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## Survivalability of Private Tahfiz Schools in Malaysia: Examining The Waqf and Ijarah Concept in Khan Mohamed Waqf Development Model

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### Abstract

Private Tahfiz School (PTS) in Malaysia are funded by various monetary sources such as private capital, funding from non-governmental organizations, charity and *waqf*. Stable finances will help in terms of governance, management, facilities, and teaching staff, and having this ensures the survivability of any PTS. However, in the wake of growing management costs amid a pandemic, are such fundings enough for the institution to ensure its survivability? Thus, this conceptual paper examines PTS's financial issues, and the viability of Khan Mohamed's *Waqf* Development Model as a framework to be applied for PTS's survivability. Data were collected through library searches, and initial findings suggest that issues hindering PTS development in Malaysia includes the lack of initial capital to build the infrastructure of the institution, and the inability of the institution to generate financial resources to maintain its survivability. This paper also proposes the expansion of *waqf* products through *ijarah* which is a financing approach whereby an agreement to lease is made and this method is seen as the best alternative to the development and renovation of *waqf* land.

**Keywords:** Survivability, Private Tahfiz School, Financing Development Via *Waqf*.

### Introduction

The application of *waqf* instruments as the appropriate mechanism for the development of PTS in Malaysia is seen as relevant for discussion, given that most PTS are established by the method of *waqf*. Yearly increase of financial cost in managing such an institution, compounded with decreased funding due to the pandemic are the challenges that threatens a PTS's survivalability. Stable finances will help in terms of governance, management, facilities, and teaching staff, and having this ensures the survivability of any PTS.

The development of *waqf* property is necessary in order to benefit from it. Looking back on the history of the establishment of Islamic educational institutions, the implementation of *waqf* helped to birth many scholars through sustainable institutions such as al-Azhar University (969M); Cardova University (971); Bait al-Hikmah (975M) and other institutions in the Malay Archipelago (Mahamood & Mohar, 2018).

Thus, this paper expands the concept of *waqf* by applying the method of *ijarah* (leasing) as a method which can help to develop the *waqf* property and thus accelerate PTS development in Malaysia. *Ijarah* refers to a leased contract in order to obtain benefits from assets or services in accordance with *fiqh muamalat*. Linguistically, *ijarah* came from the root word “*al-ajru*” which means compensation (Al-Zuhaily, 2002). Thus, *ijarah* is “a contract of proposed and known usufruct with a specified and lawful return or compensation for the effort or work which has been expended” (Al-Zuhaily, 2002). It is also defined as “transferring the usufruct of a particular property to another person in exchange for a rent claimed from him depends on the circumstances and conditions” (Uusmani, 1998). In this context, this contract emphasises the *mu’ajir* (the renting party) selling the usufruct of the asset to the *musta’jir* (the renting party) (Al-Bakri, 2014). Therefore, the implementation of *ijarah* contract can succeed and provide continuous benefits on *waqf* property to those in need and grow the business by generating feasible income (Hassan et al., 2020).

### Methodology

This is a conceptual paper which is qualitative in nature and employs the library study method. The literature review was conducted by collecting data from various documents including theses, journal articles, proceedings, books on *waqf*, *ijarah* and PTS in Malaysia. The excerpt of the literature reinforces the discussion highlighted in this paper.

### Findings

In Malaysia, Tahfiz education is not only offered in higher education, but also at the school level. There are two types of Tahfiz school ownership: i) Government ownership, ii) Private ownership. The Tahfiz government (STK) school is funded and managed by the federal government through the Department of Islamic Development Malaysia (JAKIM) and the state. In contrast, PTS is managed by individuals, organizations or corporations (Nordin et al., 2017). There are two types of PTS; both registered and unregistered. Usually, PTS registered under the State Islamic Religious Department (JAIN) and the Department of Islamic Development Malaysia (JAKIM) will be monitored and allocated government funds according to the budget of the country each year. As for 2020's Budget, the allocation is RM50 million for all registered STK and PTS (Budget, 2019; Budget, 2020; Ministry of Finance Malaysia).

Although government subsidies are being allocated, they do not appear to be sufficient in comparison to the increase in the number of Tahfiz schools each year in particular PTS. The increase in the number of PTSs per year reflects high demand from the public while the number of STKs offered is far lesser (Nawi et.al., 2014).

The number of registered PTS in 2018 is 815, and this increased to 1,026 with a total of 58,707 students and 6,293 teaching staff in 2019. The number of STKs in 2019 were 20 schools across the state in Malaysia with 4,474 students and 710 teaching staff (Statistik 2019, JAKIM). The

limited number of STKs to meet the high demand from the public is one factor why the number of PTS grow annually in Malaysia (Nawi et.al., 2014). The survey also revealed that 52.3% prospective students enrolled in PTS were due to parental support, 42.2% were self-interested and 1.9% were not interested (Zakaria, 2018).

