

# Scrutinizing the Method of Contribution for Islamic Waqf Bank Fund

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## Abstract

*Cash waqf means the dedication of some money from one's possessions and establishing an asset based on that amount and offering it to the benefit of people. It is also defined as the devotion of an amount of money by a founder and the dedication of its usufruct in perpetuity to the prescript purposes. Therefore, the study for the management of cash waqf fund is essential in order for the fund to be use efficiently. The objective of this article is to scrutinize relationship between level of income and contribution method of cash waqf fund in Islamic Waqf Bank as well as the appointment of Islamic Waqf Bank as an agent in collecting the fund. The methodology of research in this article is through a quantitative research towards 231 Muslim respondents. The general finding of this article shows that, the strong willingness among the respondents to use electronic method in contributing for Islamic Waqf Bank. It is proposed a proper channeled in contributing for waqf fund and the appointment of Islamic Waqf Bank as an agent in collecting the cash waqf fund, will be a strong tendency that the Islamic Waqf Bank's operation will be run efficiently.*

**Key words:** Waqf, cash waqf, Islamic Waqf Bank, Waqf fund collection

Jel Classification: P4, Z12,

## 1. Introduction

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 (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).

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In addition, *waqf* assets can also be immovable or moveable (e.g. cash *waqf*). In cash *waqf*, *al-Waqif* (donor) endowed cash instead of real estate. Cash *waqf* began in primeval Mesopotamia, Greece and the Roman Empire. Cash *waqf* would be invested through *Mudarabah* and profits would be spent for charity.

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).

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

## 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 existing 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 reduce government expenditure and all the associated benefits including downsizing the state sector and a elimination of *riba*. CengizToraman *et.al.* (n.d.), conclude that in a society where health, education and welfare were entirely financed by gifts and endowments, the cash *waqf* carried serious implications for the very survival of the Ottoman Empire.

According to Muhammad Ridhwan (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 the teacher and school supplies were funded by *waqf* revenue.

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 cannot afford to pay for 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, 2012); (Muhammad Ridhwan *et. al.*, 2013); (Mohammad Haj Alias, 2013).

In the case of Malaysia, *Waqf* in financing education in Malaysia has been implemented with initiatives from both public and private Institution of Higher Learning. According to (Mohammad Haji Alias, 2013b), among them are a) Albukhary International University, Kedah Malaysia, b) ‘*Dana Wakaf Ilmu*’, Universiti Putra Malaysia, c) ‘*Tabung Pemberian Islam*’, Universiti Kebangsaan Malaysia, d) Universiti Islam Malaysia, and the latest is Pusat Pembangunan Pembiayaan Wakaf PPPW) / Center for Awqaf Development Financing, Universiti Sains Islam Malaysia (USIM) namely as Al-Abrar Waqf Fund in March 2013 (Mohammad Haji Alias, 2013).

Moreover, Mohammad Tahir (2011) 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 Islamic Waqf Bank will contribute significantly to the society.

Besides, Mohd Asyraf and Muhammad Ridhwan Ab. Aziz (2013) conclude that there is strong willingness to contribute for Islamic *Waqf* Bank from all level of incomes. The only reasons that they did not want to contribute for Islamic *Waqf* Bank is the lack of knowledge about *waqf* and lack of trust for the people who represents as an agent for Islamic *Waqf* Bank to collect *waqf* donation.

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 conclude that there is possible structure for *waqf* bank model and instrument that can be implemented in the future for the financing in education. Based on a survey conducted by Muhammad Ridhwan Ab. Aziz *et.al.* (2013), it shows that 78 respondents out of 125 of total respondents were strongly agreed with the establishment of Islamic *Waqf* Bank as an institution that provide scholarship.

### 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 mostly are living in Klang Valley area, Malaysia amounting of 231 respondents. Researcher had randomly chosen assigned respondents from various related parties. After a thorough survey, data from respondents' answers are analyzed statistically through the use of Statistical Product & Service Solution (SPSS) version 17.

### 4. Discussion and Findings

#### *The Reliability of The Willingness Contribution For Islamic Waqf Bank Fund Collection*

This study analyses 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).

