



The role of share waqf in the socio-economic development of the Muslim community

The Malaysian experience

The role of share waqf

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Abstract

Purpose – This study aimed to analyse the role of the Waqf Fund Scheme, by taking Penang (or Pulau Pinang) as one of the states in Malaysia as a sample of the study. Waqf Fund Scheme was established by the Islamic Religious Council of Penang, Majlis Agama Islam Negeri Pulau Pinang (MAINPP), in an effort to develop the economy of the Muslim community in the state.

Design/methodology/approach – This study analysed the contribution that this endowment fund makes towards a comprehensive scheme of economic development, namely, in terms of the economic, spiritual and social welfare of the Muslim community in Penang. The primary source of data was obtained through interviews conducted by the researcher with the Manager of the Waqf Fund Scheme, the Head of Administration and Finance Section and the Account Executive of MAINPP. The researcher also interviewed respondents from four institutions that were beneficiaries of the Waqf Fund Scheme.

Findings – The findings of this research show that the endowment fund scheme plays an important role in the economic development of the Muslim community in Penang. The Waqf Fund Scheme contributes by way of providing a financing facility towards the acquisition of waqf assets or through cash support channelled to associations or committees of a masjid.

Research limitations/implications – This study only focuses on Waqf Fund Scheme which was established by MAINPP.

Practical implications – This study is expected to contribute to the improvement of the Waqf Fund Scheme management.

Originality/value – The paper is the first attempt to address the Waqf Fund Scheme contributions by MAINPP, particularly in Penang.

Keywords Malaysia, Cash waqf, Islamic economic development, Waqf fund, Waqf management, Muslim community

Paper type Case study

Introduction

Muslim economists support the concept of economic development, which covers various aspects including social, political and economic. However, Muslim economic scholars extend the scope of development to include the balanced development of the material and spiritual worlds, with a focus on applying Islamic values as the basis for this



development. Sadeq A.H.M. (1990) defines economic development as the balanced and continuous improvement of the material and non-material aspects of life. Development is a multi-dimensional process involving restructuring and welfare improvement through spiritual advancement based on Islamic values. However, the central aspect of development is the development of the individual itself. Any process of development has to begin with the individual's own moral, spiritual, physical and environmental advancement. This is because man is an agent of change for himself and for his socio-economic environment. Economic development is just one of the aspects of development, wherein the main objective is to elevate the lives of individuals in this life and in the hereafter. Clearly, economic development in Islam does not focus solely on material development but also spiritual development and the aspects of life in both this world and the hereafter (Nik Mustafa Nik Hassan, 1999). As such, Muslim economic scholars have set a number of objectives to achieve economic development based on Islamic principles, as illustrated in Figure 1.

The development of human resources is the primary developmental concern in Islam. This is because Islam views man himself as the true centre of all development activities (Surtahman Kastin Hassan and Sanep Ahmad, 2005), and, more importantly, man is an agent of change in his own life, as stated in Surah al-Ra'd verse 11:

Which means: Verily never will Allah change the condition of a people as long as they do not change their state (of goodness) themselves (by committing sins and by being ungrateful and disobedient to Allah). But when Allah wills a people's punishment, there can be no turning back of it, and they will find besides Him no protector.

The verse above shows us that change or development is dependent on man's own initiative. As such, if the human resources are not properly and completely developed, they may become an obstacle to the desired development and advancement. In Islam, human resource development not only focuses on the physical aspects achieved through improvement of personal skills, work efficiency, education and training and health, as improvements in terms of spirituality and morality is also emphasised. Furthermore, developments that lead to degeneration and those that contradict Shari'ah will invariably result in danger and destruction, as stated in the abovementioned verse (Ahmad Sarji Abdul Hamid, 2008).

Physical strength and durability can only be achieved when priority is given to the encouragement and mobilisation of spiritual resources. The principle of working for the purpose of pleasing Allah will produce a responsible, sincere, honest and efficient workforce. If the spiritual aspect is neglected, negative moral repercussions including bribery, breach of trust, selfishness and other social problems will lead to the weakening

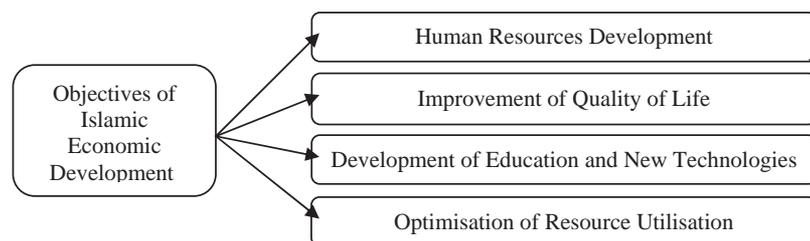


Figure 1.
Objectives of Islamic
Economic Development

Source: Joni Tamkin (2008), Ahmad Sarji Abdul Hamid (2008, pp. 35-61)

of the human resource itself and result in management inefficiency, which eventually will have a negative effect on the development of a nation. As such, there is no other way of attaining this objective but through the establishment of a complete and appropriate infrastructure, followed by the revitalisation of knowledge within the community (Wan Mokhtar Ahmad, 1994). Efforts to fulfil the demand for human resources through spiritual, educational and health development, as well as the eradication of poverty will contribute to enduring economic development (Ab Rahman, 2009).

Status of the Muslim community and economic development in Penang

According to Sulaiman Mahbob (2009), in general, a significant relative economic disparity still exists between the Malays/*bumiputera* (referring to the Muslim community) and the Chinese and Indian communities in Malaysia. This is apparent in several areas, for example, in terms of entrepreneurship. In general, the *bumiputera* community is still involved in smaller-scale businesses such as retail grocery and partnerships, such as legal firms, consultancy services, clinics and architectural services. These *bumiputera*-owned businesses are highly dependent on government contracts and acquisitions.

In terms of asset ownership, the *bumiputera* community only owns around 19 per cent, which is well below the minimum target of 30 per cent set for the year 2020. This ownership is concentrated in housing and traditional shop lots; indeed, ownership of retail premises in city centres, such as Kuala Lumpur and Penang, for example, is still significantly low, as illustrated in Table I.

In terms of occupation, in general, the *bumiputera* community focus more on the government service sector, followed by the private sector. This shows that the other communities have taken the lead in the private sector. As such, this contributes towards the increasing disparity in terms of income between the *bumiputera* and the non-*bumiputera*, which comprises the Chinese and Indian communities in Malaysia. Based on Table II, in general, the ever-increasing gap in income between *bumiputera* and non-*bumiputera* communities reflects the slower rate of income growth within the

Premise type	<i>Bumiputera</i>	Chinese	Indian	Others
<i>2005</i>				
Buildings	12.7	72.6	5.4	9.3
Retail complexes	11.7	69.4	2.1	16.9
Industrial premises	4.8	70.4	1.5	23.3
Hotels	14.3	69.3	3.2	13.2
Total	11.7	71.9	4.6	11.8
<i>2007</i>				
Buildings	15.7	75.7	4.3	4.3
Retail complexes	29.2	61.9	2.9	6
Industrial premises	3.5	87.2	1.5	7.8
Hotels	20.8	54	2.7	22.5
Total	15	76.1	3.8	5.1

Table I. Ownership of commercial premises based on ethnic group (per cent) for 2005 and 2007

Source: Economic Development Unit in Sulaiman Mahbob (2009), sponsored by Yayasan Pembangunan Ekonomi Islam Malaysia (YaPEIM) and Jabatan Kemajuan Islam Malaysia (JAKIM)

bumiputera community compared to the non-*bumiputera* communities, whereas the opposite happens when the gap decreases (Chamhuri, 2009). As such, the level of income within the Muslim community, who are generally *bumiputera*, is still low at 1:1.54 compared to the ethnic Chinese and 1:1.20 compared to the ethnic Indian communities. Table III illustrates the incident of poverty based on ethnicity and social strata in Malaysia. All ethnic groups experienced a decrease in the level of poverty. In relative terms, however, the level of poverty remains high within the *bumiputera* community in comparison to the non-*bumiputera*. In fact, the level of poverty among the *bumiputera* continues to fall below the national poverty level each year. In terms of strata, the level of poverty in rural areas, which primarily comprise *bumiputera*, remains high even though there was a decrease from 13.5 per cent in 2002 to 11.9 per cent in 2004 and 7.1 per cent in 2007. According to Chamhuri, the income level of the *bumiputera*, which is relatively lower than that of the non-*bumiputera*, has resulted in the level of relative poverty remaining high among the *bumiputera*.