The increase in the number of PTS without an increase in government allocation is seen as a hindrance in ensuring the survivability of PTS in the future. A study of PTS managers in Selangor found that some of the problems they faced were inadequate funding, aside from infrastructure issues, teaching procedures and learning methods. PTS managers feel that they have to face significant financial difficulties due to inadequate financial resources from student fees, public donations, organizational donations and so on. The results showed that the largest contribution to the construction Tahfiz institutions was public donation which involved 19 institutions (42.2%) followed by private capital funds involving 13 institutions (28.9%), 8 institutions (17.7%) from *waqf* and 5 institutions (11.2%) received assistance from specific organizations (Abd Ghani, 2010).

Financial constraints inevitably affect management and further affect the quality of education of tahfiz students (Yahaya et al., 2018). The lack of financial resources is becoming more serious in today's technology age. Administrators and teachers need to master the technology to make teaching and learning (R&D) management easier and more effective. It certainly increases the administrative costs, equipment and training, and this place more burden to the PTS (Ismail, 2016). In addition, stable finance is also needed to create a harmonious learning environment that is suitable for memorisation (Abdullah et al., 2003).

In order to provide comfort and ensure the survivability of an institution in challenging economic conditions, it is necessary to think of alternatives to deal with the current situation. Referring to the Malaysian Education Development Plan 2015-2025, the government recommends that institutions diversify their sources of income to enhance the governance potential in their institutions. Institutions need to move from a system that relies heavily on government resources, and they are encouraged to look for other alternative as a source of funding without relying too much on government aid (Malaysian Education Development Plan). The dependence of financial funds on the government can be reduced as the government also has the limitations to continue to channel financial funds in the current economic situation (Abd Rahim et.al., 2015).

As a result of the identified problems, the mechanism seen to benefit PTS in Malaysia in terms of financing is by applying *waqf* and *ijarah* by referring to Khan Mohamed's development financing method.

### **Proposed Method of Financing the Development of a *Waqf* by Khan Mohamed**

A complete and transparent model needs to be developed in strengthening financial resources to ensure that Tahfiz institutions can operate smoothly (Yahaya et al., 2018). The integration of *waqf* and *ijarah* is seen as an effective alternative to PTS survivability since most of these institutions are set up with *waqf* funds.

*Waqf* is a permanent contribution that can be an important instrument for the development of educational institutions. This approach is proven by studies conducted by local and foreign scholars. Studies conducted by Fazial (2019); Abdullah (2018); Mat Hassan (2018); Asy'Ari

(2016) found that that *waqf* has the highest potential to develop the economy of the nation, especially in education.

The results of the literature review found that one of the ways to develop the *waqf* property is to use the instrument of *ijarah*. The *ijarah* method is seen as a solution to the financial constraints of various educational institutions including PTS in Malaysia. For example, in Indonesia, most Pondok (also known as Pesantren) develop their institutions by expanding their *waqf* property through *ijarah* financing method. This is evident through the Walisongo Ngabar Pesantren (Anita, 2015) and the Miftahul Ulum al-Yasari Pesantren (Asy'Ari, 2016) which lease shops, meeting rooms, parking spaces and premises in an effort to generate income. In Malaysia, there are also PTSs that apply the same method and its survivability is quite encouraging. Among them is the Penang An-Nahdhoh Foundation which has its own hotel and complex for rent to help with the survivability of the PTS (Fazial, 2015).

The *ijarah* approach is a financing approach whereby an agreement to lease is made and this method is seen as the best alternative to the development and renovation of *waqf* land. According to Khalil et al (2014) *ijarah* is one of the most flexible Islamic financial tools that can be used for investment in *waqf* property. Therefore, in the context of PTS in Malaysia, this approach to financing is seen to be appropriate and relevant in line with today's conditions that show that PTS growth is growing in line with community demand.

An alternative proposal to safeguard the development of PTS in Malaysia through the instrument of *waqf* and *ijarah* is to look at examples of the implementation model of the *waqf* land development financing implemented by the Penang Islamic Religious Council (MAINPP) in developing the *waqf* property. In this effort, the example of implementation used is Khan Mohamed's land development project.

The development was made possible through the efforts of the Penang State Religious Council (MAINPP) who have worked with the JKP. Sdn. Bhd. further applying the concept of *mudharabah* in the development of apartment housing on the said land. The development that has taken place involves the construction of a block of medium cost *Waqf* apartment building. The building has four floors with a total occupancy of 32 units (Nordin et al., 2017). To date, MAINPP and JKP have issued three leases of the *Waqf* Apartments unit of which each lease has a term of 33 years (Abdullah, 2018).

Basically, the approach of this method is through the signing of the agreement by JKP Sdn. Bhd. and MAINPP. Through the agreement, the distribution was agreed on with a 24-unit ratio to JKP, while another 8 units to MAINPP. These eight units were rented at RM500 per month and results in *Waqf* Khan Mohamed's monthly income being RM4000 (Abdullah & Hassan, 2018).

The development of Khan Mohamed *waqf* land has benefitted many people more than it did before development. Originally, the site of *Waqf* Khan Mohamed was filled with squatter houses and rentals for RM11 monthly only to MAINPP (Abdullah, 2018). However, once developed into apartments it is seen as more beneficial and profitable.

