

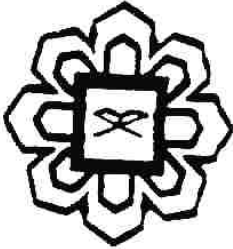
THE UNIVERSITY OF ALABAMA  
LIBRARY  
100 UNIVERSITY BLVD  
TUSCALOOSA, AL 35487

UNIVERSITY OF ALABAMA LIBRARY  
100 UNIVERSITY BLVD  
TUSCALOOSA, AL 35487

DONATED TO THE LIBRARY OF  
INTERNATIONAL ISLAMIC UNIVERSITY  
BY

*KULLIYAH OF ECONOMICS*

.....  
Date Received : *11/8/92* .....



LIBRARY  
INTERNATIONAL ISLAMIC UNIVERSITY

INTERNATIONAL ISLAMIC UNIVERSITY  
KULLIYAH OF ECONOMICS AND MANAGEMENT  
(GRADUATE STUDIES COMMITTEE)

Title of Thesis : MOBILIZATION OF WAQF RESOURCES  
IN MALAYSIA : PROBLEMS & PROSPECTS  
Author : NORAINI BT MD TOP

Read and Approved by the  
Examining Committee:  
(Names)

(Signatures)

MOHD. KHALDIN @ DZIAUDDIN HJ AHMAD  
Supervisor I

AIDIT BIN GHAZALI  
Supervisor II

DATO PROF. DR. SYED QTHMAN ALHABSHI  
Second Reader I

DR. ZUBAIR HASAN  
Second Reader II

Date Submitted to Graduate Studies Committee:.....

Accepted by the Graduate Studies Committee, Kulliyah of  
Economics and Management, International Islamic University  
in partial fulfilment of the requirements for the degree of  
Master of Economics.

Date: 26/7/91.....

(Signature) .....

Dean,  
Kulliyah of  
Economics and  
Management.

INTERNATIONAL ISLAMIC  
UNIVERSITY LIBRARY

ORDER NO. *611T*      I.P. NO. *11/8/12*  
DATE RECEIVED: *M*

ACC. NO.      **128074**

CALL NO.:

### DECLARATION OF AUTHOR'S RIGHTS

The copyright of this thesis belongs to the author under the terms of the Copyright Act, 1987 (Act 332) Due acknowledgement must always be made of the use of any material contained in, or derived from this thesis.



MOBILISATION OF WAQF  
RESOURCES IN MALAYSIA  
"PROBLEMS AND PROSPECTS"

NORAINI MD. TOP

THESIS SUBMITTED TO THE  
KULLIYAH OF ECONOMICS AND MANAGEMENT  
IN PARTIAL FULFILMENT OF THE  
REQUIREMENTS FOR THE DEGREE OF  
MASTER OF ECONOMICS

1991

## TABLE OF CONTENT

	Page
<i>Acknowledgement</i>	(ii)
<i>Preface</i>	(iv)
<i>List of Tables</i>	(ix)
<i>List of Charts</i>	(xii)
<i>Abbreviations</i>	(xiv)
<i>Appendixes</i>	(xv)
<i>Glossary</i>	(xvi)

### CHAPTER I: INTRODUCTION

A. <i>Waqf</i> : Preliminary Observations	1
B. <i>Waqf</i> : An Overview	6
C. Outline of Study	26

### CHAPTER II: THE INSTITUTION OF *WAQF* IN ISLAM: A SURVEY WITH SPECIAL REFERENCE TO MALAYSIA

A. Introduction	34
B. <i>Waqf</i> in early Islam	37
C. <i>Waqf</i> in Muslim countries	41
D. <i>Waqf</i> in Malaysia	57
E. Issues on <i>waqf</i> and future areas of research	70
F. Conclusion	74

### CHAPTER III: *WAQF*: CONCEPT AND IMPLICATIONS

	Page
A. Introduction	76
B. Concept of <i>Waqf</i>	77
C. The Role of <i>Waqf</i> Institution: Historical Perspective	93
D. <i>Waqf</i> Institution in the contemporary Muslim world	95
E. Economic Implications of <i>waqf</i>	100
F. Conclusion	106

