

A Case Study of Waqf Fund in Tertiary Education

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Received: January 30, 2023

Accepted: April 28, 2023

Published: May 31, 2023

doi:10.5296/bmh.v11i1.21033

URL: <https://doi.org/10.5296/bmh.v11i1.21033>

Abstract

Rise in cost for higher education have been causing less privilege and self-financed students who wanted to further their studies in tertiary education unable to do so due to the less affordability and lack of availability of financial assistance. However, waqf is the most effective ways that have been used to solve the problem. This study aims to examine how universities established their own waqf or endowment fund to help students that are in dire need of financial assistance and at the same time becomes an alternate supply of funds to finance academic activities in university. The study also explained the challenges facing by universities' waqf bodies. For that, two public universities have been chosen in this study i.e., Universiti Teknologi Malaysia (UTM) and International Islamic University Malaysia (IIUM). This research uses a qualitative approach by applying interviews and library research in the process of collecting data. The finding has shown that waqf undoubtedly offers a great benefit in ensuring the opportunity and access to education at both universities – IIUM and UTM. The challenge, however, is that it requires the continuous societal support in order for it to sustain its operation

Keywords: fund, tertiary education, waqf

1. Introduction

Poverty problem is a phenomenon that never stops haunting especially in Malaysia. Poverty has become familiar with the never-ending solution. As a country with the highest population of Muslim, Malaysian should have the most reliable foundation to make the society prosperous. Islam is the religion that direct us to help each other and give charity such as waqf. According to Pitchay, Mydin Meera and Saleem (2014), waqf means ‘endowment’ in English word while in the Arabic language it means ‘stop’. Some author stated that waqf implies detention, to prevent and restrain (Hussin & Abdul Rashid, 2017). Technically, several authors opined that waqf could also be defined as private possession or asset in any shape under any transaction such as sale, inheritance, hibah (grant) and wasiyyah (will), which its physical existence remains whole and unaffected (Abd Halim, Nor Aishah, Aryani, & Henny Hazliza, 2014; Hussin & Abdul Rashid, 2017).

The concept of waqf was developed by the Prophet Muhammad (SAW) and played a crucial part in satisfying the needs of socio-economic of the Ummah. The term waqf in Islam portrays a specific property, which is held and preserved, and the benefit was constrained for philanthropy use only. Any intention out of the objective is strictly prohibited. Hence, zakah and waqf can be the alternative solution to the poverty as it is an obstacle that needs to be overcome in several modern Islamic nations (Harun, Possumah, Mohd Shafiai, & Nor, 2016).

According to Syakir et al. (2017), waqf for education is a property, goods, assets or cash provided to the education sector or an educational institution either continuously or not. Waqf education was created to reduce the reliance on higher education on government and able to stand on their own through a cash waqf funds. Education endowments have long been implemented by some Islamic and Western countries. The most popular cases are the colleges of Oxford and Cambridge in the UK and the colleges of Harvard and Yale in the USA (Mahamood & Ab Rahman, 2015).

Historically speaking, several studies show that waqf in the education sector begin from traditional educational institutions based on religious school such as Sekolah Agama Rakyat (SAR), the School of Religious Affairs (SAN), madrasah and cottages (Mustaffa & Muda, 2014; Ahmad, Baharudin, Yusoff, Abdullah, & Soon, 2016). However, according to Mustaffa and Muda (2014) and Ahmad et al. (2016), the starting of waqf development for education was in Johor Bharu where the demand for waqf is to meet the prerequisites of religious school.

Aziz et al. (2014), explained that Malaysia had hugely debate on the issue of the government fund to maintain higher education particularly after the financial crisis in the late nineties. According to the same author, the disaster has affected Malaysia’s economy significantly which resulted in the authority to reduce public sector expenditure including higher education. Public college was incapable of accommodating the high demand of school graduates pursuing higher education from the global economic transition to k-economy. Prior to this issue, waqf for education has become more critical as the tertiary education utterly dependent on government fund.

In addition, A. Ahmad, Muhammad and Kamaruzaman (2012) stated that the cost of education, specifically higher and tertiary education, has been increasing in Malaysia. This trend is troubling because the increasing cost of higher education may lead poor people or average individuals with high intellect cannot pursue high education. Strictly speaking, higher education will be a luxury good which can only be afforded by the riches only.

