

WAQF

AND SOCIO-ECONOMIC DEVELOPMENT



Edited by

Abdul Ghafar Ismail

Khalifa Mohd Ali

Raditya Sukmana



HUM
Press



الدراسات والبحوث الإسلامية
Islamic Research and Training Institute

WAQF

AND SOCIO-ECONOMIC DEVELOPMENT

Edited by

Abdul Ghafar Ismail

Khalifa Mohd Ali

Raditya Sukmana



**IIUM
Press**

Gombak • 2018

First Print, 2018
©IIUM Press, IRTI

IIUM Press is a member of Majlis Penerbitan Ilmiah Malaysia – MAPIM
(Malaysian Scholarly Publishing Council)

All rights reserved. No part of this publication may be reproduced,
stored in a retrieval system, or transmitted, in any form or by any means,
electronic, mechanical, photocopying, recording, or otherwise,
without any prior written permission of the publisher.

Perpustakaan Negara Malaysia

Cataloguing-in-Publication Data

Abdul Ghafar Ismail

Waqf and Socio-Economic Development /
Abdul Ghafar Ismail, Khalifa Mohd Ali & Raditya Sukmana.
ISBN 978-967-418-398-1
1. Waqf. 2. Finance--Religious aspects--Islam.
I. Khalifa Mohd Ali. II. Sukmana, Raditya. III. Title.
332.091767

Published by:
IIUM Press

International Islamic University Malaysia
P.O. Box 10, 50728 Kuala Lumpur, Malaysia

ISLAMIC RESEARCH AND
TRAINING INSTITUTE
Islamic Research & Training Institute
Islamic Development Bank, Jeddah,
The Kingdom Of Saudi Arabia
Website: <http://www.irti.org>

Printed in Malaysia by
Aslita Sdn. Bhd.
Lot 10 & 12, Jalan2/10B
Spring Crest Industrial Park, Batu Caves
68100, Selangor Kuala Lumpur

Contents

	Figures, Exhibits and Charts	ix
	Tables	xi
	Preface	xiii
Part I	Background	1
Chapter 1:	The Waqf, Its Basic Operational Structure and Development <i>Murat Çizakça</i>	3
Chapter 2:	Waqf as Economic Matters <i>Abdul Ghafar Ismail</i> <i>Bayu Taufiq Possumah</i>	12
Chapter 3:	Rulings About Waqf <i>Kumara Adji Kusuma</i> <i>Imron Mawardi</i>	35
Part II	Waqf Experiences	57
Chapter 4:	Dharul Eeman Waqf Property Development Project in Maldives <i>Aishath Muneeza</i>	59
Chapter 5:	Best Practices of Waqf: Experiences of Malaysia and Saudi Arabia <i>Norma Md Saad</i> <i>Salina Kassim</i> <i>Zarinah Hamid</i>	68
Chapter 6:	Turkish Awqaf Experience: From History to The Contemporary World <i>Davut Gazi Benli</i>	99

Part III	Model of Cash Waqf	107
Chapter 7:	Cash Waqf via Corporate Share: A Case Study of Waqf An-Nur Corporation Berhad <i>Mohamed Asmy Mohd Thas Thaker</i> <i>Hassanudin Mohd Thas Thaker</i>	109
Chapter 8:	Corporate Waqf: A Case of Hamdard, Pakistan <i>Naeem Hayat</i> <i>Ammara Naeem</i>	128
Chapter 9:	Factors Influence Islamic Businesses and Institutions to Contribute Cash <i>Waqf</i> <i>Anwar Allah Pitchay</i> <i>Ahamed Kameel Mydin Meera</i> <i>Muhammad Yusuf Saleem</i>	141
Chapter 10:	Understanding Waqf Donors' Philanthropic Motivations <i>Muhammad Ibrahim Nuruddeen</i>	177
Chapter 11:	Management of Cash Waqf Investment <i>Eko Nur Cahyo</i> <i>Aliyatus Sa'diyah</i>	186
Chapter 12:	Re-Designing Governance of Waqf: Can It Rely on Islamic Banking? <i>Ai Nur Bayinah</i>	209
Part IV	Waqf in Perspectives	231
Chapter 13:	<i>Waqf</i> Accountability: The Case of Dompot Dhuafa <i>Hidayatul Ihsan</i>	233