### CHAPTER IV: *WAQF* RESOURCES IN MALAYSIA

A. Introduction	108
B. A model of <i>waqf</i> operation in Malaysia	110
C. <i>Waqf</i> and the role of Bait-al-Mal	116
D. <i>Waqf</i> resources in Malaysia	117
E. Characteristics of <i>waqf</i> land	122
F. Potential of <i>waqf</i> properties	132
G. <i>Waqf</i> revenue	137
H. Mobilisation of <i>waqf</i> resources	139
I. Islamic environment and <i>waqf</i> development	142
J. A case study on <i>waqf</i> land	144
K. Conclusion	147

**CHAPTER V: WAQF IN MALAYSIA:  
PERCEPTIONS AND REALITY**

	Page
A. Introduction	149
B. Survey of Muslim community	150
C. Conclusion	173

**CHAPTER VI: WAQF: PROBLEMS AND PROSPECTS**

A. Introduction	179
B. <i>Waqf</i> : Problem areas	181
C. Efforts towards improving <i>waqf</i> management	207
D. Future scenario of <i>waqf</i>	211

**CHAPTER VII: CONCLUSIONS AND PROPOSALS**

A. Introduction	216
B. General conclusion	220
C. Proposals	236
<i>Waqf</i> Management and Administration	240
<i>Waqf</i> Financing	243
Socio-Economic Role of <i>Waqf</i>	243
Bibliography	
Appendixes	



**CHAPTER V: WAQF IN MALAYSIA:  
PERCEPTIONS AND REALITY**

	Page
A. Introduction	149
B. Survey of Muslim community	150
C. Conclusion	173

**CHAPTER VI: WAQF: PROBLEMS AND PROSPECTS**

A. Introduction	179
B. <i>Waqf</i> : Problem areas	181
C. Efforts towards improving <i>waqf</i> management	207
D. Future scenario of <i>waqf</i>	211

**CHAPTER VII: CONCLUSIONS AND PROPOSALS**

A. Introduction	216
B. General conclusion	220
C. Proposals	236
<i>Waqf</i> Management and Administration	240
<i>Waqf</i> Financing	243
Socio-Economic Role of <i>Waqf</i>	243
Bibliography	
Appendixes	

## List of Tables

Table	Title	Page
2:1	- <i>Waqf</i> in countries having Muslim Population	53
4:1	- <i>Waqf</i> resources by state	121
4:2	- Distribution of <i>waqf</i> properties by volume and types in some selected states of Malaysia	124
4:3	- Types of <i>waqf</i> lands in Johore	125
4:4	- Status of <i>waqf</i> lands in Johore	126
4:5	- Specific <i>waqf</i> lands	130
4:6	- <i>Waqf</i> properties having economic potential by type and state	133
4:7	- General <i>waqf</i> properties in town area	135
4:8	- Specific <i>waqf</i> properties in town area	135

<b>Table</b>	<b>Title</b>	<b>Page</b>
4:9	- Revenue and expenses of <i>waqf</i> properties in Malacca (1985-89)	138
4:10	- Revenue and expenditure of YPEIM (1985-89)	138
4:11	- <i>Waqf</i> trust account Perak (1986-1988)	140
4:12	- <i>Waqf</i> revenue in some selected states	140
5:1	- Respondents' profile	151
5:2	- Summary of savings, expenditure and charity	153
5:3	- Gross monthly income	154
5:4	- Islamic activities by group of respondents	157
5:5	- Perception of <i>waqf</i>	159

<b>Table</b>	<b>Title</b>	<b>Page</b>
5:6	- Muslims interested in Islamic activities	162
5:7	- Crosstabulation: Group of respondents by total monthly saving	165
5:8	- Crosstabulation: Group of respondents by total monthly expenditure	167
5:9	- Crosstabulation: Group of respondents by total charity contribution	168
5:10	- Crosstabulation: Age group by total saving	170
5:11	- Crosstabulation: Interest in Islamic activities by monthly saving	172
5:12	- Crossbulation: Group of respondents by views on the government's role towards <i>waqf</i>	174
5:13	- Crossbulation: Category of post held by view on government's role towards <i>waqf</i>	175

## List of Charts

Chart	Title	Page
1:1	- The Value Cycle Spiral	8
1:2	- A General Profile of a Developing Country Organization	19
4:1	- Flow Chart of <i>Waqf</i> Management (Model of <i>Waqf</i> Capital Formation)	111
4:2	- Key Relationship in the Value Cycle	114
4:3	- Classification of <i>Waqf</i> Properties	119
6:1	- Summary of Major Problems and Constraints encountered in <i>Waqf</i> Development by Religious Council/ Department in Malaysia	182
6:2	- Organization Dimension	202
7:1	- <i>Waqf</i> Revolving Fund	231