This study aims to examine how universities established their own waqf or endowment fund to help students that are in dire need of financial and to show that *waqf* is helpful in enabling access to education opportunities. The study also explained the challenges facing by universities' waqf bodies. For that, two public universities have been chosen in this study i.e., Universiti Teknologi Malaysia (UTM) and International Islamic University Malaysia (IIUM).

2. Method

This research employs a qualitative approach in examining the mechanism of *waqf* adopted by the universities involved to lessen its dependence on the government funds. Two primary methods are employed: interviews and literature reviews. The first method is to acquire primary data pertaining to the manners in which *waqf* is implemented at IIUM and UTM. Semi-structured interviews are held with the Director of the IIUM Endowment Fund and Managing Director of UTM Cash *Waqf* for Education Fund (*Dana Wakaf Tunai Pendidikan UTM*). This type of interviews is opted in order to create a more comfortable environment so that the interviewees can comment freely and add some additional relevant information that might not be covered by the set of questions. In addition, relevant literatures from the existing texts and previous studies were extensively reviewed to investigate the concept of waqf itself especially waqf in tertiary education.

3. Results

The findings of this result are gained from the semi-structured interview with the Director of IIUM Endowment on February 26th 2019 and the Managing Director of UTM's Cash *Waqf* for Education Fund, on the 22 January 2019).

3.1 IIUM Endowment Fund

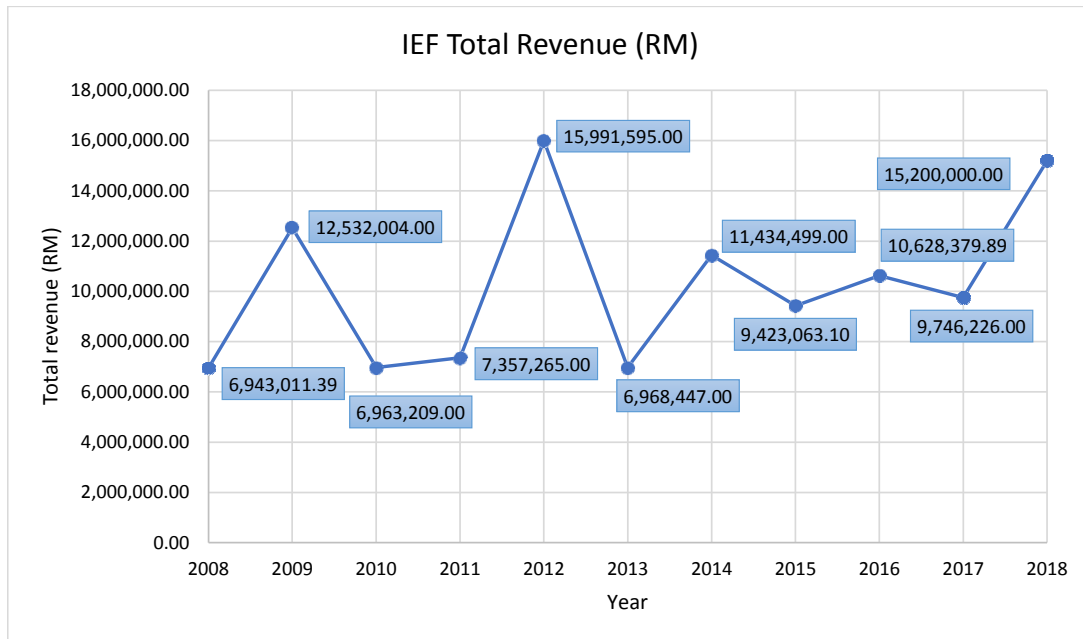


Figure 1. The total revenue by IIUM Endowment Fund for the past 10 years)

