

A Possibility of Using the *Waqf* Funding for the Sustainability of Tourism Sector: A Qualitative Approach

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Abstract

Tourism is currently one of the most promising industries in the world. Due to critical/limited budget availability, one of the alternative solutions to reduce the spending from the government is to utilize the *waqf* funding in the tourism sector. As an innovative way to fund the tourism sector without relying on government funding, *waqf* aims to fulfill the socially desirable needs of the community or its members. This research attempts to address how the *waqf* can help the government to reduce the expenditure in the tourism sector from the perspective of *waqf* experts. The study adopts a qualitative methodology that involves primary data collection. Interviews were conducted in order to construct a model that will be suggested to be implemented in the tourism sector. The findings indicated that the *waqf* funding can serve as a medium that may assist the tourism sector such as maintaining facilities and for promotional purposes. This contribution can help to provide inputs to develop a model that can incorporate *waqf* and tourism for a sustainable tourism sector.

Keywords: Waqf, Finance, Tourism, Sustainability, Funding

Introduction

The word - *waqf*, or some call it *awqaf*, which means stopping, containing, or preserving something, is derived from the root verb in Arabic (Cizakca, 1998). Many believe that the *waqf* system does not represent a new affinity for the modern Islamic economy. Most Muslim-dominated states have provided their countries with a large scale of public goods from the eighth century until now. Such vast *waqf* resources resulted in a number of *waqf*-funded programs, including mosques, schools, hospitals, fountains, highways, parks, housing, bathhouses, orphanages, and soup kitchens. Services in major cities in the Middle East, for example, are mostly established by *Waqf*. *Waqf* can be regarded as a fundamental economic

organization in order to generate economic activity while at the same time ensuring benefits for a specific part of society (Alhabshi, 1991).

Cizakca (1998) agreed that *Waqf*-related programs significantly lead to a reduction in government spending that may result in a decrease in budget deficits that reduces government lending requirements by cutting down the 'crowding-out effect'. This consequently may result in a decline in interest rates leading to fundamental obstacles to private investment and growth. *Waqf* is not part of government expenditure. Indeed, the *waqf* scheme can be extended to numerous essential services such as health, education, towns, land, construction, and much more that are made available to the government at no cost in history. It happens with the participation of the individuals or the private sector. The *Waqf* system encourages the involvement of any person or private sector through voluntary actions and will, therefore, minimize the role of government in the economy. The more *waqf* funds collected for some community-friendly development projects, the less will be the government for some programs (Budiman, 2014). In economic terms, *Waqf* has played a precious role and always has the potential to do so. *Waqf* could be regarded as a fundamental economic institution to stimulate economic activities while at the same time ensuring that the gains accrue to some parts of society.

In an economic sense, *Waqf* could be characterized as diverting funds and other resources from current consumption and investing them in productive and prospective assets that generate individuals or society at large revenue for future consumption. Therefore, *Waqf* is a special mixture of the saving act and the investment act. It works by eliminating those resources from consumption and at the same time putting them in the form of productive assets that increase the economy's capital accumulation. The *Waqf* entails sacrificing a current consumption incentive for the benevolent purpose of providing income and services to society and the coming generations. A *waqf* asset may not be sold or disposed of in any way in accordance with the concept of continuity in *Waqf*. It should remain permanently in the *waqf* domain. If a new *waqf* occurs, it will be added to the domain. *Waqf* assets will, therefore, continue to increase and, at the same time, are not allowed to decline due to the prohibition of consuming *waqf* assets or leaving them idle due to any behavior or negligence, or transgression. Therefore, *Waqf* is not just an investment but a cumulative and thorough investment. This is supported by the historical development of Muslim lands where the size of *waqf* properties in several countries, including Turkey, Morocco, Egypt, and, Syria, has been measured at more than one-third of their agricultural land.