<b>Chart</b>	<b>Title</b>	<b>Page</b>
7:2	- The Wheel of <i>Waqf</i> Development Strategy	237
7:3	- <i>Waqf</i> Strategy Formulation	239
7:4	- The Islamic Economic Sub-system Model	245

## ABBREVIATIONS

AIM	-	Amanah Ikhtiar Malaysia
COTs	-	Critical Operating Tasks
LUKMAL	-	Lembaga Urusan <i>Bait-al-Mal</i> , <i>zakat</i> dan <i>wakaf</i> Melaka
LUTH	-	Lembaga Urusan dan Tabung Haji
MARA	-	Majlis Amanah Rakyat
MARDI	-	Malaysia Agricultural Research and Development Institute
NEP	-	New Economic Policy
NLC	-	National Land Code
SEDC	-	State Economic Development Corporation
SMATs	-	Strategic Management Tasks
SWT	-	Subhannahu Wa Taala
UDA	-	Urban Development Authority
YPEIM	-	Yayasan Pembangunan Ekonomi Islam Malaysia (Islamic Economic Development Foundation)
JAIS	-	Jabatan Agama Islam Selangor
F.T.	-	Federal Territory

## APPENDIXES

- Appendix I - Survey Questionnaire
- Appendix II - Case of variations of land ownership status and rate of premiums and taxation on *waqf* land
- Appendix III(a) - *Waqf* creation: Current Practice
- Appendix III(b) - *Waqf* creation: Proposal
- Appendix IV - Proposal for *waqf* corporation



<i>Mauquf</i>	-	Endowed asset
<i>Mauquf 'alaih</i>	-	Target beneficiaries of <i>waqf</i>
<i>Madrasah</i>	-	Religious school
<i>Maslahah 'ammah</i>	-	Public Interest
<i>Maqasid al-Shariy'ah</i>	-	Objectives of Islamic Law
<i>Mazhab</i>	-	Religious sect.
<i>Mudarabah</i>	-	A business transaction with a share in the profit between capital-owner and entrepreneur
<i>Mujahidin</i>	-	Proclaimers of Islamic truth
<i>Musafir khanas</i>	-	Lodging houses for travellers
<i>Musya'</i>	-	An undivided part of property
<i>Musyarak Waqf</i>	-	General and family <i>waqf</i>
<i>Nazir, Mutawalli</i>	-	Titles given to <i>waqf</i> trustee
<i>Qadi</i>	-	Judge
<i>Qard hasan</i>	-	Interest-free loan
<i>Riba</i>	-	Interest/usury
<i>Sadaqa jariah</i>	-	Continuing charity
<i>Shariy'ah</i>	-	Islamic Law
<i>Shifa-khana</i>	-	Hospital

<i>Shaykh</i>	-	Title given for a leader
<i>Sighah</i>	-	The declaration of <i>waqf</i>
<i>Sunnah</i>	-	Tradition which record either the saying or doings of the Holy Prophet (SAAS)
<i>Syahsiah waqaf</i>	-	<i>Waqf</i> identity / personality
<i>Ta'abud</i>	-	Submission / obedience to Allah
<i>Ta'awul</i>	-	Generally accepted practice
<i>Taqwa</i>	-	God-fearing
<i>Ulama'</i>	-	Jurists
<i>Ummah</i>	-	Muslim Community
<i>Ushr</i>	-	Due on agricultural produce
<i>Usufructeers</i>	-	Beneficiaries
<i>Wakif</i>	-	<i>Waqf</i> endower
<i>Waqf 'alal-Aulad</i>	-	<i>Waqf</i> for descendants
<i>Waqf al-nuqud</i>	-	Cash endowment

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

(In the name of Allah, the Beneficent, the Merciful)

إِن أُرِيدُ إِلَّا الْإِصْلَاحَ مَا اسْتَطَعْتُ وَمَا تَوْفِيقِي إِلَّا بِاللَّهِ عَلَيْهِ  
تَوَكَّلْتُ وَإِلَيْهِ أُنِيبُ

"I only desire (your) betterment to the best of my power; and my success (in my task) can only come from God. In Him I trust, and unto Him I look."

