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THE IMPLICATION OF CASH WAQF IN THE SOCIETY

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ABSTRACT

This paper discusses the concept and process of waqf. It attempts to elaborate the real implication of cash waqf in the society, and also define the issue and challenge arises in managing waqf fund.

Keyword : Perpetual Charity, Cash Waqf, Institution of Waqf

I. INTRODUCTION

There are many ways to start charity in Islam, namely Zakah, Infaq, Sadaqoh and Waqf. The institution of waqf is a perpetual charity in the Islamic system. Waqf is an Islamic economic tool that may increase and improve the socio-political of the ummah. However, nowadays waqf is not fully utilized by the Muslim government and its purpose is only narrow toward religiosity only.

Waqf is not only beneficial for Muslim but it also benefit for every religion. However, there are strength and weakness in the planned project based on waqf which the organizer need to be notified.

Prominent types of waqf are land waqf and cash waqf. Land waqf is very familiar in the society, mostly the primary purpose for individual or institution donate

land for waqf are for education, health center, and religious. Cash waqf is also a tool to boost social economic of the ummah. Cash waqf is a form of certificate that will be offer to individual or institution as a way to raise money for planned project.

As a tool to alleviate poverty, cash waqf is not quite well known compare to land waqf and there are not many papers discussing regarding cash waqf. This paper attempt to define the implication of cash waqf in the society and the objective of the paper will be elaborated as follow : to explore the concept Waqf in Islamic economic, to discuss the definition and the process of Cash Waqf, to observe the real implication of Cash Waqf in the society and to examine the issue and challenge appear in managing waqf fund. The method employ in this paper is a critical view of existing literature and observation of the current condition.

The remaining structure of this paper is consists of four parts. Part two will discuss the concept of waqf in Islamic economic. Part three will elaborate the definition and the process of cash waqf. Part four will illustrate the issue and challenge in managing waqf fund and the last part will depict conclusion and recommendation.

II. THE CONCEPT OF WAQF IN ISLAMIC ECONOMIC

2.1.DEFINTION OF WAQF

Waqf come from Arabic word, “Waqafa” which means to hold still and last long. In brief Waqf is transferring personal properties into public properties. Sadeq (2002) mentioned in his paper that waqf asset cannot be disposed, its ownership cannot be transferred, only its benefits are to be used for the specific purpose(s), which is (are) mainly charitable in nature, and It is a voluntary charity characterized by perpetuity.

The charitable purposes of waqf include educational institution, orphanages, roads, religious establishment such as masjid and graveyard. Among those characteristic of waqf there are strength and weakness we ought to know about waqf, which will be depicted in the following section.

2.2.THE STRENGTH OF WAQF

As an institution, waqf has a direct effect to enhance the capabilities of the poor to take care of themselves by providing access to education, health and physical facilities. Hence, the institution of waqf can be effectively accommodates the issue of poverty in its new and comprehensive approach.

Further, the institution of waqf can be useful to provide basic facilities to the people including education, medical and infrastructure facilities, which the public sector is unable to provide adequately. If waqf can be managed well by the government, it may reduce the government expenditure.

Waqf as perpetual charity has wider benefits compare to other charity. Its benefit may be used for every religion not for Muslim only. For example, the famous Oxford University in UK was established on waqf land, most of the students who study there are Non-Muslim however it gives advantages toward people from every kind of belief. In brief it shows that Islamic economic system is not only beneficial for Muslim in particular but it also benefit for every religion.

2.3.THE WEAKNESS OF WAQF

The establishment of waqf is purely voluntary in purpose. The implementation of the planned program mostly based in voluntary in nature to alleviate poverty. There are specific agenda that need to be full fill by a project manager. However due to its voluntary, there is no guarantee that the project based on waqf will be finish on time due

to financial issue. It is because such planned project will require a big sum of investment which individual endowers may not be able to accommodate.