Travel and tourism are some important economic activities due to their significant direct economic impact on most countries around the world. Indirect and induced impacts brought by travel and tourism at the same time have contributed to a huge total contribution to GDP (Turner, 2019). Within the services sector, tourism plays an important role in the economy of various OECD countries as it contributes to their economic growth and provides employment and income (OECD, 2000). In Malaysia, the tourism industry has continued its significant contribution (as shown in Figure 1) to the economic growth of the country over the past twelve years (Department of Statistics Malaysia, 2019).

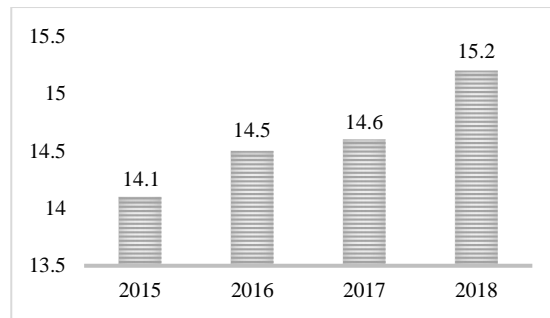


Figure 1: Gross Value Added of the Tourism Industry to GDP (Malaysia)
Source: Department of Statistics Malaysia, 2019

As for now, aggressive measures have been taken to boost Malaysia's tourism and hospitality industry that helping to maintain the industry as the third largest contributor to the country's economy (Department of Statistics Malaysia, 2017). The *waqf* model as an innovative way of funding the tourism sector without using government funds due to the critical/ restricted budgetary availability is also an alternative to rising expenditure (Obaidullah, 2008). The government has planned many activities and efforts to sustain the growth of the industry as well as to put Malaysia as a leader in Tourism.

Waqf has proven to be one of the important methods for the sustainability of projects developed. For example, 24 *waqf* projects by JAWHAR and the Yayasan Wakaf Malaysia had directly given a total value worth RM256.5 million (\$58 million). Out of the 24 projects, 19 involved physical development projects whereas the other 5 were non-physical projects. The creation of the JAWHAR, for example, has proven that its initiatives which primarily focus on 5 areas, including education, economy, healthcare, faith, and shelter (hospitality) have assisted the government to boost the country's economy in Malaysia.

Therefore, this research aims

- to identify whether the *waqf* concept can help the government to sustain the tourism sector.

This research would pose important issues that had not been discussed before in the context of the tourism sector as it would also extend the knowledge of the possibility of *waqf* for the sustainability of the tourism sector. The rest of the paper is structured as follows.

In the next section, related literature reviews consisting of the definition of the *waqf* model, tourism, *waqf* in the Islamic economic development, and *waqf* in the tourism sector are highlighted. Section 3 outlines the research methodology used, which discusses how the research was conducted. Section 4 presents the results of the data analysis collected through interviews with selected interviewees. Lastly, Section 5 concludes a review of all the data analyses mentioned in the previous section, hence validating the major results and discussions of the study and finally stating the conclusion together with the study limitations along with suggestions or recommendations for further research.

Theoretical Overview: Literature Review

Definition of the *Waqf* Model

The word *waqf* comes from an Arabic root verb "*waqafa*" which means "causing something to stop and standstill". It is also defined as holding or keeping. In the view of *Sharia*, *waqf* is defined as "holding a *maal* (property) and preventing the usage for the purpose of issuing

benefits continuously to represent truth objective or the good of charity (Ab. Aziz et al., 2013). In another opinion, *waqf* literally means "religious endowment", which is accepted by Islamic law as a religious donation of charity. This fund is used to build mosques, madrasahs (schools), educational institutions, libraries, and, travellers' lodges (Mohammad & Iman, 2006). However, after centuries of debates by the *ulama* (scholars), the cash *waqf* was later introduced. In Malaysia, the cash *waqf* emerged with *waqf* revenues collected by State Religious Councils are invested in the Islamic Bank Malaysia and Takaful Malaysia. *Waqf* revenues from each State Religious Council and other related government agencies are managed by the Yayasan *Waqaf* Malaysia for cultivating Muslims' economy, developing *waqf* properties, carrying out social charity, and investing in *sharia* by legal financing before it is distributed through promotion and publication.

