

Financing *Pondok* Institution Development through Cash Waqf

Farahdina Fazial, Surita Hartini Mat Hassan, Sakinatul
Raadiyah Abdullah, Che Khadijah Hamid, Salimah Yahaya
Universiti Teknologi MARA Cawangan Terengganu, Malaysia.

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Abstract

Waqf plays an important role as a financing instrument for educational institution development. In Malaysia, the majority of the educational *waqf* institutions focus on the establishment of *pondok* institutions and religious schools that were built on *waqf* lands and properties for the purpose of education. Up until today, a number of *pondok* institutions in Malaysia still rely on public donations for management and administration costs. Using cash waqf as a financing instrument for *pondok* institution development is seen as an alternative in coping with this issue. Therefore, this research is done to see the suitability of using cash waqf as a financing instrument for Malaysian *pondok* institution development. This framework uses qualitative research, which involves primary and secondary data. The findings of this research are hoped to reveal the role cash waqf play as a *pondok* financing instrument in Malaysia.

Keywords: Cash Waqf, Financing Development, Pondok Institution

Introduction

Waqf education is an asset or fund that is given by an individual or organization to an institution and the education sector to continuously finance the management and administration of the institution's development (Ramli & Hamid, 2014). Not only does this matter ease the community, especially for students seeking to gain knowledge, but also it provides a chance for Muslims to participate in charity. Educational *waqf* is not something new as it has been enforced since the early Islamic period and has been pioneered by the Middle Eastern and South-East Asian countries such as Egypt, Turkey, and Indonesia. In Malaysia, the enforcement of educational waqf is able to give a significant impact to the lives of the Muslim ummah.

In general, *waqf* should be built to ensure sustainability from the aspect of educational development financing. *Waqf* development should be supported with financial income to ensure the *waqf* assets are generated and maintained properly. The method that can be used is through the generation of revenue from the profit of the *waqf* project itself or continuous

waqf donations from the society. To ensure the sustainability of *waqf* from a development finance and benefit perspective, the productive usage of *waqf* is important. Productive *waqf* refers to the efforts made to expand the *waqf* wealth productively for the coming generations in line with the purpose of the *waqf* whether the purposes are benefit-or service-oriented (Bahari & Hassan, 2016). *Waqf* institutions play a role in using creative financing methods to determine Islamic financing methods towards obtaining financing sources in developing *waqf* assets. The usage of *syariah*-compliant and efficient development financing will sustainably maximize the *waqf* assets benefits as much as possible (Hashim & Rahman, 2015).

Using cash *waqf* as one of the productive *waqfs* in *pondok* institutions is very significant. This is because the usage of cash *waqf* as productive *waqf* is seen as helping the administration to collect funds for the survival of the *pondok* institution. Collected cash *waqf* will then be used as fixed assets, which in turn will be invested in order to gain profit. Therefore, this paperwork will examine the application of using cash *waqf* as the instrument for the *pondok* institution development financing.

Past Research

Research conducted by Latiff et al. (2010) listed five potential elements that were emphasized in *waqf* development in Islamic educational institutions in Malaysia, which are administration management, financial source management, expertise management, management of goals, and marketing management. All these five elements should be updated and taken seriously to ensure the development of *waqf* for education will be implemented successfully. Besides that, development financing through *waqf* in Islamic educational institutions such as *pondok* institutions can be implemented when the community and the *pondok* administration have a deeper understanding on the generation of *waqf*, systematic management of *waqf* by *pondok* institution administration, effective marketing strategies, and implementation of effective laws (Fazial, 2015).

Harun, Possumah, Shafiai & Noor (2014) suggested that one of the methods to increase *waqf* potential is to turn universities into centers for *waqf* research. This method will inadvertently help increase the usage of *waqf* in the educational sector. Shukor (2015) is of the opinion that the potential of *waqf* financing in Higher-Learning Institutions (IPT) such as University Kebangsaan Malaysia (UKM) and University Putra Malaysia (UPM) can be expanded and be advanced. However, financing development for IPT requires continuous cash *waqf* as an alternative monetary source in handling financial problems in IPT.

Research conducted by Mohsin (2013) found that cash *waqf* as a source for religious matters may in fact be able to provide necessities for the community such as education, basic infrastructure, commercial activities, and so forth. Practically, cash *waqf* is seen as a potential alternative worth developing among the Muslims. Physical cash *waqf* which are portable will make *waqf* easier to be managed and will make it as a tool to generate and expand *waqf* to the maximum level (Yon, Latif & Bahrom, 2008).