Chapter 14:	Performance Audit Model for Waqf Institutions <i>Rochania Ayu Yunanda</i> <i>Zurina Shafii</i> <i>Nathasa Mazna Ramli</i> <i>Faried Kurnia Rahman</i>	286
Chapter 15:	A Comparative Analysis of Legal Challenges Faced in Waqf Law <i>Jalal Khan</i>	300
Chapter 16:	The Role of Waqf in Social Empowerment and Economical Entrepreneurship <i>Mustafa Edwin Nasution</i> <i>Kiki Ismanti</i> <i>Sigit Indra Prianto</i>	316
Part V	Waqf and Socio-Economic Development	341
Chapter 17:	Waqf and Its Contribution for Socio-Economic Development in Bangladesh <i>Md. Mizanur Rahman</i>	343
Chapter 18:	Waqf for Poverty Alleviation <i>Khalifa Mohamed Ali</i>	383
Chapter 19:	Role of Waqf in Human Resource Development <i>Muhammad Tariq Khan</i>	412
Chapter 20:	Waqf Roles in Increasing the Quality of Education <i>Tika Widiastuti</i> <i>Renanta Amira Nisita</i>	436
Chapter 21:	The Potential of Waqf as Educational Capital <i>Farra Munna Harun</i> <i>Bayu Taufiq Possumah</i> <i>Mohammad Hakimi Shafiai</i>	453

Chapter 22

Third Sector Socio-Economic Models: How *Awaqf* Fits In?

Mohd Nahar Mohd Arshad
Mohamed Aslam Mohamed Haneef
Gairuzazmi Mat Ghani
Mustafa Omar Mohammed

Introduction

In this paper, we investigate various theoretical frameworks of third sector (voluntary sector) economy with an aim to propose for a sustainable and inclusive socio-economic development model. We argue that the third sector is a crucial sector, instrumental in the process to develop a better cooperation and participation in an economy. The proposed idea is noble in the sense that it moves away from the neo-classical conflict model of two sector (public-private) model. Since the third sector has never been recognized formally in the theoretical and policy making realms of mainstream economics, the novelty of this study is that it spearheads an exploratory investigation into the theoretical and policy dimensions of incorporating the sector into the two sector economic model.

Since sustainability is an issue especially in the long term, there is a high need for social and economic transformations. Social transformation is an issue of value that requires collaborative commitment from stakeholders in the society. The mainstream neoclassical 'conflict' (private-public) models are not sustainable models in the long run. Values and ethics have never been the principal elements of modern day economics although they might have made a brief historical hallmark when they were part of moral philosophy discussions in the 16th and

17th centuries. Over the centuries, the importance of values and ethics has been played down, thus given way to the domination of a 'value-free' technical, positive economics. Despite such discrepancies in the modern economic discipline, it has been studied and manifested in policy prescriptions that guide development in all countries, including the Muslim countries. Concern with the discrepancies, this study brings back the value and ethical inputs into economics by integrating the third sector into the standard 'private-public' economic model.

To achieve the objectives, we conduct survey of literature on voluntary/third sector. Content analysis was applied to materials from the *Shari'ah* primary sources, namely *al-Qur'an* and *al-Sunnah*, works of Muslim scholars and other scholarly journal articles and books, relevant to the topic at hand. This paper continues with a discussion on the importance of the third sector to be recognised in the mainstream economic model. Then, the definition of the third sector followed in Section 2. In Section 3, various macro framework models of the third sector are reviewed, where features of third sector organisations (TSOs) between the American and European models are compared. The understandings derived from the preceding sections are then applied to the context of Malaysian economy, presented in Section 4. The position of *waqf* in Malaysia, as an example of a third sector organisation is also discussed in the section. In the last section, we provide some concluding remarks and policy recommendations.

Why The Third Sector?