3.2 UTM Cash Waqf for Education Fund

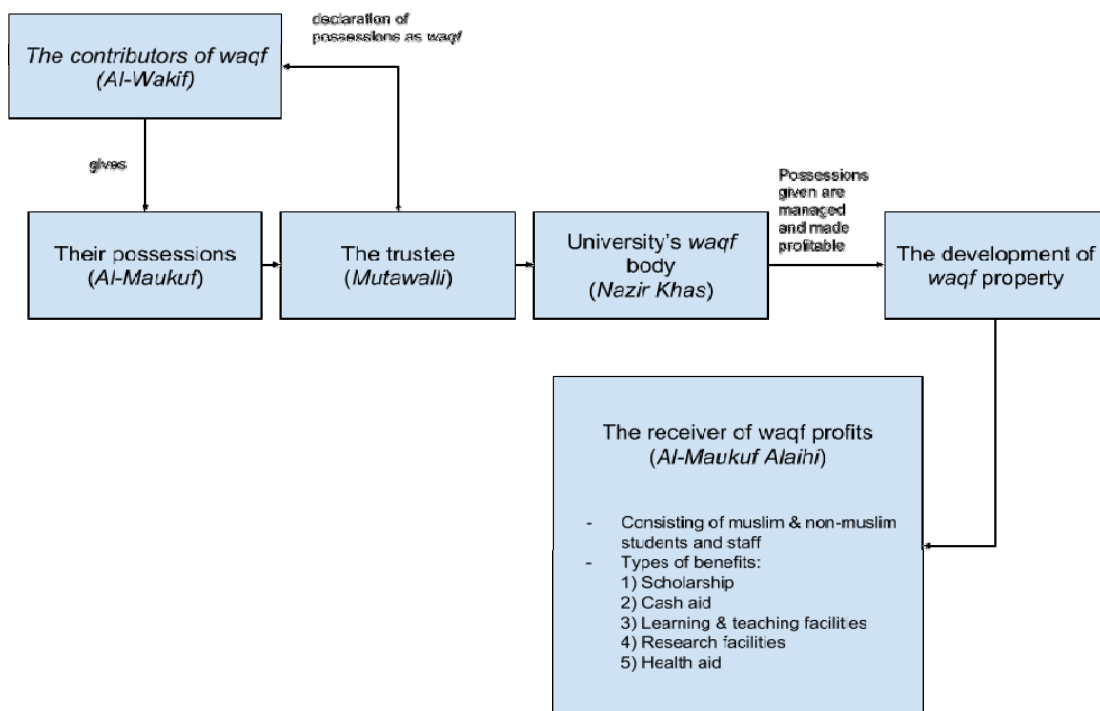


Figure 2. The flow of contribution management as at <http://wakaf.utm.my/ilustrasi-transaksi-wakaf-tunai-di-universiti-awam/>

4. Discussion

4.1 IIUM Endowment Fund

Based on the above graph (Figure 1) it is observable that the revenue of the fund exhibits some stark fluctuations. Some years exhibit sharp growths, while others show some worrying falls.

From year 2008 to 2014, the trend shows some great gaps between the tips and the valleys of the graph, which implies inconsistency and unpredictability. According to the Director of IIUM Endowment (*Personal Communication*, 10.30 a.m. to 11.45 a.m. on February 26th 2019), the increase in 2009 was due to the introduction of the IIUM Perpetual Endowment Property Fund, where the received contributions from the society were used to purchase or construct various types of property. These properties were rented and the profits were used to help the students. Tan Sri Dato' Azman Bin Hashim, through his Foundation the Yayasan Azman Hashim, has helped tremendously by fully funding the RM 7 million cost of constructing the now Azman Hashim Complex. This Complex serves as a multipurpose hall and a commercial centre for IIUM students.

Aside from that, the Foundation also sponsored the building of two new student hostels, the *Mahallah Ruqayyah*, in IIUM. These hostels are built with more sophisticated facilities, aiming to be rented with a higher rate to foreign students. The profits become the source of income of IEF.

According to him, 2018 marks a significant increase after a period of relative stability due to the introduction of some new programs by IEF. The programs include the AmBank Islamic-IIUM Credit Card Program and the IEF *JomPay* Program. The first is a collaboration between AmBank Islamic and IEF that invented a new method that encourages people to contribute to IEF. This unique method works based on the rate of spending using AmBank credit cards. Every spending warrants some points which, when redeemed, can be converted into a certain amount of money to be contributed to IEF. On the other hand, the second method encourages the public to contribute through online or mobile banking via the *JomPay* application.

From 2014 to 2018, the gaps are less pronounced where the fluctuations can be seen to be averagely consistent, showing a potential for a long-term growth. This is due to IEF's increasingly stable source of income from the rentals. There are also no significant drops – i.e., below RM 6 million – in the total revenue due to the support from long-term programs such as the RM1 Campaign staffs can contribute a minimum amount of RM 1 per year, and the *Kafalah* program (Foster Parents) where donors (*kafil*) may opt to sponsor a selected student, with a minimum amount of RM350 monthly or annually. These programs have successfully attracted many contributors to IEF. In IIUM, the concepts of *waqf*, *sadaqah*, and *zakat* are incorporated into the endowment fund. The funds acquired from these sources are usually distributed to the students in the form of scholarships. Because most of the universities' incomes come from fees, therefore the inability of students to pay their fees directly affect the financial status of the universities. This means that helping the students in paying their fees is a priority (Director of the IIUM Endowment Fund, *Personal Communication*, 10.30 a.m. to 11.45 a.m. on February

26th 2019).