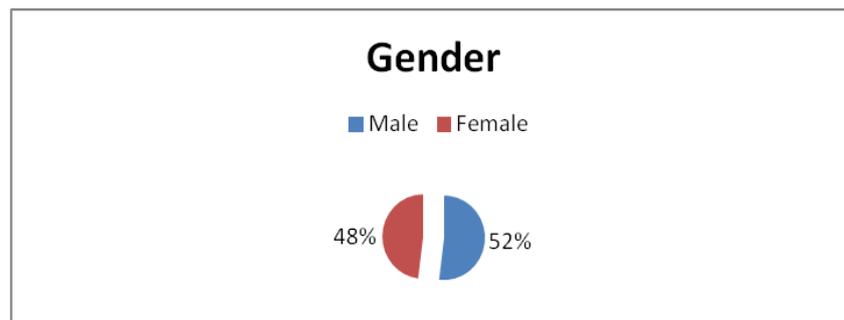
**Table 1:** Exploratory Factor Analysis

No	Item
	Cronbach Alpha=0.807
1	Electronic method appropriate for individual contributors
2	Appointment of agents for <i>waqf</i> bank would be needed for public
3	Direct debit method appropriate to corporate contributor for continuous contribution

Table 1 shows high reliability on the method of contribution for Islamic *Waqf* Bank. Responses have been observed from the highest ranking to the lowest of the lists from 3 selected key questions. The results show that firstly, the Muslim respondents agreed that electronic method is appropriate for individual contributors. Secondly, most respondents agreed that appointment of agents for *waqf* bank/funds would be needed for public. Thirdly, direct debit method is appropriate for corporate contributor for a continuous contribution.

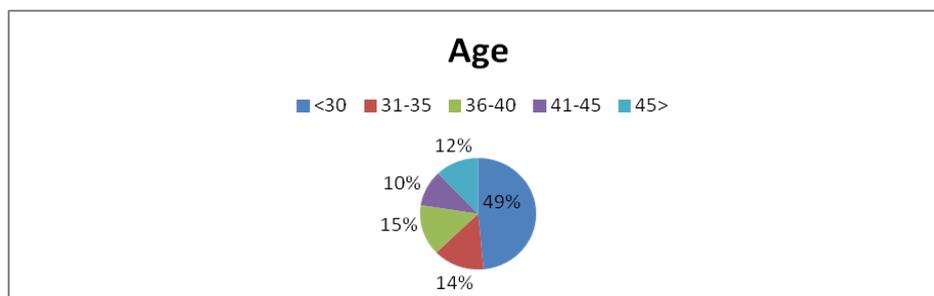
### ***The Demography of Respondents' Involved***

In order to scrutinizing the relationship between the contribution method of cash *waqf* fund in Islamic *Waqf* Bank as well as the appointment of Islamic *waqf* bank as an agent in collecting the fund. First, we want to look on the demographical analysis from the respondents involved.



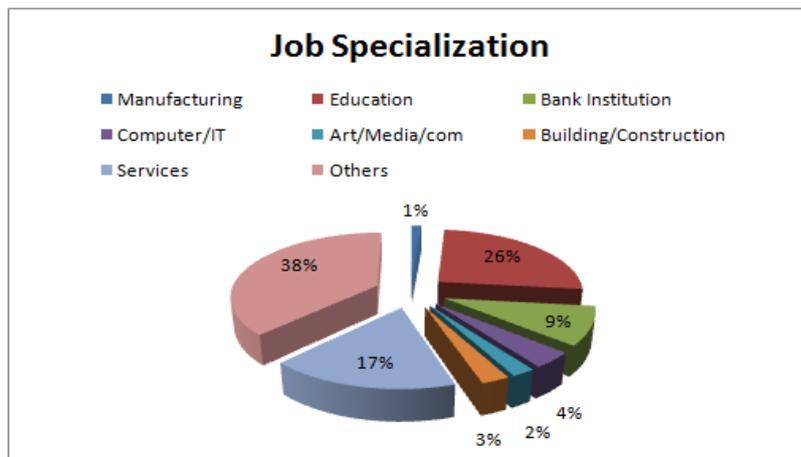
**Chart 1:** Pie chart showing the gender of respondents

From the survey, above are the descriptive analyses of the respondents. Chart 1 reveals that male respondent is 120 persons which are 4% higher than female respondent, which are only 111 persons.



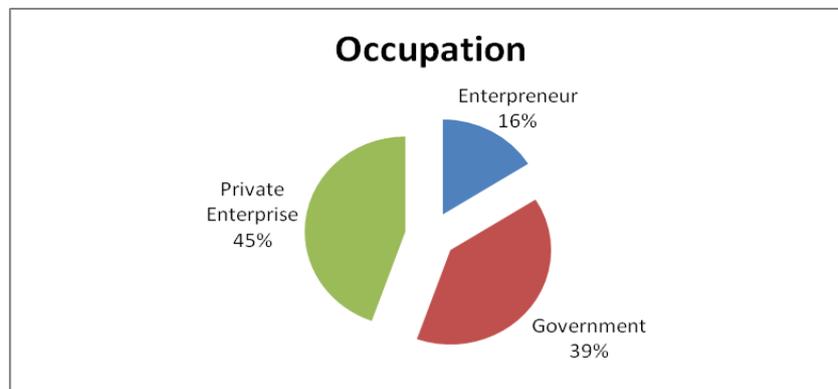
**Chart 2:** Pie chart showing the age of respondents

Based on chart 2 above, it shows that the respondent aged are below 30 years old and are the majority respondents (112 people) representing 49% out of 231 total respondents, followed by 36-40 years old with 34 respondents or 15%. Next, respondent with aged 31-35 years old or 33 persons (14%). The second last and last category of respondent are in the age of 45 and 41-45 years old, 28 and 24 respondents respectively or 12% and 10% of the total respondents.