A two sector economic model consists of the private and public sectors. This model has long been established as the mainstream framework in the modern economy. The two-sector model, however, has a lot of discrepancies and thus, unable to sustain the overall developmental agenda of nations. Poverty, inequality, economic crises, environmental and value degradations are among the common issues resulting from the two-sector model. In response to the issues, a number of organisations in the form of cooperatives, social enterprises, *waqf*, foundations, and other non-profit institutions, just to name a few, have emerged (Molla

Chapter 22: Third Sector Socio-Economic Models: How <i>Awaqf</i> Fits In? <i>Mohd Nahar Mohd Arshad</i> <i>Mohamed Aslam Mohamed Haneef</i> <i>Gairuzazmi Mat Ghani</i> <i>Mustafa Omar Mohammed</i>	478
Chapter 23: Cash Waqf as SMEs' Productive Capital <i>Yulizar D. Sanrego</i> <i>Faris Sabilarusydi</i> <i>Idris Sardiyansah</i>	504
Chapter 24: <i>Waqf</i> : A Vehicle for Social Entrepreneurship <i>Thamina Anwar</i>	529
Chapter 25: Waqf and Economic Infrastructure Index <i>Nurul Huda</i> <i>Amrin Barata</i> <i>Rizal Rahadiana</i>	572
Chapter 26: Waqf Plus Sukuk in Developing Islamic Microfinance Industry <i>Raditya Sukmana</i> <i>Muhamad Abduh</i>	622
Contributors	635
Index	641

Figures, Exhibits and Charts

Figure 7.1	Diagram of JCorp's Corporate Share Waqf Model	112
Figure 9.1	Theory of Planned Behaviour (TPB), Ajzen (1988)	148
Figure 9.2	Model and Hypotheses Summarized	153
Figure 9.3	Known Population Formula (Yamane, 1967)	157
Figure 9.4	1 st Measurement Model	161
Figure 9.5	Final Measurement Model	166
Figure 9.6	Structural Model	167
Figure 11.1	Scheme of Cash Waqf Management	190
Figure 11.2	Nadzir Cooperation with Islamic Banks in Developing Cash Waqf	201
Figure 12.1	Waqf Management through Islamic Banking	213
Figure 12.2	Process Management of Waqf through the Islamic Bank	223
Figure 12.3	Waqf in Islamic Bank for Support Government Expenditure	227
Figure 14.1	The Proposed Model of Performance Audit	295
Figure 16.1	Alternative Role of KJKS in Waqf Implementation	330
Figure 17.1	Deposit Product Model (Public Waqf)	363
Figure 17.2	Proposed Model for Waqf for Islamic Microfinance	364
Figure 17.3	Purpose of Cash Waqf Fund Utilization of IBBL, Bangladesh	368
Figure 17.4	Cash Waqf Certificate Developed by SIBL, Bangladesh	370
Figure 19.1	Showing Domains of Human Resource Development	415
Figure 19.2	Showing Integrated Socio-Economic HRD Model	416
Figure 19.3	Source self constructed, (modified and added version of diagram from Khan & Khan 2011)	433
Figure 22.1	The American Model	486
Figure 22.2	The Welfare Triangle	487
Figure 22.3	The Modified Welfare Triangle – An Application to Malaysian Context	492
Figure 23.1	Cash Waqf Distribution Scheme with Linkage Program	515
Figure 23.2	Micro-business Financing Scheme with <i>Qard Hasan</i>	520
Figure 23.3	Financing Scheme using Musyarakah and Mudhārabah	523
Figure 23.4	Hierarchy Contract Scheme on SMEs Financing Uses Cash Waqf	526

Webb, D. Kristiani, N., and Olaru, D. (2009). "Investing the Key Criteria for Micro Loan Provider Selection: A case Study of Poor People Living in Kedungjati, Central Java, Indonesia, ICFAI University Journal of Bank Management ICFAT Press. Vol. 8 Issue 3 & 4, pp 14-21

Contributors

Abdul Ghafar Ismail

Professor of banking and financial economics, Islamic Research and Training Institute, Islamic Development Bank and currently on leave from School of Economics, Universiti Kebangsaan Malaysia

Ahamed Kameel Mydin Meera

Institute of Islamic Banking and Finance
International Islamic University Malaysia

Ai Nur Bayinah

Executive Director of SEBI Islamic Business and
Economics Research
Lecturer School of Islamic Economics SEBI, Indonesia

Aishath Muneeza

PhD. Deputy Minister, Ministry of Islamic Affairs, Maldives

Aliyatus sa'diyah

ISID Gontor, Indonesia

Ammara Naeem

Independent Education Consultant-Pakistan

Amrin Barata

Anwar Allah Pitchay

School of Management, University Sains Malaysia

Bayu Taufiq Possumah

PhD. Research Center for Islamic Economics and Finance and
Institut Islam Hadhari, Universiti Kebangsaan Malaysia, Bangi
Selangor D.E., Malaysia