The analysis of the economic and social status of the Muslim community in Penang considers a number of aspects. For example, based on asset ownership of the *bumiputera* group in terms of housing, only 18 per cent of *bumiputera* own middle-cost housing valued between RM42,000 and RM75,000, while the rest is owned by the non-*bumiputera* (Penang State Government Official Portal, 2010a, 2010b). Meanwhile, in terms of low-cost housing ownership, 59 per cent is owned by *bumiputera*, as illustrated in Figure 2. This is because low-income houses are cheaper and more, *bumiputera* can afford to purchase them because many of them work in the government sector. In addition, land property appeals more to the *bumiputera* who feel that a larger area of land is more attractive and comfortable to live in. This is because they feel that in addition to the cheaper cost, they are getting attractive homes such as terrace and linked houses or bungalows (Utusan Malaysia, 2010).

Table II.
Income disparity ratio
between the *Bumiputera*,
Chinese and Indian
communities in Malaysia
from 1980 to 2007

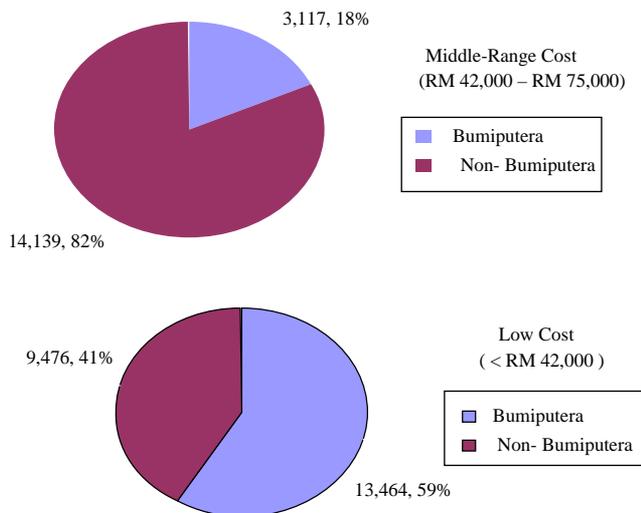
Ethnicity/year	1980	1990	1999	2004	2007
<i>Bumiputera</i> : Chinese	1:2.04	1:1.74	1:1.74	1:1.64	1:1.54
<i>Bumiputera</i> : Indian	1:1.54	1:1.29	1:1.36	1:1.27	1:1.20

Source: Economic Development Unit in Sulaiman Mahbob (2009), sponsored by Yayasan Pembangunan Ekonomi Islam Malaysia (YaPEIM) and Jabatan Kemajuan Islam Malaysia (JAKIM)

Table III.
Incidence of poverty
according to ethnicity and
strata in Malaysia for
2002, 2004 and 2007

Year	2002	2004	2007
Malaysia	6.0	5.7	3.6
<i>Ethnicity</i>			
<i>Bumiputera</i>	9.0	8.3	5.1
Chinese	1.0	0.6	0.6
Indian	2.7	2.9	2.5
Others	8.5	6.9	9.8

Note: Calculation of chronic poverty is based on 2005 methodology
Source: National Economic Planning Unit (2010)



Source: Housing Division, PSUKPP official Penang State Portal, available at <http://www.penang.gov.my/index.php?ch=10&pg=58&ac=394> (accessed 10 October 2010)

Figure 2. Statistics of ownership of low- and middle-cost housing in Penang, as of July 2009

Realising this situation, the Penang State Government has taken a number of steps to advance and improve the quality of life of its people. Included among the steps taken by the State Government to elevate the status of the *bumiputera* community in Penang was doubling the Religious Affairs Allocation from RM12.5 million in 2008 to RM24.3 million in 2010 (Penang State Government Official Portal, 2010a, 2010b). This provision was increased after consideration that the Islamic Religious Council of Penang (Majlis Agama Islam Negeri Pulau Pinang, MAINPP) is the primary organisation responsible for the welfare of the Muslim community in Penang. In this capacity, MAINPP is responsible for the implementation of various allocation programmes aimed at elevating the Muslim community in Penang through its subsidiary known as *Pusat Urus Zakat Penang* (Penang State Secretary’s Office, 2010). In 2011, the State Government allocated RM63 million to increase aid towards Islamic affairs in the form of ex-gratia given to teachers of Religious and *Fardhu’Ain* classes (KAFA) and *huffaz* teachers, as well as other Muslim community development projects that are based on the Islamic principle of “*amar maaruf nahi mungkar*” (Penang State Finance Department, 2010).

Efforts undertaken by the State Government show its determination and commitment in achieving the vision of turning Penang into a world-class state, thus, placing importance on ensuring that the quality of life of all ethnic groups is improved (Penang State Government Official Portal, 2010a, 2010b). In general, however, the status of the *bumiputera*, which is generally made up of the Muslim community, still requires much improvement and development. Although it is undeniable that it is one of the government’s responsibilities to provide aid and facilities to the people, the majority of the Muslim community still rely too heavily on government assistance. However, if the greater Muslim community, particularly the corporate Muslim citizens of this country, have a greater awareness of the importance of waqf for the future of the Muslim

community, many more development programmes can be implemented for the benefit of the Muslim community (Ahmad Zaki Abdul Latiff *et al.*, 2008). Therefore, the initiative taken at MAINPP with the creation of the Waqf Fund Scheme can prove to be one of the solutions to this predicament (According to Ahmad Syah Firafizal, 2010, personal interview, 18 and 31 March 2010, Waqf Fund Scheme Manager's Office, Level 9, Islamic Religious Council of Penang, MAINPP).

Purpose of the establishment of the Penang Waqf Fund Scheme

In view of the role of the MAINPP in securing the policies and interests of the Muslim community in Penang, the development of waqf assets in this state is financed by Penang's State government and by the Federal Government under the long-term development plan (Malaysia Plan). In addition, financial sources from the private sector are also actively sought. A total of 1,253.64 acres of waqf land has been registered as part of the MAINPP waqf land inventory (Fakhruddin and Abdullah, 2008). Based on this inventory, MAINPP will then identify lands that have development potential, and, subsequently, source for funds to finance the development of these waqf lands. Oftentimes, the annual revenue generated by the waqf land falls short of its cost of maintenance, repair and management, let alone its ability to cover the costs of development projects that invariably require huge expenditure (Nik Mohd Zain Mohd Yusof and Azimuddin Bahari, 1999; Zainal Abidin Jaafar, 1999; Mohd Yusof Yahya, 1999). As such, it is wise to create the Waqf Fund Scheme as a means to source for capital. Not only can the funds be used towards the development of waqf lands in Penang, they can also be used to invest, for example, in construction or the acquisition of commercial buildings, such as offices and business centres, which can stimulate more economic growth within the Muslim community.

On 30 December 1994, a waqf fund scheme known as the Penang Waqf Share Scheme was launched. The idea behind the waqf share scheme was the result of a working paper titled "Waqf Share and Exchange Waqf", which was presented by the Johor State Mufti Office during the National Fatwa Council event in 1981 (According to Ahmad Syah Firafizal, 2010, personal interview, 18 and 31 March 2010, Waqf Fund Scheme Manager's Office, Level 9, Islamic Religious Council of Penang, MAINPP). Nevertheless, the newly introduced Waqf Share Scheme failed to meet its objective, which was to encourage group-based waqf practice. Consequently, the Waqf Share Committee at the time conducted a number of studies. Amendments to the scheme were then proposed at the Waqf Scheme Committee Meeting, 2 January 2002. Among the amendments agreed upon was a change of name to the Waqf Fund Scheme, as well as several other amendments in terms of its objective, management procedure and *modus operandi*. Finally, on 18 October 2002, the Waqf Share Scheme was officially reintroduced as the Waqf Fund Scheme (Ahmad Syah Firafizal, 2002).

Among the main objectives of the establishment of the Waqf Fund Scheme are:

- to enable the implementation of group-based waqf;
- to symbolise the unity and cooperation of the Muslim community based on the foundation of *ukhuwwah Islamiah*;
- to implement a more extensive, dynamic and integrated strategy for the development of the Muslim community's waqf assets and economy;
- to expand the welfare channel in a more systematic and effective way;

- to provide an alternative way for members of the Muslim community to contribute towards the socio-economic development of the Muslim community; and
- to conceive and create a more productive and authoritative means to develop the waqf institution.