Research by Masyita, Tasrif & Telaga (2005) suggested a cash *waqf* management system design in a dynamic model system to handle the poverty problem. This dynamic system model requires a large fund to implement planned programmers regardless of financial assistance from the government. Based on the Islamic socio-economic concept, cash *waqf* is seen as a

source of fund accumulation and thus becomes among the best alternative in handling the poverty problem in Indonesia. This suggestion is in line with the research conducted by Kackhar (2017), which stated, in eradicating poverty amongst refugees, the usage of cash *waqf* as a source of micro financing funds is seen as contributing towards the increase in the refugees' socio-economy. Thaker, Mohammed, Duasa and Abdullah (2016) also suggested using cash *waqf* as micro financing to start and expand businesses. From an economical viewpoint, micro financing will be able to provide work opportunities, increase community income, and so forth. Likewise, Karim (2010) listed five methods used in *waqf* asset management for financing strategies and management in Singapore, which are using *waqf istibdal*, internal financing by *Baitulmal*, *Hukr* lease, selling available *waqf*, and external financing such as *sukuk musyarakah*.

Methodology

This research involved collecting primary and secondary data. Primary data was obtained through extensive interviews on twelve *pondok* principals (*mudir*) who were directly involved in the *waqf* management and administration of the *pondok* institution. *Mudirs* are chosen as informants as they are directly involved with the *waqf* management in the *pondok* institution. In this paperwork the informants (*mudirs*) were labeled with set codes (M001-M012). Extensive interviews were also conducted on two *waqf* experts PW001 and PW002 to gather extensive information related to cash *waqf* usage as a financing instrument. Other than that, secondary data was obtained based on past researches and documents. Data was analyzed using the *Atlas t.i* application version 8 (AV8).

Research Analysis

Utilization of fixed assets such as cash not only will be able to help strengthen the education system (Nurul Hilmiyah et al., 2013) but will also be able to provide opportunities to the public to participate in *waqf* according to their ability. Islamic scholars differ in viewpoints with regards to using cash *waqf* as its basis, and this type of *waqf* is considered to be invalid when referred to the rule where fixed assets are the basis of the act of *waqf*. The Indonesian Board of *Ulama'* (MUI) and *pondok* scholars are not all in agreement with the practice of cash *waqf*. *Pondok ulama'* will only receive the execution of a cash *waqf* practice when the cash are changed (*istibdal*) into fixed assets. This matter is still in question even though a number of scholars in Aceh have decreed that cash *waqf* are still permissible even though they have not been changed to become fixed assets (Mauluddin & Rahman, 2018).

However, Imam Syafie' is of the opinion that 'every asset that is transactional may be used as *waqf* as long as the benefits can be reaped by the Muslim ummah'. The concept of cash *waqf* is a form of contemporary *waqf* that has the potential for expansion and is intended to raise the number of *waqf* givers/participants especially in Malaysia. The usage of contemporary *waqf* intends to ease and encourage the community to perform *waqf* deeds and to make it the main *waqf*, seeing this form of *waqf* is seen as more practical and relevant to be implemented in this era as the collection of cash *waqf* is more flexible, open, and easier to manage as compared to land and building *waqf*.

Waqf of Feet (*Wakaf Kaki*)

Financing through *waqf* of feet is one of the schemes in cash *waqf*. The collection of *waqf* of feet is normally a method used to collect *pondok* monetary funds to acquire or purchase *waqf* property. This scheme has long been practiced by a number of *pondok* institutions in

Malaysia. Waqf of feet refers to the agreement of the waqf giver to purchase land in an area and to waqf the land to a *pondok* institution. Waqf of feet is seen to lighten the burden of the *pondok* administration to purchase land or property for development. Other than that, this method also allows for community engagement whereby they collectively help in developing the *pondok* institution itself. Waqf of feet also provides help to the *pondok* administration to build property besides land acquirement. The community's ability to perform *waqf* is among the main factors that should be noted by the administration, as there are a number of *pondok* institutions that are based in rural areas. The following are the types of traditional waqf and contemporary waqf that are accepted by the *pondok* institutions:

Table 1.1
Types of Waqf Accepted by Pondok Institutions

Pondok	Immovable Waqf Asset	Movable Waqf Asset
M001	✓	✓
M002		✓
M003	✓	
M004	✓	✓
M005	✓	✓
M006	✓	✓
M007	✓	✓
M008	✓	✓
M009	✓	✓
M010	✓	
M011	✓	✓
M012		✓
Total	83%	83%

Sources: Interview and *Atlas ti*

Based on the table above, 83 percent of *pondok* institutions accepted both types of waqf, namely immovable waqf asset and movable waqf asset. 67 percent of *pondok* institutions accepted both types of waqf. The main factor for a high amount of fixed assets in *pondok* institutions (83%) was because the traditional communities gave more waqf on immovable assets such as land, mosques, prayer rooms, and buildings to build *pondok* institutions. However, these days, the community found it easier to perform *waqf* through immovable assets, as it is easier and more affordable to perform *waqf* deeds to help the development of *pondok* institutions. Movable asset not only used for the development of the *pondok* institution but also used to develop the *pondok* economy. Therefore, it can be summarized

that almost all *pondok* institutions received both forms of waqf, which were immovable assets waqf and movable assets waqf.