Davut Gazi Benli
Head Foreign Affairs Unit, Prime Ministry, DG Foundations (Awqaf)
Ankara-Turkey Eko Nur Cahyo, ISID Gontor, Indonesia

Eko Nur Cahyo
Lecturer of Islamic Economics, ISID Gontor, Indonesia

Faried Kurnia Rahman
Tazkia University College of Islamic Economics

Faris Sabilarusydi
Institute for Research and Community Empowerment (LPPM)
Tazkia University College of Islamic Economics

Farra Munna Harun
PhD Student of Islamic, Institut Islam Hadhari University
Kebangsaan Malaysia

Gairuzazmi Mat Ghani
PhD. Associate Professor, Centre for Islamic Economics
International Islamic University Malaysia, Malaysia

Hassanudin Mohd Thas Thaker
Lecturer, Department of Accounting and Finance
Faculty of Business, Economics and Accounting
HELP University, Malaysia

Hidayatul Ihsan
PhD. Padang State Polytechnic, Indonesia

Idris Sardiyansah
Institute for Research and Community Empowerment (LPPM)
Tazkia University College of Islamic Economics

Imron Mawardi
Lecturer, Department of Islamic Economics Airlangga University
Indonesia

Jalal Khan
Legal specialist, Islamic Development Bank

Khalifa Mohamed Ali
PhD. Senior Researcher, Islamic Research and Training Institute
Islamic Development Bank

Kiki Ismanti
SE. Universitas Indonesia, Indonesia

Kumara Adji Kusuma
Ph.D. Candidate, Department of Islamic Economics
Airlangga University, Indonesia

Mahadi Ahmad
International Islamic University, Malaysia

Md. Mizanur Rahman
PhD. Head of Training, Jaiz Bank Plc, Abuja, Nigeria; on Deputation
from the position of Director Research, Islami Bank Training and
Research Academy, IBBL, Bangladesh. Jaiz Bank Plc, Abuja
Nigeria Nigeria

Mohamed Asmy Mohd Thas Thaker
PhD Candidate and Academic Fellow, Department of Economics
Faculty of Economics & Management Sciences, International
Islamic University Malaysia, Malaysia

Mohammad Hakimi Shafiai
PhD. Senior lecturer, Research Center for Islamic Economics and
Finance, Faculty of Economic and Management and Institute Islam
Hadhari, Universiti Kebangsaan Malaysia Universiti Kebangsaan
Malaysia

Mohamed Aslam Mohamed Haneef
PhD. Professor of Islamic economics, Centre for Islamic Economics
International Islamic University Malaysia, Malaysia

Mohd Nahar Mohd Arshad
PhD. Centre for Islamic Economics
International Islamic University Malaysia, Malaysia

Muhamad Abduh
PhD. Institute of Islamic Banking and Finance
International Islamic University Malaysia, Malaysia

Muhammad Ibrahim Nuruddeen
M. Ed. (Community Development), FCNA, PDMC, MBA, PGDE.
Chief Lecturer, Department of Accountancy, School of Management
Studies, Kano State Polytechnic, Kano, Nigeria

Muhammad Tariq Khan
PhD. Head, Psychology/ Department of Management Sciences
University of Haripur, Pakistan

Muhammad Yusuf Saleem
International Centre for Education in Islamic Finance, Malaysia

Murat Çizakça
PhD. Professor of Islamic economics, INCEIF University
Kuala Lumpur

Mustafa Edwin Nasution
Ph.D. Universitas Indonesia, Indonesia

Mustafa Omar Mohammed
PhD. Centre for Islamic Economics
International Islamic University Malaysia, Malaysia

Naeem Hayat
Assistant Professor, GIFT University-Pakistan

Nathasa Mazna Ramli
PhD. Faculty of Economics and Muamalat
University Sains Islam Malaysia

Norma Md Saad
PhD. Professor, Department of Economics
Kulliyah of Economics and Management Sciences
International Islamic University Malaysia, Malaysia

Nurul Huda
SE, MM, M.Si

Raditya Sukmana
PhD. Lecturer in Islamic Economic, Faculty of Economics and
Business, Airlangga University, Surabaya, Indonesia

Renanta Amira Nisita
Student Department of Sharia Economic
Faculty of Economics and Business, Universitas Airlangga