Under the Waqf Fund Scheme, it is clear that emphasis is given to the economic development of the Muslim community, in addition to fulfilling a religious duty and responsibility to the welfare of the Muslim community, as well as the development of the waqf institution itself.

Waqf shares: Shari'ah perspectives

The words “fund” and “waqf”, when joined to form the term “Waqf Fund”, refer to “a pool of funds created as waqf for the purpose of charitable works, be it general or designated, in accordance with Shari'ah” (Siti Mashitoh Mahamood, 2007). Monies collected for the purpose of waqf are also known as cash, financial waqf or *Waqf al-Nuqūd* in Arabic. Çizaçka defined cash waqf as a pool of cash that has been bequeathed as waqf, which is collected in a trust (waqf) account. The appointed *nazir* is responsible for supervising and managing that account for the purpose of welfare (Azri, 2008). In Malaysia, it is normal practice for the State Islamic Religious Council of each state to appoint *nazirs* who will be responsible for managing the cash in waqf accounts. Normally, the cash collected in these waqf accounts comes from individuals, groups or selected organisations that contribute cash into the account, bequeathing it as designated waqf (special waqf) or general waqf (Islamic Religious Council of Johor, 2010).

Discussion on cash waqf

Jurists from the Shāfi'ī, Hanbalī, Mālikī and Hanāfi *mazhabs* are of the opinion that waqf is only permissible on moveable or “liquid” assets that are inherently perpetual in nature. For example, gold and silver jewellery can be bequeathed as waqf because the perpetual nature of these precious metals makes it possible for benefit to be derived from them in perpetuity, as evident in the narration concerning Ḥafṣah, who bequeathed her jewellery to her kin from the al-Khaṭab family (Ibn, 1992; al-Kāsānī, 1997). However, the ruling on assets in the form of cash, such as dirham and dinar, raises debate among jurists. The problem arises because, normally, benefit can only be derived from cash when the cash is used in a transaction, thus, making it evident that the element of perpetuity is not inherently present in the cash *per se*. However, contrary opinion holds that it is permissible with the argument that assets that can generate benefit through rental should be deemed permissible for waqf (Shams al-Dīn Muḥammad bin Abī al-'Abbās Aḥmad, 1938; al-Ḥusnī, 2004; al-Juwāinī, 2006; al-Ghamrāwī, 2005; al-Maḥallī, 2001; al-Sheikh 'Alī al-Sa'dhī al-'Adwā al-Mālikī, 1938; al-Mardāwī, 1998; Ibn, 1992).

Ibn 'Abidīn stated that Imam Al-Anṣārī ruled that cash, which was conventionally used in Rome at that time, is subject to waqf, seeing as how Imām Muḥammad determined that “conventional use” is one of the conditions for waqf on moveable or “liquid” assets (*manqūl*). However, it is not the intention for this particular argument to be used as the basis for sanctioning cash waqf. He further explained that, in practice, cash is merely a medium for which to store value. Hence, cash can be used as a tool in an effort to obtain other assets that are fixed and perpetual in nature, such as land, buildings and so on, which meet all the criteria and conditions for waqf. As such, he

deems that cash, which can be exchanged for fixed assets that can derive perpetual benefit, should be considered for waqf. It is observed that this opinion fulfils the standards placed by other *mazhab*, such as Shāfi'ī, Mālikī and Hanbalī in that the determining criteria in considering liquid assets for waqf lie in the perpetual benefit that can be derived from it once it is exchanged for fixed assets (Ibn, 1980, 1994).

This opinion is shared by many contemporary jurists, such as Wahbah al-Zuhaylī (2007), Muḥammad Kamāl al-Dīn Imām (2002), Abd al-Laṭīf Muḥammad 'Amīr' (2006) and Çiçaçka (1998), who considered the need today for waqf to be applied to cash assets. Among the conditions identified for this purpose is that the money is raised through halal means in accordance with Shariah and that it is exchanged for fixed assets for the purpose of waqf, whereby perpetual benefit may be derived there from. From this discourse, it can be concluded that waqf is applicable to cash assets, taking into consideration its conventional use (*'uruf*) within the Muslim community in Malaysia today. Moreover, cash waqf has the potential to play an important role in encouraging and spreading this religious duty among the Muslim community.

Fatwa on cash waqf

At the international level, the Islamic Fiqh Academy issued a fatwa on the legality of cash waqf during the 15th summit held in Muscat (Oman) from 14 to 19 Muharram 1425 H, (6-11 March 2004). Similarly in Malaysia, at the 77th National Council of Islamic Affairs' Fatwa Committee, which was held on 10-12 April 2007, in Kuala Terengganu, it was agreed that waqf in the form of cash is permissible in Islam. Thus, waqf in the form of cash is deemed permissible because it complies with the objective of *sharī'ah* (*maqāṣid al-sharī'ah*) to retain the capital assets and use the benefit derived from it for charitable purposes – which is achievable through the use of cash. The cash bequeathed as waqf acts as an instrument to store value and is used as a medium of exchange to acquire other forms of asset. Additionally, bequeathing cash as waqf to be used as capital for Islamic financing, or *Qard al-Hasan*, or for investment is permissible and may be done either individually or through a collection fund contributed by a group of *waqif* or through the issuing of cash waqf shares.

The availability of waqf shares is most appropriate and practical in this day and age, particularly considering the increasing difficulty in acquiring fixed assets, such as land and buildings, as prices for such assets continue to rise. Accordingly, this form of waqf can encourage and inculcate the culture of bequeathing waqf within all levels of the community.

Penang Waqf Fund Scheme: legal perspective

The Waqf Fund Scheme, which is managed by the Waqf Fund Scheme Committee, is subject to the Administration of the Religion of Islam (Penang State) Enactment. Section 92 (1) of the Administration of the Religion of Islam (Penang State) [Malaysia States Enactment \(1993\)](#) provides jurisdiction to MAINPP as the sole trustee for all types of waqf, either general or designated. This provision clearly specifies that all forms of waqf assets, either general or designated, as well as all forms of trusts, including the Waqf Fund Scheme are governed under MAINPP management as the sole trustee.

This enactment also empowers the Council to manage valid waqf that are not part of the *Kumpulan Wang Baitulmal* on the condition that the waqf is utilised for its specified purpose, as provided under Section 96 (1). In addition, provisions under Sections 96 (2) and 96 (3) state that the Council may also manage waqf that are not governed under Section 96 (1) as

part of *Kumpulan Wang Baitulmal Majlis*, however, the Council needs to create a scheme to utilise the waqf based on the terms stipulated or to clearly specify its use. The Council may also develop the property or asset, including the Waqf Fund Scheme, and make it a part of *Baitulmal*, as provided for under Sections 96 (2) and 96 (3). Also, in the same Enactment, Section 96 (4) states that it is the responsibility of the Council to hold and retain any instruments created for and related to any general waqf or *nazar*, as well as any document of title or other form of security related thereto. As such, based on the provisions under this enactment, the Council (MAINPP) has the authority to create a scheme, such as the Waqf Fund Scheme, with its relevant management procedures and *modus operandi*.

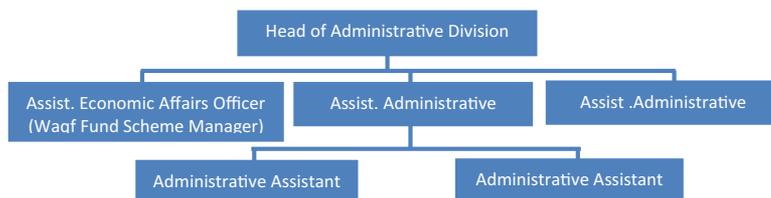
Data collection

This study is conducted using the method of data collection from two main sources, that is the primary and secondary sources. The primary source of data was obtained through interviews conducted by the researcher with the Manager of the Waqf Fund Scheme, the Head of Administration and Finance Section and the Account Executive of MAINPP. The researcher also interviewed respondents from four institutions that were beneficiaries of the Waqf Fund Scheme, namely, Penang Zakat Management Centre, *Penaga Primary School*, Young Muslim Sports Club (YMSC) and the Committee of Orphanage Charity of *Jamek Mosque at Bagan Ajam*. Each interview session lasted for one hour and was recorded and transcribed for further analysis.

