximize profit and revenue from waqf activities. Start with low-risk investments or investments supported by the government, such as investing in GLC companies or money markets, particularly Islamic bonds issued by the Malaysian government (Hartini, 2020).

Following the example of Tabung Haji, WBPs can invest in buying hotels in Mecca. Buying hotel buildings will satisfy the ruling that waqf is permanent. In terms of profit, the amount of rental income from two hotels in Mecca can be more profitable compared to ten hotels in Malaysia. Hence, the more lucrative choice of investment is in Mecca (Manan, 2021).

5.4.3. Cash Waqf Structure For Waqf Banking Products: Model Two

Figure 5.4. of the cash waqf structure for WBPs: model two portrays the cash waqf structure for WBPs. The cash waqf donated by the waqif will be transferred to fixed assets (Ashran et al., 2021). A fund manager will manage the rental revenue (Arif, 2021; Basri, 2021; Manan, 2021). Operating a cash waqf fund is crucial to meeting the objective of establishing WBPs.

Through good management, cash waqf can flourish in the Muslim socio-economy in Malaysia (R. Bakar & Nawal, 2020). In terms of managing the collection of cash waqf funds, this study can adopt what has been practiced by PWS by using internet banking, over-the-counter transactions, salary deduction, and auto-debit (Othman et al., 2021).



Source: (Developed for the current study)

Figure 5.4: The Cash Waqf Structure for Waqf Banking Products: Model Two

5.5. Chapter Summary

This study needs to understand the definition of waqf, IBPs, and the Islamic window in Malaysian conventional banks to formulate WBPs. Since WBPs and IBPs are financial products, it needs to explore the function and connection of these two subjects. On the other hand, Sharia law prohibits IBPs from being part of riba' or Islamic financial products. In Malaysia, BNM has set a Base Financing Rate, which is the ceiling price or ceiling profit rate charged to the consumer of WBPs.

IBPs charge a certain amount of profit to cover management costs. The Islamic window is a system that allows other banks, including conventional banks, to offer IBPs to their customers. Other Islamic finance instruments that perform as redistributions of income or wealth in Muslim society are zakat, waqf, and sadaqah. The combination of

IBPs with waqf is the solution for financial inclusion since most Malaysians nowadays live below the poverty line, especially during the COVID-19 pandemic.