Rizal Rahadiana, SST

Rochania Ayu Yunanda
Tazkia University College of Islamic Economics

Sigit Indra Prianto
S.Sos. Universitas Indonesia, Indonesia

Salina Kassim
PhD. Associate Professor, Department of Economics
Kulliyah of Economics and Management Sciences
International Islamic University Malaysia, Malaysia

Thamina Anwar
PhD Candidate

Tika Widiastuti
SE. Lecturer Department of Sharia Economic
Faculty of Economics and Business Airlangga University

Zarinah Hamid

PhD. Professor, Department of Economics
Kulliyah of Economics and Management Sciences
International Islamic University Malaysia, Malaysia

Zurina Shafii

PhD. Faculty of Economics and Muamalat
University Sains Islam Malaysia

Yulizar D. Sanrego

PhD. Institute for Research and Community Empowerment (LPPM)
Tazkia University College of Islamic Economics

Index

- 'aqad 266
- 1st Measurement Model 161
- 2nd Measurement Model 162
- 3rd Measurement Model 162
- 4th Measurement Model 163
- 5th Measurement Model 164
- 6th Measurement Model 165
- 8th Measurement Model 166
- Abrahamic 537
- al-waqf al-ahli 45
- awqaf in Islam 38
 - institutions 38
- Awqaf Properties Investment Fund (APIF) 88
- awqaf sector 61
- awqaf
 - religious background to 537
- Baitul Mal 23
- Bangladesh 138
- Bank Negara Malaysia (BNM) 291
- behavioural intention 154
- cash waqf 109
 - as SMEs' Productive Capital 504
 - for Financing 361
 - in Modern Banking 350
 - in the form of investment 199
 - integration of 331
 - investment indirectly 198
 - investment system 191
 - management 190
 - management system 187
 - objectives of 357
- prerequisites of 191
- problems of IWB to Manage 202
- solution to manage 203
- cash waqf contribution 153
 - waqf investment 186, 196
- characteristic of waqf 39
 - inalienability of waqf 41
 - irrevocability 40
 - perpetuity nature of waqf 39
- corporate cash-waqf model 357
- Corporate Social Responsibility (CSR) 143
- corporate waqf 128
- Corps Dakwah Pedesaan (CPD) 248
- Darul Eman Waqf Project 63
- deposit product model of cash-waqf 357
- Dharul Eeman Waqf Property Development Project 59
- direct money investment 197
- dompet dhuafa 233
- donor motivations 181
- economic attitude 155
 - infrastructure index 572
- educational capital 453
- effects of waqf
 - sosio-economic 374
- empirical research on waqf 114
- E-Waqf fund 357
- expenditure for trustee 19
- family awqaf 38
- faraid 562

WAQF AND SOCIO-ECONOMIC DEVELOPMENT

The third sector namely Awqaf, microfinance, and philanthropy have been to a large degree ignored by policy makers and have, therefore, remained under developed. The potential for social investment remains dormant as Awqaf sector remains untapped by private investments. The significance of Awqaf as a charitable trust sector has been increasingly recognized, by many countries. The awqaf need to contribute effectively to the socio-economic development and assist the poor. Thus, countries need to develop and implement policies that would encourage the establishment of Awqaf sector. In this context, assistance would be provided in various forms. This includes by drawing experiences from other countries that have developed this sector. This book contains papers that deal towards the objective of designing a better framework for Awqaf management projects. The papers cover a wide array of Awqaf issues including the best practices of the Awqaf management models and the current challenges and opportunities in developing Awqaf for socio-economic development from the perspective of regulators.

Abdul Ghafar Ismail, PhD. Professor of Islamic banking and financial economics, Islamic Research and Training Institute, Islamic Development Bank

Khalifa Mohamed Ali, PhD. Senior Research Economist, Islamic Research and Training Institute, Islamic Development Bank

Raditya Sukmana, PhD. Senior lecturer of Islamic Economics, Department of Shariah Economics, Universitas Airlangga

ISBN 978-967-418-398-1



9 789674 183981



IUM Press

Tel : +603 6196 5014 / 6196 5004

Fax : +603 6196 4862 / 6196 6298

Email : iiumbookshop@iium.edu.my

Website : <http://iumpress.iium.edu.my/bookshop>



Islamic Research & Training Institute

Islamic Development Bank, Jeddah,

The Kingdom of Saudi Arabia

Website : <http://www.irti.org>