

Framework for Establishing Homes for the Poor Through the Combination of Zakat, Wakaf and Baitulmal Funds in Malaysia

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Abstract

The most important thing in a family's life is a cozy home. Asnaf and B40 group ownership of residential properties has grown to be a serious problem that needs the attention of the authorities. This is because only roughly 76.9 percent of Malaysians, according to data from the Department of Statistics Malaysia 2023, own their own homes. Lack of housing can lead to several detrimental outcomes, including but not limited to: social exclusion, mental illness, family disintegration, homelessness, and unstable income. To provide housing for the underprivileged in Malaysia, this study will determine how zakat, waqf, and baitulmal work together. The state Islamic Religious Council will implement the house development model this study suggests, which is based zatakt, waqf, and Baitulmal funds. Semistructured interview tools, observation techniques, and document review will be used in a qualitative study to gather comprehensive data. By combining zakat, waqf, and baitulmal funds, this study is anticipated to produce an asnaf housing model. This may inadvertently support government initiatives to end poverty and provide impoverished people with housing to fulfill the 2030 Agenda for Sustainable Development (SDG). To restore the glory of the Baitulmal Institution—a goal of the Shared Prosperity Vision 2030 (SPV 2030)—the State Islamic Religious Council may also utilize this development model as a guide when managing Muslim property.

Keywords: Development, Asnaf House, Zakat, Waqf and Baitulmal

Introduction

Owning a residential house is one of the urgent needs according to the principle of Maqasid Syariah which needs to be prioritized. Based on statistics from the 2019 Household Income and Basic Facilities Survey Report, there are about 23.1 percent of Malaysians who do not own their own home. This further affects the opportunity to own a home with an increase in the average price of a house in 2019 which reached a price of RM417,262 while the maximum price of a house that can be owned is only at a rate of RM282,000 (BNM, 2020). In addition, the debt rate of Malaysian households also increased to 82.2% of the growth rate of Gross Domestic Product (GDP) causing the inability to buy their own house because other more important needs come first (Malaysian Economic Report, 2020). The financial burden factor due to large household expenses contributes to the inability of medium and low-income going to own a home (Malek & Husin, 2024)

Zakat, waqf and baitulmal funds are used separately to help the needy. This is because these three sources are managed by separate sections under the State Islamic Religious Council. This causes the available funds to not be used optimally to provide houses for asnaf. The statistical report of the Department of Waqf et al (2018) of the Prime Minister's Department (JPM) revealed that only around 13% of the total 30,000 hectares of waqf land throughout the country was successfully developed. The collection of zakat funds amounting to 1 billion per year is used for subsistence assistance, treatment of diseases, business start-up capital and only a small part can be allocated to provide houses for the asnaf group. Baitulmal resources are only used to cover dialysis treatment and assistance other than zakat (Zakat Collection Statistics for the Whole of Malaysia in 2020, Department of Waqf, Zakat and Hajj (JAWHAR). The merging of the three main instruments of Islamic social finance is seen as a new mechanism to ensure the benefits Muslims in Malaysia can continue to be protected. This is because no law specifically prohibits the merging of zakat, waqf and baitulmal sources. all aspects, especially the basic needs of a Muslim's life (Al-Zuhayli, 1997).

In addition to that, the absence of the asnaf house development model using the synergy of waqf, zakat and baitulmal. Some states develop asnaf houses using only zakat funds and some religious institutions develop asnaf houses not on waqf land. The percentage who receive benefits from the development of existing asnaf houses is also very small for example, the Johor Islamic Religious Council only provides less than 1 percent of the total asnaf in the development of asnaf houses (Zakat Distribution Report According to the Zakat Assistance Scheme MAINJ, 2019).

Therefore, a specific study to expand the distribution of zakat, waqf and baitulmal funds needs to be carried out, especially in providing their own homes to the needy. The main justification for the title of this study was chosen, which is the construction of a model for the development of asnaf houses through the synergy of zakat, waqf and baitulmal funds.