III. THE DEFINITION AND THE PROCESS OF CASH WAQF

3.1.DEFINITION OF CASH WAQF

There are two types of waqf, namely land waqf and cash waqf. Land waqf is already well known in the society however cash waqf is not so familiar. Cash waqf is also utilized to fund project which beneficial for the society. The endowed cash used to be invested or loaned out to earn income, and target projects were financed by earned income.

The cash waqf is a form of certificates with different denominations to raise money against the planned projects. The issued certificate will be bought by a number of individuals or institution to finance the planned projects. Separate cash waqf will be raised for each individual waqf activity.

Prior proceed with the process of cash waqf, previous paper examined that the history of cash waqf started during the period of eight-century until the fifteenth. In the Islamic world, there was a huge gap of knowledge concerning the history of this type of waqf. Cizakca (1998) stated in his paper that during Ottoman economy, cash waqf played important role. Further, during that time cash waqf has a function as a capital distribution for the borrowers who were mostly come small consumers.

3.2.THE PROCESS OF CASH WAQF

The process of waqf certificates may be utilized to establish income-generating projects which are suitable to be operated by handicapped people, single mothers, illiterate and unskilled workers (Sadeq, 2002). Hence, it would give a great impact for people who difficulty to find a job in a company.

The initiative of waqf certificate originates from Waqf Administration Body (WAB) in an organized way. The waqf certificates are bought voluntarily by individuals or institutions and then the cash waqf is made by them purely voluntarily.

Sadeq (2002) discussed in his paper regarding the mechanism of waqf financing for planned project:

1. Waqf Administration Body (WAB) prepares profiles of projects, issues waqf certificates with different denomination (low, medium or high) and puts in the market for sale.
2. The individual and the institution will buy waqf certificate
3. After the waqf proceeds, then it is use to establish the target projects.

By doing this way, important and planned projects will be financed by raising cash waqf in an organized way.

The establishment of target project (primary project) in waqf will need continuous flow of the income to bear the operational expenses. Their financing will need secondary projects to generate a regular flow of incomes. For examples, a hospital is a primary project. In order to finance the expenses of the hospital, some secondary projects such as shopping complexes may be created by raising organized voluntary cash waqf. The revenue generated from the secondary projects will then use to finance the operation of the primary projects.

Waqf can be used to generate continuous and regular income for the poor by the poor. It also as a source of productive distribution from the wealth to the poor and transfer-type redistribution. In making waqf more effective, the waqf administration will need to plan both primary (target) and secondary projects.

The following information is the real implication of cash waqf management as the author has discussed before. Firstly, if there is a project management want to build a hospital, he need fund for operational cost. Then, the WAB (Wafq Administration Board) will issue certificates which have different denomination - small, medium and high. Lastly, the certificate will be offer to individual, institution and company to raise fund.

IV. ISSUE AND CHALLENGE IN MANAGING WAQF FUND

4.1.PROBLEM THAT ARISE IN MANAGING WAQF FUND

A number of studies have shown that most of the problem occurred in managing waqf lies in the unqualified mutawali (Waqf manager). Unqualified Mutawali can cause numerous things such as the asset of waqf can be left idle without no one who can process it, corruption in waqf money, and there are no other earnings to cover the operational cost from the planned project.

The issue that lies for function of waqf is that the institution acted as capital distribution not as a capital accumulation. The institution lends money to the borrowers and mostly come from small consumer which more or less has similar process with the conventional bank. The transaction between lender and borrower was dangerously close to riba which is prohibited in Shariah.

Cizakca (1998) discussed in his paper, although the system applied is mudarabah however the trustee concerned about the partnership risk. Further, the trustee as a mudarib (the person who provide the capital) will ask the rab al-maal (the person who provide effort) to provide collateral. Thus the process will not be legal mudarabah but more to dubious istiqlal, that is a legal device concealing a usurious transaction.