In 2017, there were 442 students that are sponsored under the IEF scholarship programs. IEF accepts applications from students in need not solely based on their household incomes. This is because sometimes a household can be categorized as an M40 (mid-40%) but lives in an area where their expenditures exceed their incomes. However, these families are given sponsors according to their needs, which means that they are partially sponsored.

Architecture students, specifically, struggle to buy the items needed for their projects. This is understandable considering that PTPTN loans are enough only to pay for the fees and can only partially help the students with their daily necessities. IEF helps these students by helping them financially to be able to afford for the materials needed for their assignments. In Kuantan, IEF sponsored two dialysis machines for IIUM Medical Centre to help train medical students and to treat patients.

Furthermore, IEF regularly organises a soup kitchen program the – *Mahabbah* (which means ‘love) Food Program. The program sponsors 200 to 250 packets of food every day to be distributed freely to students. This helps students who are struggling with tight budgets. Sometimes, it would take a while before the PTPTN loans are credited into the students’ bank accounts. During that period, most students had to skip their meals to prioritize on their studies. As an initiative, IEF seeks to help them by giving out food coupons with a value of RM 6 (Director of the IIUM Endowment Fund, *Personal Communication*, 10.30 a.m. to 11.45 a.m. on February 26th 2019).

Economically, *waqf* enables education to be made available and affordable for everyone. This is because, if left to the mercy of a free-market economy, it is underprovided. With *waqf*, universities can be more independent financially. The question of financial autonomy is most important. *Waqf*, therefore, is a viable and sustainable alternative for situations in which, for example, the government had to reduce the budget for public universities. This way, even when in such a situation, universities can still sustain its operations with its own revenue. Furthermore, it also enables education to be freely and equally accessible for the whole society. In IIUM, for instance, free food is prepared for everyone regardless of their household income.

Besides, the scholarship schemes in IIUM are flexible in the sense that they are not only available for extremely poor students. Instead, they can also attend to middle-class families whose family members might be struggling with abrupt unwanted changes in their financial condition. This is done through the process of interviews by the Director of IEF and other representatives to ensure transparency on the part of the students and the urgency of their financial situations. This way, more precise decisions can be arrived at and, thus, enabling a wide range of eligibility among the applicants – be them B40 or M40 (Director of the IIUM Endowment Fund, *Personal Communication*, 10.30 a.m. to 11.45 a.m. on February 26th 2019).

It is evident, then, that the funds collected by IEF have helped countless students to sustain their progress in pursuing their tertiary education. There are also marginal cases where the funds are used for the repair of a wheelchair of a foreign disabled student. These instances demonstrate how the implementations of religious obligations are able to be integrated to solve

real-life problems. This integration, then, leads to forming a society that cares about those in need.

4.2 UTM Cash Waqf for Education Fund

Based on the diagram (figure 2), the possessions, which are in the form of cash, from the contributors are given to the trustee, who is a representative of the university's *waqf* body. The contributions are then invested in sharia-compliant investments. The profits from these investments will be distributed to the target individuals within the community of the university. The distributions are in the form of scholarships, cash aids, and healthcare to B40 (bottom-40 %) students. Apart from this, the profits also benefitted from in buying and sponsoring learning and teaching equipment, research facilities, and education-related expenditures (Director of the UTM waqf fund *Personal Communication*, 9.am – 10.am, 22 January 2019).

According to him there are three main sources of donations for the *waqf* fund in UTM

- 1) Cash *waqf* that is given by individual contributors or companies.
- 2) A specific amount from UTM employees' monthly salary.
- 3) Profits made through investments by UTM.

4.3 Challenges

With regard to challenges, according to informant Mohamad Razif Bin Mamat (February 26th 2019) ensuring its efficiency and optimum performance is a herculean task. The most obvious challenge is, of course, the inconsistent amount of revenue accumulated in every year as shown in Diagram 1.0. Statistically speaking, the trend for the past ten years will probably project a similar trend in the future if the *waqf* model remains dependent on contributions from random individuals and companies.

The challenge is doubled when there are also other institutions that have their own *waqf* scheme. This situation produces somewhat a competition between the institutions due to sporadic contributions made by the public. The more the number of institutions, the more sporadic the contribution patterns become. Some companies will try to be fair by alternating turns between universities. Still, inconsistency persists. When the total fund revenue is uncertain, the disbursement of financial help also becomes uncertain (Director of the IIUM Endowment Fund, *Personal Communication*, 10.30 a.m. to 11.45 a.m. on February 26th 2019).