Research Methodology

This research is based on a literature review that highlights relevant departmental reports as well as writings that discuss the problem of homeownership among the middle and low-income groups in this country. The main focus of this research discussion is to find a solution to this home ownership issue by combining the main financial sources of Muslims, namely Zakat, waqf and baitulmal. Therefore, the researcher used a qualitative method by analyzing secondary data obtained through related documents and writings. The collected data is systematically analyzed through content analysis techniques. The findings of this research are expected to provide an initial insight into proposed solutions to the problems of

the people and at the same time optimize Islamic financial resources that directly benefit the target group.

Shariah Objectives in the Distribution of Islamic Financial Resources

According to Al-Syatibi (1997), the basic principle of maqasid syariah is to ensure that a legal stipulation can provide benefits and then reject harm. This principle needs to be the basis for the pattern and method of distribution of the main funds of Muslims, namely zakat, waqf and baitulmal. The pattern and method of distribution must be in line with current developments because various new issues have emerged including the issue of the method of distribution of Muslim funds. Therefore, a comprehensive approach needs to be taken to deal with these issues. The new ijtiḥad is seen as one of the steps that should be emphasized to unravel the issue of the distribution of funds for Muslims today.

If the ummah's dharuriyyat needs are met, the asnaf group successfully fulfills their hajiyyat and tahsiniyyat needs (Nuruul et.al., 2014). This includes efforts to eradicate poverty which is one of the main problems that plague most developing countries in the world. In Malaysia, efforts to eradicate poverty have been the government's main agenda since the tragedy of May 13, 1969 (Syafinas, 2014). The institution of zakat can play an important role in helping the economy of Muslims in Malaysia as well as being a poverty alleviation mechanism by providing regular monthly assistance or capital injections to enable them to be independent. Revision of aid schemes should be done to carry out a study on zakat distribution in a contemporary and comprehensive form (Muhsin, 2014). This is not at fault with the principles of zakat distribution which is based on the new ijtiḥad of contemporary scholars based on al-Quran and al-Sunnah which aims to strengthen zakat distribution (Muhibbuddin, 2017). Zakat institutions began to make strides by implementing long-term programs to realize the poverty eradication agenda because the issue of poverty needs to be addressed continuously and not only in certain seasons. This includes helping asnaf continue their survival by meeting emergency needs such as medical assistance, monthly stipend, food, house rent and others (Abai, 2020). JAWHAR (2009) has outlined that one of the basic components of ḥadd al-kifāyah is the expense of protecting oneself and dependents including house rent or cheap house installment payments, water and electricity bills and everything related to the basic needs of a place of residence based on minimum needs.

The Ability to Own A House for Middle and Low-Income Groups

The ability to own a home refers to a process that involves multidimensional determinants such as demographics, social culture, income, occupation, land and type of home (Malek & Husin, 2024). A report by the Khazanah Research Institute (2015) revealed that the price of affordable housing in Malaysia is at a rate that is too high, resulting in Malaysians not being able to afford to own their own homes. Referring to the statistics of the National Physical Plan (RFN3) states that the estimated rate of increase in urban population from 77% in 2020 to no less than 85% in 2040 (JPBD Peninsular Malaysia, 2019). This shows that the issue of home ownership, especially in urban areas, is expected to continue to be a major issue that demands an immediate solution.

House construction is seen as one of the best solutions in unraveling this challenge following the pattern of new house launches increasingly tending to the unaffordable price category (Yusof, 2019). Financial financing to carry out the development of this house can be channeled through the zakat fund whose collection is close to 1 billion every year (Malaysia Zakat Collection Statistics 2020, JAWHAR). Financial financing is also helped from Baitulmal revenue, which is revenue other than zakat and waqf such as the property of Muslims who die without heirs, alms, charity, bank

interest, luqatah property and donations (Anan, 2015). Even undeveloped waqf land can become a housing complex for asnaf in every state. According to the Prime Minister's Department (JPM), only 13% of the total 30,000 hectares of waqf land across the country has been successfully developed while the remaining 87 percent or approximately 26,100 hectares have yet to be fully cultivated.