Tourism: Why Does it Matter?

The tourism sector contributes significantly to the economy of many countries. For Malaysia, tourism plays an important role, and the tourism industry has been identified as a key driver in the service sector (Puah et al., 2018). Tourism sector is identified as the largest generation of Malaysian economic growth. Nowadays, the tourism industry is becoming increasingly vital as the catalyst in Malaysian economic development and it contributes much to the country's income and growth. Furthermore, it has become an aspiring foreign center for tourism.

At the same time, in recent years, Indonesia's tourism industry is growing rapidly and has a bright prospect to be developed into one of the major contributors to the nation's economy (ILO, 2011). The tourism sector plays an important role in the Indonesian economy, both as a source of foreign exchange earnings and job creation and business opportunities. Tourism is also one of the largest contributing sectors to the national economy through foreign tourists (Prideaux et al., 2002).

Malaysia's Tourism Industry has shown sustained growth in demand and global expansion over the past decades. According to Tourism Malaysia statistics, in 2017, Malaysia received approximately RM82.1 million, with a total of 26.76 million tourist arrivals. This dynamic industry, therefore, had made this sector the third-largest contributor to the economy of Malaysia. Through numerous perspectives, tourism can carry several meanings. But one for sure, some people are involved in travelling and staying in or outside their country for leisure or business purposes for not more than one year in a row (Tourism HR Society, 2017). This is parallel to The World Tourism Organization (1995) which defines tourism as "in addition to the common perception of tourism as restricted to holiday activity," as people "travelling and staying not more than one year outside their normal environment year in a row for business, entertainment, and other purposes. In addition, through his article on the History of Tourism, Towner (1995) described the traditional perspectives as the affluent's practices, occurring in particular in tourism settings such as resorts or extended tours. These forms of tourism are prestigious events that occurred periodically in people's lives, and their significance is generally evaluated in quantifiable terms such as visit length and economic outlay.

Nowadays, tourism has been vitally important in many countries as this sector can substantially benefit the country. To make it successful, the tourism industry requires the ability to continuously adjust to the rapidly changing taste and desires of tourists, their security and needs, their activities, and their enjoyment to achieve tourist/customer

satisfaction. This industry also leads to other sectors and industries in Malaysia such as employment, transportation, travel facilities, leisure and entertainment, lodging, food and beverage services, and much more. This has been agreed by Andre and Melchor (2015), Archer and Fletcher (1996), and Frechtling and Horváth (1999) saying that global and regional experiences have revealed that the tourism industry generates significant positive direct and indirect effects on the local level through development and jobs generation, as well as rising wages and capital income for the country.

The World Travel and Tourism Council through the 2017 Report on the Economic Impact of Travel and Tourism, Malaysia's total GDP contribution was RM167.5 billion, 13.7% of GDP in 2016, and was projected to rise by 4.2% in 2017, rising by 5.4% to RM295.6 billion, 15.9% of GDP in 2027, while directly supporting 639,500 jobs (4.5% of total employment) in 2016 and 6.5% of total investment by RM20.6 billion annually. Malaysia is also ranked 27 out of 185 countries worldwide in the World Tourism and Travel Council's global tourism satellite accounts.

In other perspectives written by Wattanakuljarus and Coxhead (2008), tourism is usually adopted by low-income countries to gain profits for the country as a very popular development strategy. This is due to three main reasons; first, the country can earn through a foreign exchange that will contribute to economic growth in return. Secondly, tourism is servicing-in-nature that is considered labour-intensive, so the industry's growth would create local employment and improve revenue distribution. Thirdly, since tourism, known as the "clean" industry, is good for the environment, especially for low-income countries as well as developing countries, which does not require the government to spend a lot of expenses on it. In addition, tourism helps the government curb the effects of poverty alleviation by creating jobs for unskilled workers.