Administration of Penang Waqf Fund Scheme

Since its inception, the administration of the Waqf Fund Scheme was under the supervision and management of the Waqf Fund Scheme Committee. The Waqf Fund Scheme Committee was created under the MAINPP Waqf Fund Trust Fund Directive, within the MAINPP Waqf Division. The Waqf Fund Scheme Committee is responsible for the management, coordination and control of all Waqf Fund Scheme activities. In line with this, the Waqf Fund Scheme Committee appointed an Assistant Waqf Economic Affairs Officer as the Waqf Fund Scheme Manager. Figure 3 illustrates the management structure of the Waqf Fund Scheme.

The Waqf Fund Scheme Manager is responsible for the planning, management and implementation of all affairs related to the Waqf Fund Scheme. To facilitate tasks in recording, coordinating and reviewing the specially prepared Waqf Fund Scheme accounts, the Waqf Fund Scheme Manager is assisted by staff from the MAINPP Accounts Department. The Waqf Fund Scheme Committee operates an integrated computerised management information system under the MAINPP. Information on contributors’ locality, occupation, age, company or department and amount of contribution is collected for



Source: Islamic Religious Council of Penang Organisation Chart (2010)

Figure 3.
Penang Waqf Fund Scheme Management Structure

administrative purposes for the waqf fund. Once the details of the Waqf Fund Scheme contribution have been recorded, the money collected is then managed by the Waqf Department for the purchase and management of waqf assets (According to Shahril Shahrom, Head of the Administrative and Finance Division, 2010, personal interview on 31 March 2010, Waqf Fund Scheme Manager's Office, Level 9, Islamic Religious Council of Penang, MAINPP). At the same time, the Waqf Fund Scheme Manager is also assisted by staff from the MAINPP Accounts Department in the promotion, information campaign and collection activities for the scheme. Promotion and informational activities on the Waqf Fund Scheme are often conducted in companies and offices in and around Penang.

Penang Waqf Fund Scheme promotion activities

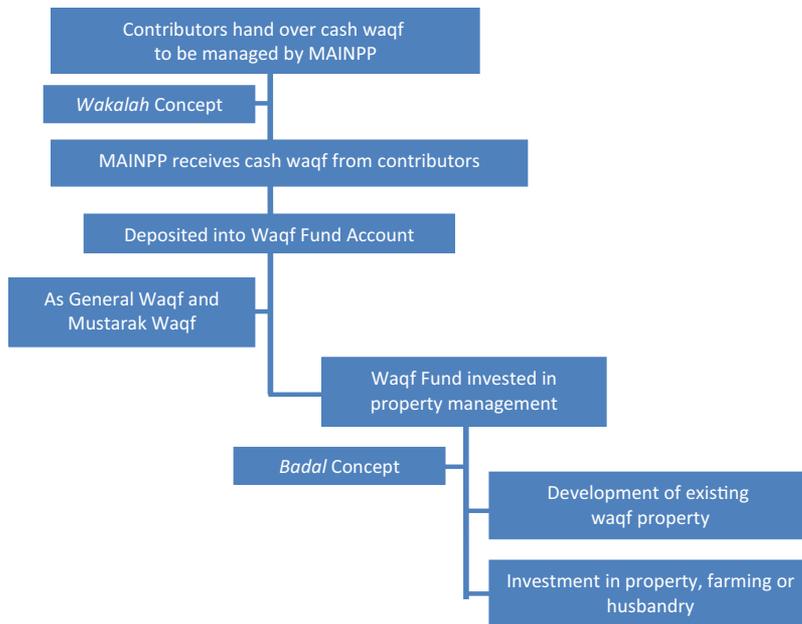
A number of promotional activities have been implemented to mobilise the collection and allocation of the Waqf Fund Scheme. These include:

- Creation of a Waqf Fund Scheme website designed to make it easy for contributors to gain detailed information on Waqf Fund Scheme activities and contribution report from time to time. Contributors can also check their Waqf Fund Scheme contributions online and download relevant forms, such as the Monthly Salary Deduction Scheme Manual or the online Waqf Fund Scheme contribution form and find out more on the latest developments on existing and planned projects funded by the Waqf Fund Scheme.
- Promotion via mass media and advertising boards.
- Income Tax Exemption through participation in the Waqf Fund Scheme Monthly Salary Deduction Scheme.

Penang Waqf Fund Scheme flow process

The Waqf Fund Scheme Committee has created several convenient channels for the public to find information or make contributions to the Waqf Fund Scheme. Before bequeathing their assets, a contributor fills in a registration form containing a waqf statement or *Sighah*, appointing MAINPP as their representative. Among the channels through which this registration form has been made available are the MAINPP office counter, mobile counter, through Postal Order, money order or cheque and contribution through a Waqf Fund Scheme Monthly Salary Deduction Scheme. The Waqf Fund Scheme Monthly Salary Deduction Scheme is the collection instrument that has managed to amass the highest amount of money for the Waqf Fund Scheme. A contributor has the freedom to choose the amount of monthly deduction they wish to make, based on the MAINPP Monthly Salary Deduction Schedule with a minimum contribution of RM5.00 a month. Not only does this channel enable a *waqif* to contribute on a continual basis with a single approval transaction but it also enables an individual to set the amount of contribution they prefer. The channels are provided as a means of convenience for the public and to encourage all levels of the Muslim community in Penang to participate in the Waqf Fund Scheme. Figure 4 provides a simple illustration of the Waqf Fund Scheme flow process chart under the MAINPP.

Contributions to the Waqf Fund Scheme are deposited collectively into a "Waqf Fund" trust account and are later used as capital for the purchase of fixed assets, such as land and buildings. In accordance with the *wakalah*[1] concept, MAINPP acts as a representative of the *wāqif* in exchanging the collected cash with fixed assets, either through the development of existing waqf lands or through investment. This is known



Source: Extracted from interview with Ahmad Syah Firafizal (2010) Waqf Fund Scheme Manager’s Office, Level 9, MAINPP, 10.00am, 18 March 2010.

Figure 4.
Penang Waqf Fund Scheme Flow Process Chart

as *Badal*[2] or cash exchange. This Waqf Fund Scheme can also be categorised as general (*‘Am*)[3] and joint (*Musytarak*)[4] waqf.

MAINPP receives and consolidates money from contributors into the Waqf Fund Scheme. MAINPP then invests the consolidated funds into the property, agriculture and farming sectors. The funds from the Waqf Fund Scheme, which are invested in either the development of existing waqf land or through investment, become assets of the MAINPP’s waqf and are supervised by the MAINPP Waqf Department. In comparison to waqf share, the management process of the Waqf Fund Scheme is simpler and more user-friendly[5].

Penang Waqf Fund Scheme collection performance

A total of RM742404.69 was collected under the Penang Waqf Fund Scheme between 2002 and 2009. Figure 5 shows the performance of collections under the Waqf Fund Scheme from 2002 to 2009.

Based on Figure 5, compared to other years a marked increase in contributions was recorded in 2005, in the amount of RM464148.65. This sudden increase was the result of the Waqf Fund Scheme collections generated by the National Convention of the Waqf Fund Scheme programme organised by MAINPP. The Convention was the first of its kind held in Penang and was aimed at introducing the Waqf Fund Scheme to the public. The Convention successfully attracted the interest of the government and private agencies that took part in the programme to contribute towards the Waqf Fund Scheme. However, the total Waqf Fund Scheme contributions decreased by 64 per cent in 2007,

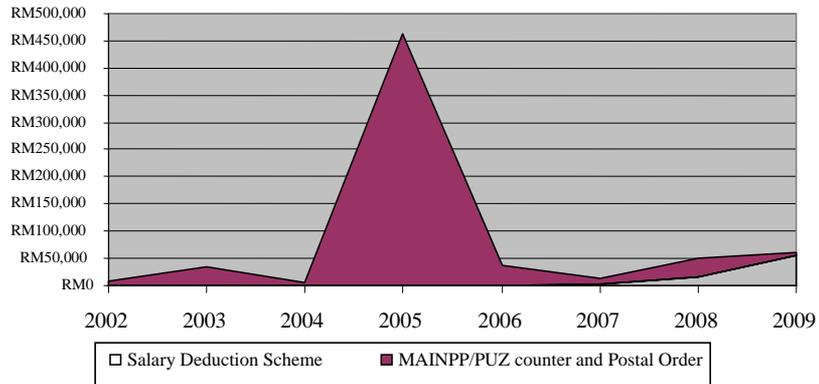


Figure 5.
Total Waqf Fund Scheme collection from 2002 to 2009

Source: Extracted from interview with Ahmad Syah Firafizal (2010) Waqf Fund Scheme Manager’s Office, Level 9, MAINPP, 10.00am, 18 March 2010

with a total of RM13,671.65 compared to RM37,608.65 in 2006. The shortage of manpower to undertake promotional and collection activities led to the reduction in the amount collected that year. In the years that followed, the total Waqf Fund Scheme collection consistently increased, reaching a total of RM51,177.23 in 2008 and RM61,315.00 in 2009. This increase in collection reflects the larger number of contributors participating in the salary deduction scheme compared to contributors using the counter collection or postal order channels, as illustrated in Figure 6.