Although the distribution scheme for home improvement and new construction is implemented by all MAIN, the synergy between zakat, waqf and baitulmal funds has not been fully utilized. For example, the Selangor Zakat Board has built as many as 550 homes for the poor, poor and converts with a total value of zakat distribution of RM53.3 million. In addition to the aid, LZS also channeled home improvement assistance involving 1,229 houses from 2017 to 2020 with a total zakat distribution of RM31.9 million (www.zakatselangor.com.my).

History has proven that the best financial management system ever happened in an Islamic country during the reign of Caliph Umar bin Abdul Aziz. Muslims at that time consisted of wealthy individuals so the government found it difficult to determine the people who were categorized as asnaf to receive the distribution of zakat funds (Nuruul et.al., 2014).

Ijtihad Method of Consolidating Islamic Financial Funds

According to Ibn Manzur (1990) in his book *Lisan al-Arab*, the word *ijtihad* is derived from *Jahada* (جهاد) which means earnestly. The same is true of the translation presented by Abd Karim Zaidan (2006) in his book *al-Wajiz fil Usul Fiqh* in debating the meaning of *ijtihad* which means trying hard and exerting all one's energy in obtaining something. From the point of view of the science of *usul fiqh*, he also mentioned that *ijtihad* means exerting all one's strength and effort in obtaining a *syar'a* law that is related to the actions of a *mukalaf* in a way that is derived from *syar'a* sources and their arguments. This meaning is also supported by Khallaf (1995) in defining *ijtihad* by including the element of seriousness in the effort to obtain a law that is detailed from the arguments of *Sharia*.

The role of *ijtihad* is very large in unraveling the problems related to the pattern and form of distribution of Muslim funds. The very complex pattern of community life today has had an impact on the implementation of existing laws. Even though today's life has changed a lot compared to the past which led to a change in the law, the fact is that the change is only from the point of view of the implementation of the law. This matter needs to be improved from the present time including in the issue of distribution of funds for Muslims.

Ijtihad related to the method of distribution of zakat, waqf and baitulmal funds by contemporary scholars today needs to be mobilized more seriously to address the problem of the absence and difficulty of the asnaf and B40 groups owning their own homes. A report by the Khazanah Research Institute (2015) revealed that the price of affordable housing in Malaysia is at an extremely high rate, causing a burden on Malaysians themselves. Although in the Eleventh Malaysia Plan (RMKe-11) (2016-2020), the government focuses on a balanced development approach to economic growth and the well-being of the people. How can living well-being be achieved if the community is still unable to meet the basic needs of life such as having a suitable place to live for the whole family (Esther, 2019).

Affordable Housing Development Framework Through Islamic Financial Resources

The intention of the government through the Ministry of Housing and Local Government to draw up a plan for one million affordable houses in a period of 10 years (2018-2028) which will be implemented by Federal Government agencies, State Governments and the private sector for the benefit of the target groups B40 and M40 is very welcome by all parties.

However, the issue of people's ability to own affordable homes requires in-depth research and detail. The 2016 Household Income and Basic Facilities Survey Report shows that more than 50% of Malaysian workers have an income of less than RM2,160. The income growth of Malaysians does not keep pace with the rate of increase in house prices whereas, between 2007-2016, the increase in house prices was as much as 9.8% while income only increased at a rate of 8.3% (Bank Negara Malaysia Quarterly Bulletin, 2017). Study of Ismail, S. et al. 2019 under the title of Housing Agenda Empowerment: Between Government, Market and Society; A Special Report for the Formulation of National Housing Policy (2018-2025) states that based on international measurement standards (median multiple), the maximum affordable house in Malaysia is estimated at RM188,208 (median multiple 3.0) because the national median household income is only RM5,228. However, the actual median house price (Q3 2018) is RM293,000 and this has exceeded the income of most households in Malaysia.