The tourism sector is currently a major contributor to the economy and is regarded as one of the major sources of foreign exchange earnings and a catalyst for economic growth. It contributes at least about 14 to 15 percent of the GDP. In 2018, the tourism and tourism-related industries created nearly 3.5 million jobs (Ministry of Tourism, Arts and Culture Malaysia, 2019). According to the Ministry of Tourism, Arts, and Culture Malaysia, the major tourist markets for Malaysia in 2018 were the neighboring ASEAN nations with Singapore on top by 10.62 million, followed by Indonesia by 3.28 million, China 2.94 million, Thailand 1.91million, and Brunei 1.3million. In terms of travel and tourism, Malaysia was also ranked fourth in the world among the 133 countries surveyed (Wong, 2009).

Such rapid growth in Malaysia's tourism sector is not spontaneous. Since 1970, the government has planned to build infrastructure to support the industry and the promotion and marketing initiatives that have been introduced to help grow tourism. The goal is to contribute to a well-informed understanding of the Malaysian policymaker's practices while at the same time drawing the required lessons that may serve as a basis in other developing countries.

Waqf in Islamic Economic Development

Many believe that the *waqf* system is not a new affinity for modern Islamic economics. Since the eighth century, most Muslim-dominated states have provided a large scale of public goods to their country. These widespread resources flow to *waqf* resulting to a number of services financed through *waqf* including mosques, schools, hospitals, fountains, roads, parks, accommodations, bathhouses, orphanages, and soup kitchens. For instance, services in big cities in the Middle East mostly are supplied largely by *waqf*. *Waqf* can be regarded as a fundamental economic institution for the purpose of generating economic activities whilst simultaneously ensuring benefits to a particular part of society (Alhabshi, 1991).

Murat (1998) agreed that the *waqf* system contributes substantially to reducing government spending leading to a decline in budget deficits, which lowered government lending requirements by cutting down the ‘crowding-out effect’ and leading to a reduction in interest rates which resulted in the fundamental barriers to private investment and growth. Obviously, *waqf* is not part of government expenditure. Indeed, the *waqf* system is applied in various essential services such as health, education, municipalities, land, buildings, and many more which have been made available in history at no cost to the government. This happens with the individuals’ or private sector’s involvement. The *waqf* system encourages any individual or private sector’s participation via their voluntary actions and automatically will reduce government involvement in the economy. The more *waqf* funds collected for certain development projects that benefit the community, the lesser the government will be for certain projects (Mochammad, 2014).

The *Waqf* institution also plays a major role in ensuring a fair distribution of the economy's wealth and income. Hassan (2008) stated that *Waqf* could positively impact the redistribution of wealth through the wealthy's voluntary contributions for the public purpose. This kind of voluntary solution has a much better result than tax allocation and government transfer spending, as the tax instrument involves a greater cost for its execution. The cost of collecting taxes will create unnecessary burdens for the government due to a lack of proper tax formulation. It also includes a great cost in the transition of government spending. On the opposite, the collection costs will be very low in the form of *Waqf*, and in most cases, it will entail no expense whatsoever. Baskan (2002) further clarified that redistributive agents within the community could be categorised into two populated categories in Economic Theories of Redistribution. Many economic theories fall into this second group, although theories are very rare that consider individuals and private institutions as redistributive agent

Methodology

This research adopted a qualitative study approach. It involved collecting data from a natural setting, using the researchers as the key instrument for data collection, using variate data, inductive and deductive data analysis, flexibility, and originality of information (Creswell, 2014; Marshall & Rosman, 2011). The interviewees for this study involved the experts who were the committee members from Yayasan Wakaf Malaysia (Malaysian *Waqf* Foundation), the Department of *Waqf, Zakat, and Hajj* (JAWHAR), and Majlis Agama Islam (Islamic Religious Departments) in Malaysia. Therefore, the researchers used a purposeful sampling technique in drawing respondents in this study.