As illustrated in Figure 6, the salary deduction scheme was successful in stimulating steady collections between 2006 and 2009. The performance of the salary deduction scheme, which was introduced in 2006 with a total collection of RM280, continued to grow to RM3,360 in 2007, RM14,762 in 2008 and RM55,519 in 2009. From 2007 to 2009, collection through the salary deduction scheme increased by 1,552 per cent. Briefings and informational programmes conducted in government departments and public companies helped to pave the way for more people to join the scheme. In addition, other factors, such as

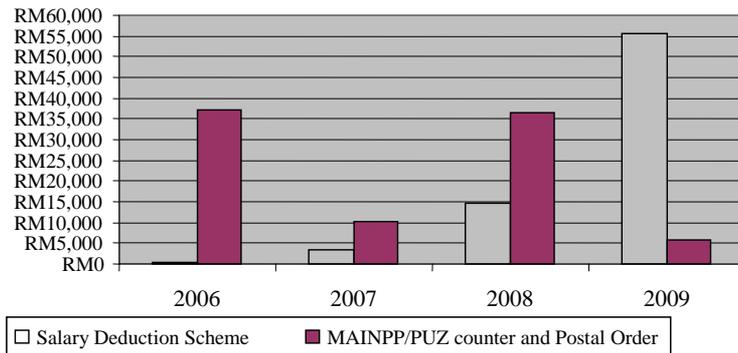


Figure 6.
Comparison of total collection via monthly salary deduction scheme and collections through counter and postal orders, 2006-2009

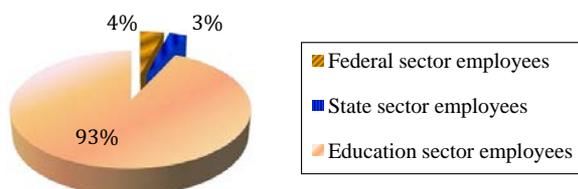
Source: Extracted from interview with Ahmad Syah Firafizal (2010) Waqf Fund Scheme Manager’s Office, Level 9, MAINPP, 10.00am, 18 March 2010.

the clear and simple salary deduction code system and tax exemption from the Inland Revenue Board (LHDN) helped attract even more contributors to join the scheme. In comparison, the total amount of contribution received through counter service or postal order appears to fluctuate. This is because contributions through counter service, mobile counters and postal orders are highly dependent on the promotional and informational programmes held in public venues. The MAINPP office building is located in the island's city centre and has a busy car park, which makes it difficult for the public to go to the MAINPP building to deposit their contributions into the Waqf Fund Scheme.

As a result, the Waqf Fund Scheme Committee decided to focus more attention on the Monthly Salary Deduction Scheme as the primary channel for collecting contributions. Activities to promote the Waqf Fund Scheme Monthly Salary Deduction Scheme were held in government offices and private companies in and around Penang. Figure 7 illustrates the total amounts collected through the Monthly Salary Deduction Scheme from the three main groups in 2009. These comprise the state, federal and education sectors. The state sector employees constitute the largest contributor with 93 per cent, or RM51,394 of the total collection made through the salary deduction scheme that year, which totalled RM55,519. Contributors in the state sector include employees from the State Islamic Religious Council and State Islamic Religious Department, the Land and District Office, the Secretary of State Office and the State Economic Planning Unit. Awareness and information campaigns held at commercial premises in and around Penang, and the variety of contribution channels made available, have contributed towards the continued increase in collections.

Meanwhile, the collective federal sector contributed 4 per cent of the total contributions collected. The contributions were collected from, among others, the National Registration Department, the Police Headquarters, the Public Works Department Malaysia, the National Security Council, the Ministry of Home Affairs, the Royal Malaysian Customs, the State Department of Irrigation and Drainage and the Department of Information Malaysia in Penang. The education sector comprised staff from the Education Department, public and private education centres, colleges and schools in and around Penang, including *Penang Matriculation College, Kolej Islam Teknologi Antarabangsa Penang, Permatang Tok Mahat Primary School, Seri Bayu Primary School* and *Sungai Ara Primary School*.

In addition, the profile details of contributors participating in the Monthly Salary Deduction Scheme can be analysed based on gender, age and contribution amount. In terms of gender, 52 per cent of the contributors were female and 48 per cent were male, as illustrated in Figure 8.



Source: Extracted from interview with Ahmad Syah Firafizal (2010) Waqf Fund Scheme Manager's Office, Level 9, MAINPP at 10.00am, on 18 March 2010

Figure 7. Monthly salary deduction scheme by sector in 2009

Meanwhile, the largest number of contributors was made up of those between the ages of 25 and 34 years. This was followed by contributors within the 45-54 years age bracket and those within the 35-44 years age bracket. This is not surprising considering the average working age is between 25 and 54 years. Figure 9 illustrates the number of Waqf Fund Scheme contributors under the Monthly Salary Deduction Scheme based on age.

Figure 10 shows the amount of contributions normally received from the Waqf Fund Scheme contributors using the Monthly Salary Deduction Scheme. Based on Figure 10, the most frequent was RM10, which was given by 317 contributors, followed by RM5 from 201 contributors and RM20 from 105 contributors. The highest amount contributed through the salary deduction scheme was RM100, which was donated by five contributors.

Raising of the Penang Waqf Fund Scheme contribution plans

The Waqf Fund Scheme Committee also strategised a number of plans aimed at improving management efficiency, and, more importantly, at gathering and mobilising potential sources to increase the amount collected each year (According to Ahmad Syah Firaizal, 2010, personal interview, 18 and 31 March 2010, Waqf Fund Scheme Manager’s Office, Level 9, Islamic Religious Council of Penang, MAINPP). Some of the

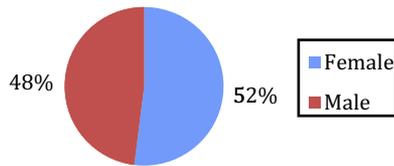


Figure 8.
Penang Waqf Fund Scheme contributors under the monthly salary deduction scheme based on Gender, 2007-2009

Source: Extracted from interview with Ahmad Syah Firaizal (2010) Waqf Fund Scheme Manager’s Office, Level 9, MAINP, 10.00am, 18 March 2010

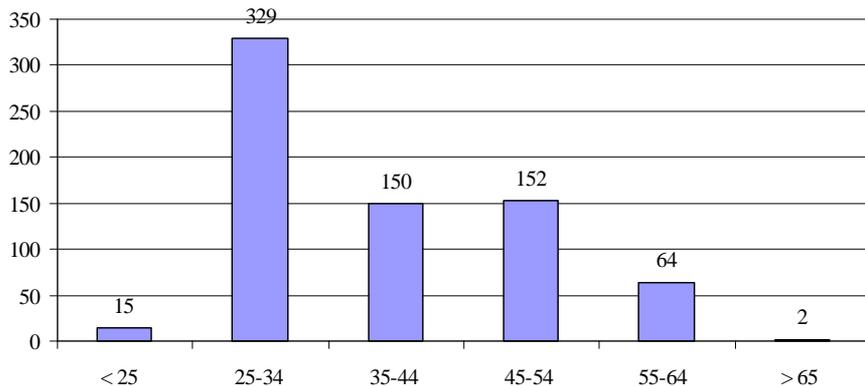


Figure 9.
Penang the Internal Audit Committee

Source: Extracted from interview with Ahmad Syah Firaizal (2010) Waqf Fund Scheme Manager’s Office, Level 9, MAINPP, 10.00am, 18 March 2010

plans designed to increase the total collection of contributions for the Waqf Fund Scheme are shown in Figure 11.