(Surah Hud: 88)

إِذَا مَاتَ ابْنُ آدَمَ انْقَطَعَ عَمَلُهُ إِلَّا مِنْ ثَلَاثٍ:  
صَدَقَةٌ جَارِيَةٌ أَوْ عِلْمٌ يُنْتَفَعُ بِهِ أَوْ وَلَدٌ صَالِحٌ يَدْعُو لَهُ.

"When the son of Adam dies, his deeds come to an end except sadaqa jariah, his knowledge which benefits others and his virtuous sons..."

(Hadith Muslim)

## ACKNOWLEDGEMENT

I am grateful to Allah (SWT) for giving me and my family members perseverance throughout this study.

In the course of this study I have relied on many ideas and encouragement from my resourceful supervisors and lecturers. Among the few that I must acknowledge with high regards are Bro. Dziauddin Ahmad, Bro. Aidit Ghazali, Bro. Dr. Zubir Hasan, Bro. Dr. Syed Hamid ALJunid, Bro. Datuk Prof. Dr. Syed Othman AlHabshi and Bro. Dr. Jamil Othman.

I wish to express my gratitude to the Public Services Department and International Islamic University (IIU) for giving me the opportunity and facilities to enable me to undertake my post graduate study.

To all my Muslim brothers and sisters who have rendered various assistances in one way or another, I thank them all.

I am also indebted to officers from the Division of Religious Affairs, Prime Minister's Department, YPEIM and those serving the Religious Council/Department in all the states that I had visited, particularly Encik Saad Hasan and his dedicated staff from the Perak Religious Council.

While all those mentioned above have helped in various ways, I remain responsible for the contents of this study.

May Allah (SWT) bless us all and accept our humble deeds,  
InsyaAllah.

WaAllahu'alam.

March 1991 / *Sya'aban* 1411

## PREFACE

Praise be to Allah (SWT), the Cherisher and Sustainer of the worlds. Peace and blessings be on the Holy Prophet Muhammad, leader of the Messengers, seal of the Prophets, and commander of the faithful, and on his family, companions, and those who propagate his message and are guided by his *sunnah* until the the Day of Judgement.

The dismal state of affairs of Muslims today is attributed by their lackadaisical attitude towards Islamic tenets. This situation has given rise to various misconceptions about the true nature of Islam. As a corollary, the growth of Islamic institution such as *waqf* suffers serious predicament. In Malaysia, the secular management of *waqf* further inhibits its potential development.

It would be a grave mistake to form views on *waqf* based on the depressed state of this institution in the Muslim countries, particularly in Malaysia. There is a great divergence between its current status and the underlying dynamism of *waqf* as aspired by Islam.

This study seeks to provide an exposition of *waqf* in Malaysia, relying on various literature and information on the subject as well as the results of a sample survey of the Muslim community in this country. As the prevailing scene shows a strong Islamic revival and universal upsurge, a Muslim feels it a duty to share the responsibility of creating Islamic awareness among the community in matters that can enhance the Islamic identity. To this end the writer has chosen *waqf* institution for evaluating its current position in Malaysia.

Contemporary realities witness an increasing growth of non-governmental, third sector economy in the advanced countries. Coincidentally this development is in conformity with the Islamic economy which is characterized by three sectors; the public, private and voluntary. *Waqf* institution which involves from the third sector economy has contributed a great deal to the transformation of the Muslim world since the advent of Islam.

*Waqf* is *Fard-al-Kifayah* in nature, yet in early Muslim society it has been a source of great good and blessing (*barakah*). It became one of the instruments of fiscal policy in redistribution of income which led to an increase in efficiency of exchange and effective demand. It is a major factor in the development of Islamic civilization that provided for building and maintaining

of mosques, schools, hospitals and numerous other services. Such undertakings keep buoyant the social objectives of Islam namely to achieve progress, justice and general welfare of the society.

Analysed from strategic management perspective, *waqf's* mission or objective is a perpetuation of benefit generated from *waqf* resources for the good of Muslim community to get the pleasure of Allah (SWT). Policy strategy to achieve the objective is to effect an Islamic economic system and a conducive moral environment in the community. Competitive strategy to sustain continuous support from the community would be to mobilise and utilise available *waqf* resources efficiently using various investment mechanisms that are Islamically permissible. This would foster more altruistic Muslims to allocate their wealth for the service of the community in the form of *waqf* properties.

Prudently managed *waqf* resources can generate further income and investment in the economy. Inherent in the programme model to accomplish *waqf's* objective is a cyclic capital formation (see chart 4:2 in the study).