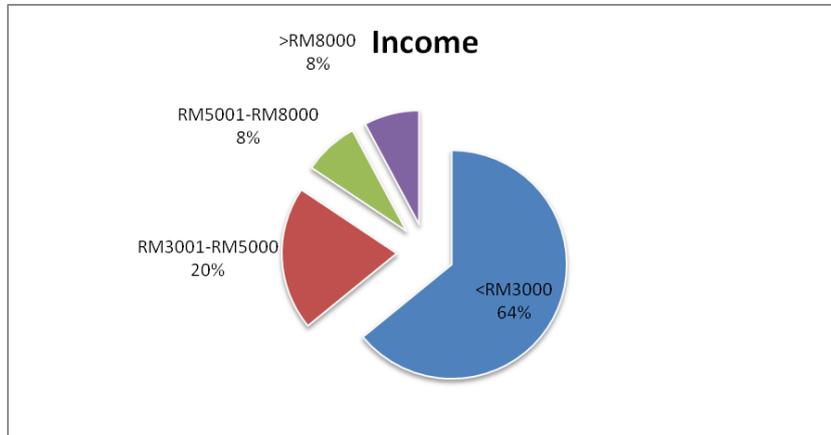
**Chart 3:** Pie chart showing the job specialization of respondents

Chart 3 of job specialization indicates that the majority of participants are from others specialization which is 87 peoples comprising of 38% and followed by education sector, 59 persons or 26% out of total respondents. Next, is the service sector with 17% which accounting of 40 persons from the total respondents. Lastly, is the banking institution with 9% or 22 respondents followed by computer, building construction, art and media and manufacturing which are 4%, 3%, 2% and 1% respectively.



**Chart 4:** Pie chart showing the occupation of respondents

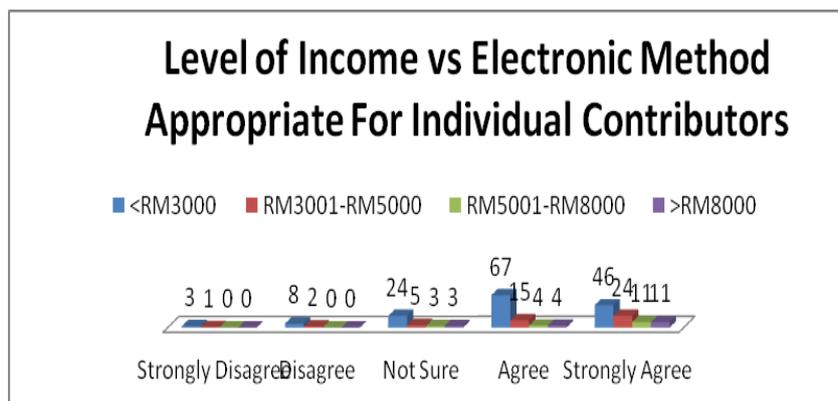
The above chart 4 shows that majority of participants are from private enterprise and government sector, which are 45% and 39% respectively. In the other hand, entrepreneurs are only 16%.



**Chart 5:** Pie chart showing the income of respondents

Based on chart 4 above, the majority of respondents have income less than RM3000 per month which is 64% out of 231 total respondents, followed by respondents who have income between RM3001 to RM5000 comprising of 20% from the total respondents. Next are respondents who have income between RM5001 to RM8000 and respondent who have income more than RM8000, both are 8%.