## Discussion

Based on the development of Mohamed Khan's method above, the implementation is seen as an example of the method of applying *waqf* and *ijarah* financing in the context of PTS survivability in Malaysia by involving the following three parties:

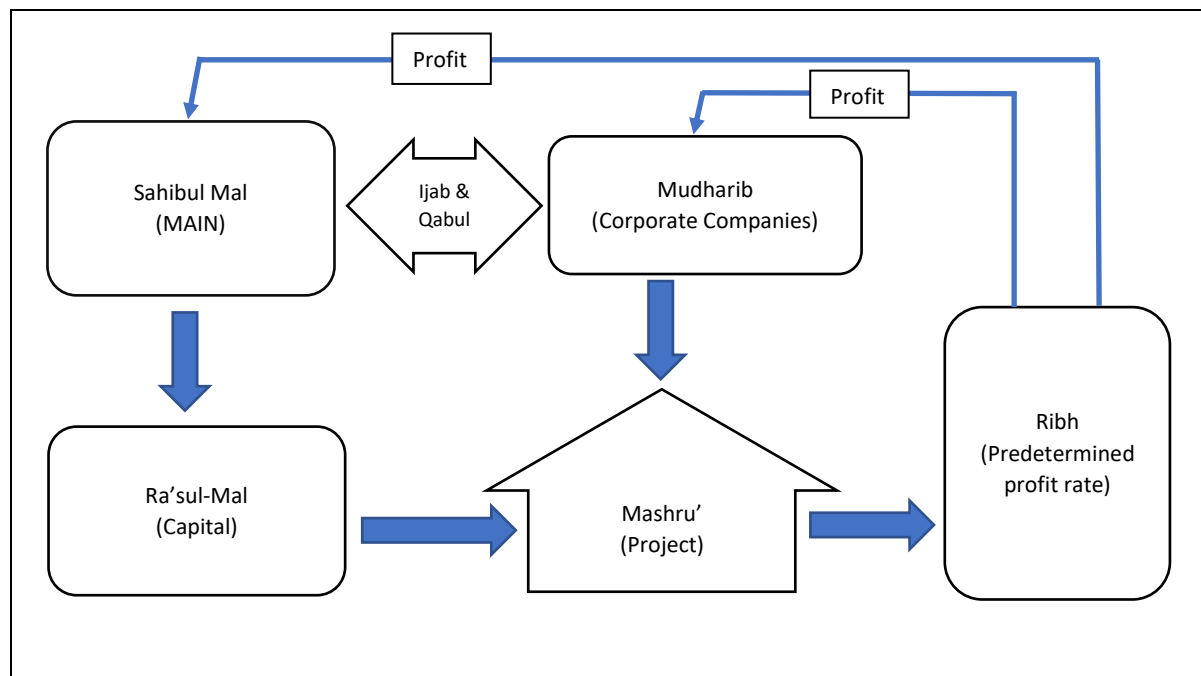


Figure 1. The *mudharabah* agreement framework

The State Islamic Religious Council (MAIN) is the trustee that hold, manage and develop the Muslim's *waqf* property in Malaysia. In order to develop the *waqf* property and gain benefit from the *waqf* (revenue), MAIN has to work with specific companies including corporate companies that have a lot of financial resources.

The issue of PTS development in Malaysia includes i) lack of initial capital to build the infrastructure of the institution, ii) the inability of the institution to generate financial resources to maintain its survivability. In this context, the study proposes that MAIN as a *waqf* shareholder provide *waqf* land that is eligible for development to a corporation. Companies will usually issue their own capital or work with banking institution to develop the *waqf* land by erecting a building. The proposed building here is a Tahfiz institution and shoplots.

In this context, all three parties will benefit i) MAIN can manage and develop the *waqf* property for use, ii) Corporate companies benefit from leasing several store houses, iii) Tahfiz managers can make the teaching and learning process easy without the hassle of finding *waqf* lands and capital to build their Tahfiz institution building.

According to the Khan Mohamed's method, in a joint venture between MAIN and a corporate company, some building units will be handed over to MAIN and some units will be utilized by the corporation by way of lease (rental). This building unit owned by MAIN is intended to be a Tahfiz school and is open to those who are eligible to establish and operate the institution. The remaining buildings or other facilities are leased, and the benefits are mutually beneficial to the survivability of PTS in Malaysia. This method is seen in conjunction with the effort to

develop the *waqf* land on the basis that a *waqf* institution may lease the *waqf* land to the other party at a rate agreed upon by both parties to ensure the sustainable use of the *waqf* land (Ali et al., 2016).

### Conclusion

It is undeniable that many PTS nowadays depend on monetary fundings from private capital, non-governmental organizations, charity and *waqf*; and are threatened with closure (especially if they do not diversify their income generation means) during this challenging times. Thus, it is proposed that they venture into developing their *waqf* property for continuous benefits. The Khan Mohamed's *waqf* development model is a viable framework that can be applied by PTS in order to generate benefits on their *waqf* property. Furthermore, all parties will benefit from this arrangement in which MAIN can manage and develop the *waqf* property for use; corporate companies benefit from leasing several store houses; while PTS managers can make the teaching and learning process easy without the hassle of finding *waqf* lands and capital to build their PTS building – thus ensuring their survivalability.

### Appreciation

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