Based on Figure 11, the Waqf Fund Scheme Committee has made plans to expand the Waqf Fund Scheme network. These plans include:

- To appoint 200 collection agents or representatives of Waqf Fund Scheme in and around Penang. The target group for these appointments includes imams, members of the *qariah* committee and heads of villages in and around Penang. These agents will be in charge of selling RM5 Waqf Fund Scheme contribution coupons in their area. In line with this, the Waqf Fund Scheme Committee has set a collection target of RM3 Million from the initial sale of these coupons.
- To appoint Banking institutions as Waqf Fund Scheme collection agents, as this is a secure, easy, quick and convenient channel for the purpose. In addition, contributors have the option of using a number of facilities for the transactions, including Internet banking and through cash deposits using the auto teller machines (ATM). Cooperation with banking institutions will also make it easier for contributors to automatically deduct their contributions from their bank accounts. To date, talks and negotiations with banking institutions are still ongoing to arrive at a mutual agreement. Among the limitations that need to be overcome is the reduction of the rate of service fee that the banks wish to apply to the service.
- Cooperation with *Etiqa Takaful*, whereby Etiqa Takaful is appointed as a collection agent through an Islamic insurance plan. Through this cooperation, Etiqa Takaful clients will have the option to also contribute to the Waqf Fund Scheme whenever they sign on for Etiqa Takaful products, such as General Takaful (*Takaful Am*) or Family

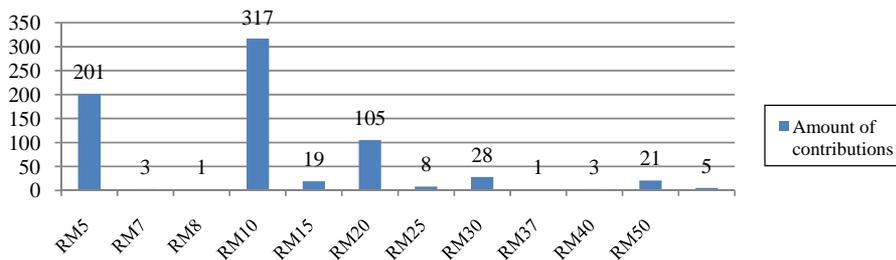
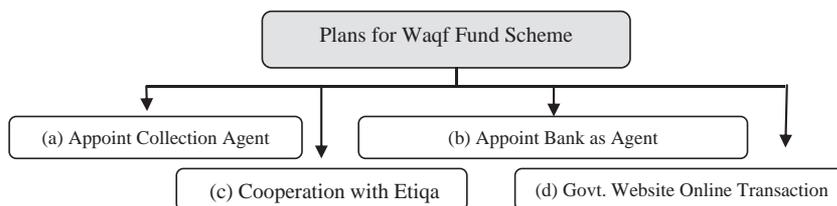


Figure 10. Contribution sum of Penang Waqf Fund Scheme contributors under the monthly salary deduction scheme in 2007-2009

Source: Extracted from interview with Ahmad Syah Firaizal (2010) Waqf Fund Scheme Manager's Office, Level 9, MAINPP, 10.00am, 18 March 2010



Source: Extracted from interview with Ahmad Syah Firaizal (2010) Waqf Fund Scheme Manager's Office, Level 9, MAINPP, 10.00am, 18 and 31 March 2010

Figure 11. Plans for Penang Waqf Fund Scheme

Takaful (*Takaful Keluarga*). The proposed process is that every Etiqa Takaful client who signs up for the scheme will automatically contribute RM5 and above into the Waqf Fund Scheme using a registration form that will be made available.

- Online transactions through the Malaysian government website at: www.myeg.com/ and the Penang State Government website with the creation of a Waqf Fund Scheme menu in the federal and state government websites. This will provide a convenient means for the public to get information on and contribute to the Waqf Fund Scheme through these websites.

Some of these plans have already been started although some obstacles remain. Nevertheless, MAINPP is working hard to ensure that every obstacle can be overcome so that these plans can be fully implemented for the benefit of the *ummah*.

Allocation of Penang Waqf Fund Scheme

The original objective of the Waqf Fund Scheme was to provide additional means for the Muslim community to contribute to the socio-economic development of the Muslim community in Penang. As such, funds collected are allocated or put to use through the purchase of fixed assets, which will be designated as waqf assets, thus, preserving the waqf principle. Among others, this allocation is designated for the following purposes, as illustrated in [Figure 12](#).

The Waqf Fund Scheme Committee created by MAINPP has been well managed. Despite the shortage in manpower, the Waqf Fund Scheme still manages to record an ever-increasing total of Waqf Fund Scheme collections. In addition, efforts to expand the network and facilities available to potential contributors are continually pursued from time to time to bolster the amount of contributions collected.

Findings on the role of the Penang Waqf Fund Scheme in the development of the Muslim community in Penang

The *Bumiputera* community in Penang, which comprises mainly Muslims, makes up the majority of the population, at 42 per cent, compared to the ethnic Chinese at 41 per cent and ethnic Indian at 10 per cent. However, asset ownership among the Muslims is still marginal compared to that of the ethnic Chinese and Indians ([Penang State Government, 2010](#)). Under this circumstance, the waqf institution can play a role in balancing and developing the economy of the Muslim community in Penang. Waqf

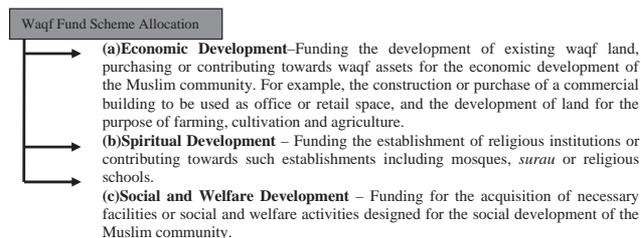


Figure 12.
Allocation of Waqf Fund
Scheme

Source: Extracted from interview with Ahmad Syah Firafizal (2010) Waqf Fund Scheme Manager's Office, Level 9, MAINPP, 10.00am, 18 and 31 March 2010

assets can be used for a variety of purposes, such as welfare, education, construction and investment geared to benefit the Muslim community. Waqf assets that have been successfully developed through various development projects can directly or indirectly generate economic benefit for the Muslim community (Ab Rahman, 2009).

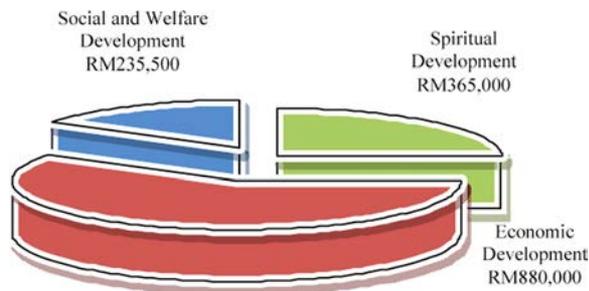
Figure 13 illustrates the allocation of the Waqf Fund Scheme appropriation based on the purpose of use, such as spiritual development, economic development and social and welfare development. The largest allocation was made towards economic development at 59 per cent, followed by allocation towards spiritual development at 25 per cent and social and welfare development at 16 per cent (According to Ahmad Syah Firaizal, 2010, personal interview, 18 and 31 March 2010, Waqf Fund Scheme Manager's Office, Level 9, Islamic Religious Council of Penang, MAINPP).

The 59 per cent Waqf Fund Scheme allocation designated towards economic development proves that the Waqf Fund Scheme places great emphasis on the economic development of the Muslim community in Penang. In addition, the aspects of spiritual, social and welfare development are given close attention (According to Ahmad Syah Firaizal, 2010, personal interview, 18 and 31 March 2010, Waqf Fund Scheme Manager's Office, Level 9, Islamic Religious Council of Penang, MAINPP).