***The Relationship between the Level of Income and Contribution Method of Cash Waqf Bank Fund***



**Chart 6:** Bar chart showing the level of income vs electronic method appropriate for individual contributors

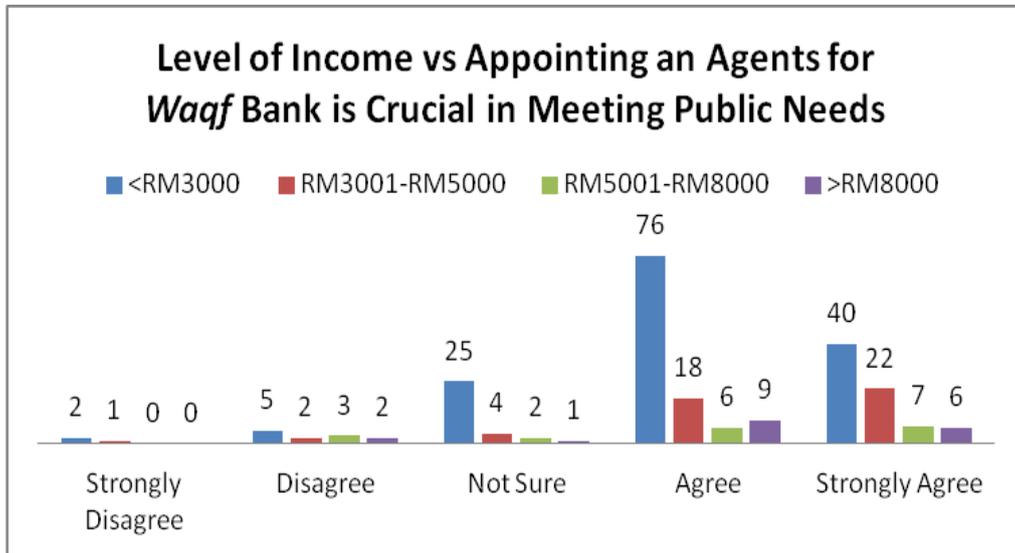
The above chart 6 indicates that there is a strong willingness among the respondents to use electronic method in contributing for Islamic *Waqf* Bank. Respondents who have income less than RM3000 show strong willingness to use electronic method in contributing for Islamic *Waqf* Bank. There are sixty seven respondents who agreed and forty six respondents who strongly agree to contribute for Islamic *Waqf* Bank. There are three participants who strongly disagree to use electronic method in contributing for Islamic *Waqf* Bank and eight respondents who are disagreed to use electronic method in contributing for Islamic *Waqf* Bank. There are twenty four respondents who not sure to use electronic method in contributing for Islamic *Waqf* Bank. These indicate that, the usage of electronic device not merely common to the respondents, and on top of that, the exposure and the knowledge about *waqf* are still to be explored among the respondents’.

Moreover, respondents with income between RM3001 and RM5000 also show strong willingness to contribute for Islamic *Waqf* Bank. There are only one person who strongly disagree and two people who disagree to use electronic method in contributing for Islamic *Waqf* Bank. Conceivably, they confuse about the mechanism for collecting the fund. There are five respondents who not sure how to use electronic method in contributing for Islamic *Waqf* Bank and there are fifteen respondents who agree and twenty four respondents who strongly agree to contribute for Islamic *Waqf* Bank.

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

Furthermore, respondent with income more than RM8000 almost all are agreed to use electronic method in contributing for Islamic *Waqf* Bank. Perhaps three respondents who not sure to use electronic method in contributing for Islamic *Waqf* Bank is because they did not see a clear picture about the operation and the flow of Islamic *Waqf* Bank.

***The Relationship between the Level of Income and Appointing an Agent for Cash Waqf Bank Fund***



**Chart 7:** Bar chart showing the relationship between levels of income vs appointing an agent for collecting *waqf* fund

The above chart 7 reveals that there are strong willingness to appoint an agent for collecting *waqf* funds and it is crucial in meeting public needs. Respondents who have income less than RM3000 show strong willingness to appoint an agent for collecting *waqf* funds. There are only two participants who strongly disagree to appoint an agent for collecting *waqf* funds and five respondents who are disagree to appoint an agent for collecting *waqf* funds perhaps, they did not trust the agent that the bank hire for collecting the funds. There are twenty five respondents who are not sure whether to appoint an agent for collecting *waqf* funds possibly because they do not have sufficient knowledge about *waqf* and how does the Islamic *Waqf* Bank operate. There are seventy six respondents who agreed and forty respondents who strongly agree to appoint an agent for collecting *waqf* funds.

Moreover, respondents with income between RM3001 to RM5000 also show strong willingness to appoint an agent for collecting *waqf* funds. There is only one person who strongly disagree and two persons who disagree to appoint an agent for

collecting *waqf* funds. There are four respondents who not sure whether to appoint an agent for collecting *waqf* funds maybe because some of them are more comfortable to give donation directly to the poor. There are eighteen respondents who agree and twenty two respondents who strongly agree to appoint an agent for collecting *waqf* funds.

In addition, respondents with income between RM5001 and RM8000 also have strong willingness to appoint an agent for collecting *waqf* funds. There are only three respondents who disagree to appoint an agent for collecting *waqf* funds. There are two respondents who are not sure to appoint an agent for collecting *waqf* funds, maybe because they would like to use electronic banking thus, it is easier for them to contribute for the funds. The other six respondents are agreed and seven of respondents are strongly agree to appoint an agent for collecting *waqf* funds.

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

## **6. Conclusion**

In conclusion, the general finding of this article shows that the proper method of cash *waqf* contribution and appointment of collection agent is vital 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 and to instill the pious and voluntary activities in fulfilling the aim to boost the economy of the nation and country.

## **7. Acknowledgement**

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