4.2.SOLUTION TO MANAGE WAQF FUND

In this section the author will elaborate the solutions for the above problems which rise in managing waqf fund. The following solutions were review from the previous studies.

Firstly, Waqf institution will require good governance to ensure the waqf practice and the procedure in line with the objective. Problems such as corruption, unorganized management could be avoided with good governance system.

Secondly, the issue for insufficient to cover operational cost for the planned project can be solve by create secondary projects to generate a regular flow of incomes. Suppose a hospital is the primary project. In order, to finance the expenses of the hospital, some secondary projects such as shopping complexes can be constructed by raising organized voluntary cash waqf. The revenue generated from the secondary projects can be used to finance the operation of the primary projects.

In term of waqf institution as a capital distribution not as a capital accumulation, previous research has shown solution to overcome this issue. To avoid istiqlal in the mudarabah transaction, modern Islamic banker has created a creative way how cash waqf and Islamic bank can work together through Dynamic Cash Waqf model.

In proposed of Cash Waqf model, Islamic Bank will act as a trustee for Cash Waqf which will supervise and monitor the collection of waqf fund, investment and distribution of profit to the charity activities.

According to the model, in term of sources of waqf fund, Islamic Bank is not the only sources but all Islamic financial institutions (IFI) as well as other institutions at least Government-linked companies could endow part of their shares as Cash Waqf in order to perform their corporate social responsibility. Moreover, ordinary people also can joint as depositing in waqf account for a certain period and their profit portion will be distributed as donation. And another method is purchasing Waqf share issued by Islamic bank where 50% dividend will be distributed among shareholders and the remaining 50% will be endowed as cash waqf.

In addition in matter of investment, Cash Waqf fund can be used in several activities. Islamic bank can use waqf fund to provide loan to SME-small and medium enterprise, to portfolio investment in IFI's securities and for emergency needs such as natural disaster. And also waqf fund may be used for micro finance as well.

Finally, the distribution of profit to the charity activities could be distributed according to the donors' will. However if they assign the responsibility to the bank, then it can be distributed in three ways: 1) to charity such as mosque, madrassa, poor, social activities, marriage for poor couple; 2) to management includes maintenance, future development and capital enhancement, and 3) Marketing, when there is natural disaster, the manager could advertise through television, radio or newspaper in order to raise money from the donator.

V. CONCLUSION AND RECOMMENDATION

5.1.CONCLUSION

Waqf is a voluntary charity characterized by perpetuity. The charitable purposes of waqf include educational institution, health center, public facilities and religious establishment such as masjid and graveyard. The strength waqf has a direct effect to enhance the capabilities of the poor to take care of themselves and its benefit may be used for every religion not for Muslim only. The weakness of waqf is purely voluntary in purpose thus there is no guarantee that the project based on waqf will be finish on time due to financial issue.

There are two types of waqf, namely land waqf and cash waqf. Land waqf is already well known in the society however cash waqf is not so familiar. The cash waqf is a form of certificates with different denominations to raise money against the planned projects. The process of waqf certificates may be utilized to establish income-generating projects.

The problem occurred in managing waqf lies in the unqualified mutawali (Waqf manager). The function of waqf is that the institution acted as capital distribution not as a capital accumulation. The solutions to these problems are good governance, creating secondary projects to generate a regular flow of incomes for insufficient project.

In term of waqf institution as a capital distribution not as a capital accumulation, Dynamic Cash Waqf model is the solution. Islamic Bank will act as a trustee for Cash Waqf which will supervise and monitor the collection of waqf fund, investment and distribution of profit to the charity activities.

5.2.RECOMMENDATION

As a long lasting charity, waqf should be promoted more to the society because there are not so many people aware about cash waqf. The implementation of cash waqf would give a great impact for the development. If an individual or institution could contribute their money through cash waqf for government project, thus the government expenditure could be minimized.

Further, the development of planned project should not be centered in urban area however the rural area should be introduced about cash waqf. Thus, the urbanization in developed country could be reduced.

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