Role of Penang Waqf Fund Scheme in economic development

To develop the economy of the local Muslim community, the Waqf Fund Scheme focuses on the construction and purchase of commercial buildings to provide retail space that can be used by the Muslim community. The rental rates for such retail space are very reasonable and do not burden the tenant, thus, helping support the Muslim community in their endeavour to start a business and help it to grow. Indirect support in the form of reasonable rental rates, which are generally lower than the prevailing market rate, can help to lower the operating cost of the business (According to Ahmad Syah Firaizal, 2010, personal interview, 18 and 31 March 2010, Waqf Fund Scheme Manager's Office, Level 9, Islamic Religious Council of Penang, MAINPP).

In line with this, the Waqf Fund Scheme has spent RM880,000 towards the purchase of a commercial property. The property is located at No. 65 Jalan Selat, Taman Selat, 12,000, Butterworth, Seberang Perai. The property is a three-storey office building with a built-up



Source: Data extracted from MAINPP's Integrated Information System and Interview with Ahmad Syah Firaizal, Waqf Fund Scheme Manager at the Waqf Fund Scheme Manager's office, Level 9, MAINPP, 10.00am, 18 March 2010

Figure 13. Allocation of Waqf Fund Scheme appropriation based on the purpose of use for 1999-2009

area of 1,840 square feet. To date, the building is rented out to the Penang Zakat Management Centre at a rental rate of RM4,700 a month for the entire building (According to Mohd Fauzul Munir Abd. Rahim, Administrative Officer, Penang Zakat Management Centre, 2011, personal interview, Administrative Officer, Penang Zakat Management Centre, 2 February 2011, Penang Zakat Management Centre Headquarters).

The Penang Zakat Management Centre, which is a subsidiary of MAINPP, also plays an important role in improving the socio-economic status of the Muslim community in Penang (Penang State Secretary Office, 2008). The three-storey building rented out to the Penang Zakat Management Centre is used as a branch office for the Penang Zakat Management Centre in Taman Selat, as well as a storage location for materials used in economic development activities organised by the Penang Zakat Management Centre for the Muslim community (According to Mohd Fauzul Munir Abd. Rahim, Administrative Officer, Penang Zakat Management Centre, 2011, personal interview, Administrative Officer, Penang Zakat Management Centre, 2 February 2011, Penang Zakat Management Centre Headquarters). Plate 1 shows the utilisation of the building occupied by the Penang Zakat Management Centre in Taman Selat, Butterworth.

In this instance, the Waqf Fund Scheme plays an indirect role, by renting out the Waqf Fund Scheme building to the Penang Zakat Management Centre. The rental rate, which is significantly lower than the prevailing market rate, enables the Penang Zakat Management Centre to reduce its operating costs while optimising the utilisation of the building in supporting development projects aimed at elevating the economic status of the Muslim community in Penang. Some of the programmes conducted by the Penang Zakat Centre to develop the status of the Muslim community in the state are illustrated in Figure 14.

Based on Figure 14, six out of the seven programmes implemented by the Penang Zakat Management Centre focus on the economic development of the Muslim community in Penang. Development programmes undertaken for the Muslim community are directed towards the improvement of the human capital of the *asnaf* group by improving their personal skills and work efficiency and delivering education and training to the *asnaf* through guidance from professional consultants. In fact, these programmes also expose them to job opportunities, provide them with training and expose those who have potential and interest to the world of business. It also provides them with a business platform. For



Plate 1.
Use of Penang Zakat management centre office in Taman Selat, Butterworth

Source: Field study at the Waqf Fund Scheme Building, Taman Selat, Butterworth, 2 February 2011, 11.30 a.m. and extracted from interview with Mohd Fauzul Munir Abd. Rahim (2011) 2 February 2011, Penang Zakat Management Centre Headquarters

example, the *Zakat Asnaf* Entrepreneur Product is a brand given to products created by entrepreneurs who have received guidance from the Penang Zakat Management Centre or products produced by entrepreneurs who have received support from the Penang Zakat Management Centre. The Atrium at the Penang Zakat Management Centre has also been designed as a centre for the collection and sale of *asnaf* products produced through the *Gerak Asnaf* programme. With the support and guidance provided, the *asnaf* group is able to generate their own source of income and strive to improve their quality of life to a level that is better than what it was before (According to Mohd Fauzul Munir Abd. Rahim, Administrative Officer, Penang Zakat Management Centre, 2011, personal interview, Administrative Officer, Penang Zakat Management Centre, 2 February 2011, Penang Zakat Management Centre Headquarters) The implementation of such programmes meets the objectives of economic development proposed by Muslim scholars perfectly. In line with this, economic development programmes conducted by the Penang Zakat Management Centre also contribute towards the success of the Waqf Fund Scheme in developing the economy of the Muslim community in Penang.

Role of Penang Waqf Fund Scheme in spiritual development

Based on Figure 13 above, the findings show that RM365,000 has been allocated for the purpose of spiritual development within the Muslim community in Penang. Of this, RM355,000 was used to purchase a piece of land measuring 5,231 square feet at Lot 886 and another one measuring 6,491 square feet at Lot 887. The purchase of these lands, which are located in Mukim 11, southwest Penang, was for the purpose of building a mosque, known as Masjid Ridwaniah, for the use of the local community (According to Ahmad Syah Firafizal, 2010, personal interview, 18 and 31 March 2010, Waqf Fund Scheme Manager’s Office, Level 9, Islamic Religious Council of Penang, MAINPP). Plates 2 and 3 show the internal views of Masjid Ridwaniah.

Among the factors influencing the construction of the mosque was the dilapidated state of the old *surau* that was being used by the local community and the significant distance to the nearest mosque, which made it difficult for the locals to attend congregational prayers. As such, the construction of the mosque makes it convenient for



Source: Extracted from the Penang Zakat Management Centre website, www.zakatpenang.com/, 20 November 2010

Figure 14.
Penang Zakat Management Centre Programmes



Plate 2.
Front of Masjid
Ridwaniah, southwest
Penang

Source: Field study at Masjid Ridwaniah, southwest Penang, 28 January 2011, 3.30 p.m.



Plate 3.
Interior and *wudhu* area in
Masjid Ridwaniah,
southwest Penang

Source: Field study at Masjid Ridwaniah, southwest Penang, 28 January 2011, 3.30 p.m.

the local community to perform congregational prayers and hold other community activities. In addition, at the front of the mosque, another building block was constructed, which is used to conduct Quranic studies and Kafa classes. [Plate 4](#) shows this school building, which was also built upon waqf land. Meanwhile, [Plate 5](#) shows the interior of the classroom and the facilities provided at the school (According to M.A. Majid Headmaster of Penang Primary School, personal interview, 2010, Headmaster of



Source: Field study at Masjid Ridwaniah, southwest Penang, 28 January 2011, 3.30 p.m.

Plate 4.
Kafa school building in
front of Masjid
Ridwaniah, southwest
Penang



Source: Field study at Masjid Ridwaniah, southwest Penang, 28 January 2011, 3.30 p.m.

Plate 5.
Interior of classroom and
facilities provided at
Kafa school in front of
Masjid Ridwaniah,
southwest Penang

Penaga Primary School), 6 May 2010, Headmaster's Office, Penaga Primary School, 13100, Penaga, Seberang Perai, Penang).

In addition, the Waqf Fund Scheme contributed RM10,000 towards the construction of a *surau* at Penaga Primary School, 13,100, Seberang Perai, Penang, as shown in Plate 6. The construction of the *surau*, which cost RM65,000, began in January 2010 and was completed and ready for use in March 2010. The *surau* can accommodate 350 students and is used by students and staff members for prayers. In addition, the *surau* is used to hold Quran study classes and Kafa classes, religious lectures and motivational programmes (According to M.A. Majid Headmaster of Penaga Primary School, personal interview, 2010, Headmaster of Penaga Primary School), 6 May 2010, Headmaster's Office, Penaga Primary School, 13100, Penaga, Seberang Perai, Penang).

The Waqf Fund Scheme plays a role in the spiritual development of the Muslim community through the contributions channelled towards the construction of Masjid Ridhwaniah and the *surau* at Penaga Primary School. The mosque and *surau*, which are used both as a place of worship as well as venues for religious classes, play a part in

Plate 6.
Exterior and interior of
the *surau* at *Penaga*
primary school in
Seberang Perai, Penang



Source: Field study at *surau* of *Penaga* Primary School, Seberang Perai, Penang on 6 May 2010 at 11.00 a.m.

nurturing and cultivating spirituality and good moral values in individuals. The improvement of spirituality and morality is pertinent to ensure a balanced and comprehensive development of human resources, seeing as how neglecting these aspects can lead to negative outcomes in the process of economic development. As such, the help provided by the Waqf Fund Scheme in improving the community infrastructure with the construction of the mosque and *surau* has also contributed towards the economic development of the Muslim community (Ahmad Sarji Abdul Hamid, 2008; Surtahman Kastin Hassan and Sanep Ahmad, 2005; Wan Mokhtar Ahmad, 1994).