Mismatch between the supply and demand of houses is a reality that occurs in the country. Over the years 2014-2016, the average supply of new homes was 114,000 units which was much lower than the 154,000 increase in new households. The trend of new house launches is increasingly towards the unaffordable price category (Yusof, 2019). With limited purchasing power due to low disposable income as a result of the increase in income not keeping pace with the price increase, the need to obtain housing financing is getting lower as well as being the main factor in the failure of an individual to own a house that meets the needs and wants such as the location of the house close to basic needs, workplace, school and the like (Besar, 2018). In addition to that, the problem of indebtedness with existing debt obligations such as car loans and repayment of credit card arrears further reduces the amount of disposable income for housing loans (Faisal et.al., 2019).

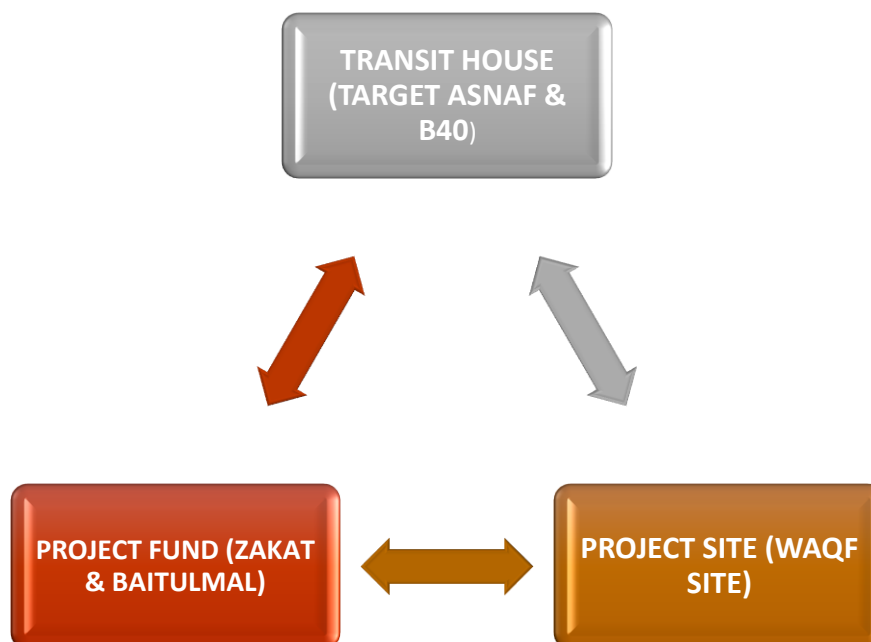


FIGURE 1: Framework of asnaf house development model through synergy zakat, wakaf and baitulmal fund in Malaysia

Conclusion

The findings of the study require proactive action from all parties including Religious Institutions that are Trustees of Muslim property. House construction is seen as one of the

best immediate solutions in unraveling this challenge. This residential house can be built on a waqf site which until now is still left empty without any development due to capital constraints and so on. A statistical report by the Department of Waqf, Zakat and Hajj (JAWHAR) of the Prime Minister's Department (JPM) revealed that only around 13% of the total 30,000 hectares of waqf land throughout the country had been successfully developed. Another 87 percent or about 26,100 hectares have not yet been fully cultivated. The financial payment to carry out the development of this transit house can be channeled through the zakat fund whose collection is close to 1 billion every year as found in the Malaysia Zakat Collection Statistics in 2020 by the Waqf, Zakat and Hajj Department (JAWHAR). Financial payments are also helped from Baitulmal revenue, which is revenue other than zakat and waqf such as property of Muslims who die without heirs, alms, charity, bank interest, luqatah property and donations.

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