To overcome these challenges, one of the viable solutions is to increase systematicity in transparency reports. Similar to business operations, where customers are the stakeholders, *waqf* bodies can prepare elaborate financial reports that detail out the transactions made by the bodies. This ensures the contributors' satisfaction, seeing that their contributions are indeed being put to good use. Just as a happy customer is a returning customer, so too a happy contributor is a happy contributor.

Secondly, when thinking with a business mindset, the *waqf* bodies can start to think of business-like strategies to ensure a sustainable income flow. In the case of IIUM who has been

running its *waqf* scheme since 1999, there have been many successful programs organised and can be exemplified. The IIUM Perpetual Endowment Property Fund, for instance, has managed to procure a huge amount of income for IEF. Not only that, this huge amount flows in continuously as a result of its rental business.

The most recently introduced programs such as the AmBank Islamic – IIUM Credit Card Programme and IEF *JomPAY* managed to pool in the interest of the society to contribute to IEF as shown in Diagram 2.0. With their unique programs, it is hoped that they can continuously sustain their *waqf* scheme. (Director of the IIUM Endowment Fund, *Personal Communication*, 10.30 a.m. to 11.45 a.m. on February 26th 2019).

However, in economic downturns, the public funding alternative can suffer tremendously (Rohayati Hussin, Rusnadewi Abdul Rashid, 2017). This is because there will be a decrease in consumption because consumers are becoming more frugal and prefer to save rather than to spend. When spending decreases, donations – which is a form of spending – also decrease. This somehow explains the inconsistent trend of yearly total revenues. This limitation is difficult to overcome because it involves factors that not controllable.

Furthermore, the level of awareness of the benefits and importance of *waqf* among the Malaysian Muslims is not at a satisfying level yet. The limitation is in widening the concept of *waqf* as understood among the Malaysian Muslims, since most of them think that *waqf* is only limited to ritualistic forms of worship. Therefore, their contributions are directed only to mosques and religious centres. Even when contributions are made for educational purposes, they often contribute it to religious schools and madrasahs only.

With the kind of *waqf* implementation concerned in this paper is not familiar to most Malaysian Muslims, it is difficult to ensure a continuous income for the universities' *waqf* body. Although the concept of *waqf* is wider than how it is widely conceived by society, this awareness will take a long time to prevail.

Because the *waqf* system implemented in UTM is still relatively new, the data that can be gathered are insufficiently limited. However, it can be said that because it is still new, challenges abound.

There are also difficulties such as managing immobile assets like lands and properties that are given as *waqf*. Therefore, it is crucial for *waqf* management to efficiently mobilize and allocate the use of the assets. There are cases where remote and infertile lands are given away as *waqf*, and is therefore useless. On top of that, there is a perception that the value of a *waqf* land is low. These problems contribute to the unnecessary loss of potential profits that can be acquired from the lands.

In addition, regulations and laws pertaining to *waqf* such as the question of ownership of the lands in relation to the State Government are often inconsistent (Latiff, et al., 2012). According to Article 74 (2) of Federal Constitution, *waqf* is allocated under the Islamic Religious Administration Enactment of the respective states. This exempts it from the National Land Code. This desynchronized administration causes many disruption (Wan Kamal & Noor Inayah, 2017).

5. Conclusion

It has been shown that *waqf* can surely offer far-reaching benefits when it is proven to have provided affordable and accessible educations at university level. The case samples can be observed in its implementation made by IIUM and UTM. The challenge, however, is to ensure a continuous supply of income. Even after a long time, its full potential is still not totally actualised. In addition to this, the level and nature of awareness of Malaysian Muslims with regards to the benefit and importance of *waqf* are still far from allowing *waqf* to be a formidable financial model. And, apart from this, the state governments need to synchronise the management of *waqf* regulations and laws to smoothen its implementation and operation by bodies involved. To predict the future projections of the roles and competence of *waqf* is difficult. However, if a model that includes a sustainable plan can be procured, then perhaps *waqf* can fulfil its potentials.

Acknowledgments

We gratefully thank Mr. Mohamad Razif Bin Mamat, the Director of IIUM Endowment Fund and Assoc. Prof Ahmad Bin Che Yaacob, Managing Director of UTM's Cash Waqf Education Fund for sharing with us the data.

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