In general, the concept of cash waqf refers to the freezing of a specific amount of money permanently and the benefits are used for the welfare of the community. This freezing refers to the maintenance of the specific amount of cash and at the same time the *waqf* management team is to grow it so that the benefits of the waqf assets can be enjoyed by the community as a whole. Due to this, the benefits of the waqf will not emerge by themselves if they are not invested. This method indirectly ensures the actual risk of devaluation. The concept of cash waqf is split into two, which are through *ain* (waqf shares) and *badal*, which are waqf of feet (wakaf kaki) and waqf shares. For cash waqf done through *badal*, the cash collected will be converted to *ain* (fixed assets).

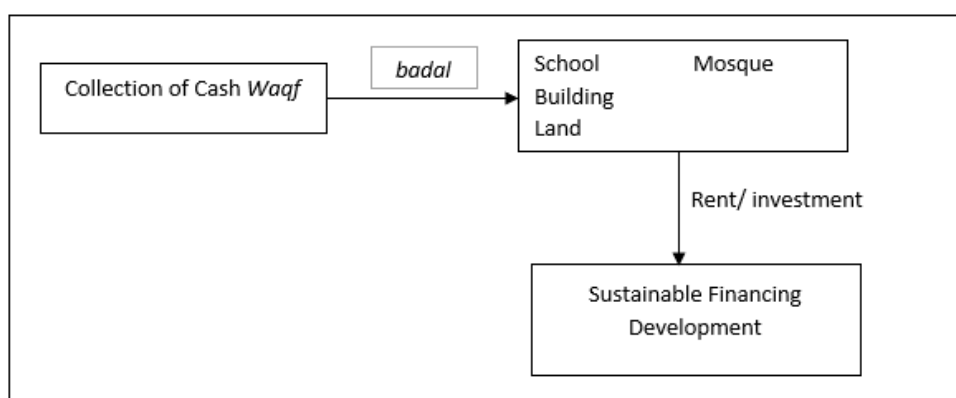


Diagram 1.1: Financing *Pondok* Institution Development Through Cash Waqf

Based on Diagram 1.1 above, it was shown that the collection of cash *waqf* was collected by *mutawalli*. The total waqf cash collected was then converted into fixed assets such as buildings, schools, shop houses, mosques, prayer rooms, hotels, and others. Waqf buildings built can be rented out or used as an investment asset may indirectly be used as a sustainable development financing for *pondok* institutions.

This matter was also seconded by M001 who highlighted that the *waqf* donations received from the community were used for building property in the *pondok* area. The property built through the cash *waqf* was then rented out to the Tadika al-Hidayah party. Through the rental charges, the *pondok* institution was able to generate continuous profit. Seeing the available potential, the *pondok* institution management was convinced and optimistic to turn the waqf property rental as the main source of income for the *pondok* institution. This matter is in line with the statement made by Ahmad (2008) and Sayyin (2011) where they stated that cash *waqf* are funds given to the legitimate management entity to be collected and used as capital to convert the funds into fixed assets and to finance activities related to *waqf*. The usage of cash *waqf* was seen to ease the educational institution's side in receiving the financing for educational development. The management of the educational institution was responsible to ensure the cash *waqf* collection received was converted into fixed assets such as schooling property, prayer rooms, and other developments.

Collection of cash waqf also helped *pondok* management to acquire *waqf* assets such as land and *waqf* property to be turned into *pondok* economy generating assets. PW001 stated that

cash waqf collected by *pondok* institutions were converted into properties such as shop houses, rental buildings, cooperative shops and various other buildings. Through the cash waqf received, *pondok* institutions will not only be able to add to their waqf assets but also be made into investment assets for sustainable development financing. This sentiment is also echoed by MO08 who also applies the usage of cash waqf for sustainable development financing. Cash waqf collection received was changed into cooperative shops not only to help the *pondok* institutions in generating income but customers were also indirectly helping to donate towards the advancement of the *pondok*. Other than that, the cash waqf can also be used as a source of micro financing which will be able to assist the institution or community to start and expand businesses (Thanker, Mohammed, Duasa & Abdullah, 2016; Kachkar 2017). From an economical viewpoint, micro financing offers employment opportunities as well as increased income output in the community especially those in and around the stated area.

Based on the two statements above, a few *pondok* in Malaysia have made cash waqf as their source of *pondok* development financing through purchasing waqf land and the building of waqf properties. This method was seen to have high potential for development and execution by other *pondok* institutions.

Conclusion

In this modern age, cash has functioned as a medium of exchange; therefore, it is very suitable and effective to perform waqf in cash. The efforts to restore the golden age of waqf can be seen through the changes in the shape of traditional waqf morphing into contemporary waqf. Though this innovative step, waqf is no longer seen as a need among the ummah for life after death such as cemetery waqf, mosques, and religious schools alone. Utilization of cash waqf will not only help *pondok* institutions in the aspect of financing but may indeed empower the concept of waqf within the *pondok* administration itself.

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