The interview method was used for collecting data from the selected interviewees. The interviews lasted for 15-20 minutes with each interviewee. The responses from the interviewees were recorded with a voice recorder which was later transcribed and coded. Themes were generated from the information provided by these interviewees. Finally, the emergent themes generated from the interviews are discussed in detail in the results and discussion section.

Results and Discussion

This section highlights the results obtained based on the following question of how *waqf* can help the government to reduce the expenditure in the tourism sector.

Divine Guidance

The respondents viewed the *waqf* concept as a system based on Allah's guidance which prohibits '*siyaahah*' (travel and/or tourism) may mean many things, but in modern usage, it is limited to a few meanings, which indicates moving about in the land for fun or to look at things, research and find out, and so on; not to earn money, work or settle there with the aim of making life comfortable for entire people in the society irrespective of their religion (Al-Mua'jam al-Wasit, 1889).

This is shown in the following statements from the respondents:

"Collect waqf funds and develop the waqf property to preserve tourism facilities" (R1)

"The appropriate waqf concept to be implemented is for welfare and social programs that can attract tourists" (R2)

"Waqf is under the authority of the state council and any program to be undertaken must be approved by the state council" (R2)

"Profit from Waqf fund can be used as an investment for tourism promotion" (R3)

"This concept is not man-made. Therefore, it is a perfect concept which was designed to suit human needs and aims at solving their social, economic, political and spiritual needs" (R4)

Provision of Implementing the Waqf Concept to Sustain the Tourism Sector

The respondents agreed that the concept of *waqf* can be used as one of the ways to provide facilities such as a hotel that will help the tourism sector, therefore can improve the communities that live nearby. This is shown in the following statements of the respondents:

"The waqf concept has raised a number of waqf funds to set up a hotel for the tourism industry such as four hotels built around the peninsula of Malaysia which are Kuantan, Terengganu, Melaka and Perak" (R1)

"When they set up this waqf hotel, it gave the community a chance to work in the tourism sector" (R2)

"Can assist suppliers in the hospitality and catering industry...they can supply local goods for hotels" (R5)

Sustainable for the Waqf Concept

Three of the respondents argued that the *waqf* concept instruments can sustain the tourism sector based on the following statements:

"In terms of waqf there are actually three, federal government funds, private sectors and waqf funds. Waqf is actually a complementary contributor to economic development in Malaysia" (R5)

“Although it is currently relatively small and underdeveloped but if the federal government focuses more on waqf to improve facilities or programs for waqf it will added-value to the waqf or complement the economic structure and cause the Malaysian economy to grow. (R3) “Alms are only for the poor and the needy, and those who collect them and for those whose heart are to be reconciled, and for the ransom of captives and debtors and for the way of Allah (God) and for wayfarers” (Quran 9: 60).

Therefore, we can conclude that *waqf* can help sustain the tourism sector.

Conclusion

This research aims to identify whether *waqf* can help the government to sustain the tourism sector. This research poses important issues that had not been discussed before in the context of the tourism sector as it would also extend the knowledge of the possibility of using *waqf* for the sustainability of the tourism sector. The findings of this research indicate that the tourism industry is very important because it contributes a major income to the country and *waqf* can play its role to help sustain the sector. For example, some of the respondents mentioned that *waqf* funds can help to maintain tourism facilities and profit from *waqf* funds can be used as an investment for promoting tourism.

This research contributes to adding knowledge on how *waqf* funding can contribute to the sustainability of the tourism sector. This idea is expected to benefit the policymakers, the tourism sector itself, and other stakeholders. This finding can also help the researchers to further research on the development of a proper model, thus may become a guideline to improve the tourism sector. As *Waqf* is known as one of the finest contributions of Islam to the world’s wellbeing as recommended by Prophet Muhammad (PBUH), it might also be the answer and solution for many issues pertaining to education, public infrastructure, welfare, and public debt.

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