Role of Waqf Fund Scheme in social and welfare development

The Waqf Fund Scheme has contributed towards the social and welfare development of the Muslim community in Penang. In total, RM235,500 was used to alleviate the burden of the Muslim community by way of support given to mosque groups and *qariah* among others (According to Ahmad Syah Firafizal, 2010, personal interview, 18 and 31 March 2010, Waqf Fund Scheme Manager's Office, Level 9, Islamic Religious Council of Penang, MAINPP).

In 2003, the Waqf Fund Scheme channelled a RM150,000 to the YMSC[6] to pay for some of the renovation costs for the organisation's building. The organisation's building, which was valued at RM355,000, as well as RM500,000 in renovation cost and other related costs such as legal services, tax, furniture and electrical equipment, amounted to a total cost of RM1 million. With this in mind, the association's management strived to collect donations from various companies, entrepreneurs and the general public to finance the project. However, the amount of donations collected was still short, thus spurring them to approach the Waqf Fund Scheme for financial assistance (According to Munower Sadiq M.K.E Kader Sultan, President of YMSC, 2011, personal interview, 25 September 2011, by phone). The organisation's building is four-storeys high and is divided into different rooms for various uses, as illustrated in Figure 15.

The use of this building has been fully optimised to provide various aspects of convenience to the Muslim community, and, at the same time, it plays an important part in the development of human resources within the Muslim community in that area. Rooms designated for religious classes, tuition, computer training and *tajwid* serve as

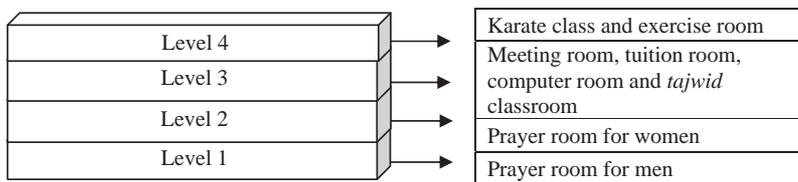
educational facilities that can improve the education and skills of members of the community, whereas rooms designated for congregational prayers and religious and motivational lectures serve to improve their spiritual side. In an effort to achieve balanced and comprehensive Muslim economic development, the development of human capital takes into consideration the physical development attained through the improvement of an individual's education and skills, as well as their spiritual development. In addition, the karate and exercise classes offered, which help to improve an individual's physical health, play an important role in creating healthy human capital. As such, the Waqf Fund Scheme plays an important role in the social and welfare development of the local community by providing assistance to the YMSC in creating and providing the facilities mentioned above (According to Munower Sadiq M.K.E Kader Sultan, President of YMSC, 2011, personal interview, 25 September 2011, by phone).

On 3 September 1995, the Waqf Fund Scheme also channelled RM85,500 towards the purchase of a house at No 2, Lorong Masjid, Bagan Ajam, Butterworth, which is located next to the Masjid Jamek Bagan Ajam. The property was originally bought by the mosque's committee of Orphanage Charity through a bank auction. The property was purchased in the interests of the welfare of the Muslim community in that area, in as much as the property is located adjacent the mosque. Hence, as the local Muslims pass by the property on their way to congregational prayers at the mosque, there was a concern that if the house was purchased by non-Muslims it might have undesirable consequences on the activities of the mosque (According to Ahmad Zainol, Former Chairman of Masjid Bagan Ajam Committee, 2010, personal interview, 27 May 2010, at his home at Lorong Masjid Bagan Ajam, Butterworth) (Plate 7).

Initially, the house was used for a number of mosque activities as well as KAFA classes. However, the classes were then moved to a different location and the house was rented out at a rate of RM400 per month. This monthly rental was divided in two, whereby RM200 was put into the mosque fund and the remaining RM200 was given to MAINPP. After two years, MAINPP released all management responsibilities of the property to the mosque *qariah* group. This way, the mosque *qariah* group receives 100 per cent of the rent and the money is credited to the mosque fund to be used for various mosque activities (According to Ahmad Zainol, Former Chairman of Masjid Bagan Ajam Committee, 2010, personal interview, 27 May 2010, at his home at Lorong Masjid Bagan Ajam, Butterworth).

Implementation plans for the allocation of Penang Waqf Fund Scheme

According to the Waqf Fund Scheme, currently, allocation of the Waqf Fund Scheme is released once the application for financial assistance is approved by the Waqf Fund Scheme



Source: Extracted from interview with Ahmad Syah Firafizal, 18 March 2010, Waqf Fund Scheme Manager's Office, Level 9, Islamic Religious Council of Penang (MAINPP)

Figure 15. Uses of the YMSC Building Based on Levels

Plate 7.

House belonging to the committee of orphanage charity at Mosque Jamek Bagan Ajam



Source: Field study at Masjid Bagan Ajam, 27 May 2010, 2.00 p.m.

Committee. As such, for the moment, there are no particular plans in place for the allocation of existing funds (According to Ahmad Syah Firaful, 2010, personal interview, 18 and 31 March 2010, Waqf Fund Scheme Manager's Office, Level 9, Islamic Religious Council of Penang, MAINPP). However, proposals have been put forward by the MAINPP Committee members for the establishment of a health centre, such as a clinic or hospital under the Waqf Fund Scheme. This is because health issues play an important role in the improvement of the community's quality of life and economic development. After all, a healthy community is able to work for its living and provide for its families, produce high-quality work and is highly efficient (According to Shahril Shahrom, Head of the Administrative and Finance Division, 2010, personal interview on 31 March 2010, Waqf Fund Scheme Manager's Office, Level 9, Islamic Religious Council of Penang, MAINPP).

Conclusion

This study illustrates the positive role that the Penang Waqf Fund Scheme plays in the economic development of the Muslim community in Penang. This is evident in the role that the Waqf Fund Scheme plays in providing facilities for human resource development within the Muslim community in the areas of spirituality, economy, social and welfare. The infrastructure established by the Waqf Fund Scheme for the purpose of worship, business premises, education and social activities are fully used by the Muslim community for various beneficial activities. In addition, these facilities contribute towards the improvement of the quality of life within the Muslim community, which is the main objective in a comprehensive development of the economy. In addition, the improvements enhance the quality of life of the general population of Penang, which will have an impact on Malaysia's Human Development Index (HDI) previously recorded a level of 0.744 by raising it to a better level.

Notes

1. From a linguistic point of view, *wakalah* means *al-hafz*, which means to preserve or guard. In fiqh terms, it means to establish or preserve the rights of others as though one's own in any form of transaction (*al-ta'arruf*). The ruling on this is that it is permissible with the knowledge

- of the person being represented, and it is not against Shari'ah. See *Wizārah al-Awqāf wa al-Shū'un al-Islāmiyah* (2004).
2. *Badal* from a linguistic point means to exchange one thing with another that is of equal value with the original thing. It is permissible to exchange one thing with another, provided the exchange is undertaken by a person who has rights in the transaction (*al-ta. şarrūf*) and on items or goods that are permissible under Shari'ah. Meanwhile, in terms of exchange of waqf assets, the Shāfi'i, Māliki, Ḥanāfi and Ḥanbali madhabs rules that it is permissible to exchange waqf assets that are not being utilised with another asset to gain benefit from this asset, provided that the value of the assets being exchanged is equal. See *Shams al-Dīn Muḥammad bin Abī al-'Abbās Aḥmad* (1938), *al-Dusūqī* (2014) and *Wizārah al-Awqāf wa al-Shū'un al-Islāmiyah* (2004).
 3. Assets bequeathed as waqf for the benefit of the public and for any form of charity/welfare.
 4. Combination of several waqfs including waqf created through *istibdal* and Waqf Fund Scheme.
 5. This is because in the process for Waqf Share contribution, contributors have to buy several units of shares at a specific value and the value needs to be printed onto a certificate before it can be bequeathed as waqf and handed to the Islamic Religious Council.
 6. Indian-Muslim Association Penang.

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