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Potential of Waqf Instrument During Covid-19: A Literature Review on Majlis Agama Islam & Adat Istiadat Melayu Perlis (MAIPs)

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Abstract

The worldwide spread of the Covid-19 virus is now a pandemic that affects society in daily life. Furthermore, the government's implementation of the Movement Control Order (MCO) to curb the spread of this virus among the community has affected daily economic activities. For example, workers and traders have had to limit their economic activities. The long duration of MCO has also resulted in them facing job losses, salary cuts, and shutting down the business operations. This implication makes the group lose or lack income for their daily life. Therefore, through a qualitative approach in data collection and analysis, this study aims to identify the potential of waqf's instrument that can be planned and developed by *Majlis Agama Islam and Adat Istiadat Melayu Perlis* (MAIPs) as the sole trustee of waqf in Perlis to overcome economic problems faced by the community during the Covid-19 pandemic. Additionally, the study also explains the economic impact of the country and the state of Perlis during the transmission of Covid-19. The study results found that MAIPs committed using waqf property and assets when Covid-19 spread their effect to community. Additionally, the study found spaces and potentials for MAIPs to explore waqf's instrument in the form of *Mu'auqqat waqf*, special waqf, cash waqf and waqf of expertise and services that need to be structured and managed to solve the country's economic and public health problems.

Keywords: Waqf, Covid-19, Potential, Management, MAIPs

Introduction

2020 and 2021 saw a pandemic phenomenon, harming the world, covering most countries that had to face the onslaught of threats and enormous challenges. Every country in the world is fighting and working hard to save the people from the attack of the danger of the disease spreading rapidly and resulting in loss of life and economic loss to every country in the world. The chronology of an infectious disease known as Covid-19 began on December 31, 2019, with one pneumonia incident of unknown cause in Wuhan, China (Ministry of Health Malaysia, 2020). The impact of Covid-19 transmission on the country's public health also saw that every country was forced to adopt new norms in daily social life. The new norm practices

are physical distancing, hygiene practices by regularly washing hands with soap or hand sanitizer, wearing face masks in open and crowded places, and instructions to stay at home through movement control by some countries.

The emergence of this Covid-19 virus, although not visible to the naked eye, its movement is very active through infection that quickly occurs, such as the existence of new mutations that have been detected in Europe. This situation illustrates the ability and capability of the Covid-19 virus to infect humans through its movement across borders and territories because of the impact of social and economic activities that take place between countries. As of March 11, 2022, global Covid-19 infection data shows that 450 million people have been infected, with a death toll of 6 million people worldwide (World Health Organization, 2021). Infection statistics in Malaysia show that a total of 3.8 million people in this country have been infected and involved in 33,720 deaths (Ministry of Health Malaysia, 2021) after the first case was detected in the country on January 23, 2020 (Bernama, 2020).

The impact of the Covid-19 infectious disease epidemic has caused instability to the whole country through a direct effect on the public health sector and resulting in economic losses to the country, both macro and micro. Therefore, to curb the spread of Covid-19 from continuing to spread and threaten the people's health, the Malaysian government has implemented the Movement Control Order (MCO) starting March 18, 2020 (Bernama, 2020). The implementation of the Movement Control Order also aims to ensure that the national economy can be controlled through permission to some sectors of the economy to operate throughout the performance of the MCO. The implementation of PKP by the government to curb the spread of the virus among the community has had an impact and impact on daily economic activities. For example, workers and traders have had to limit their economic activities for long periods, which has caused them to face situations of job losses, salary cuts and having to stop business operations. This implication makes the group lose or lack the income for their daily life.

Many of the previous studies have been conducted to identify the role of waqf in economic development. For instance, the studies conducted by Ramli et al (2015); Hasbulah et al (2015); Ab Rahman (2009) has identified the role of waqf in economic development according to specific sectors. A follow-up study was conducted by Ab Rahman et al (2020) on the role of waqf specifically in helping to address the Covid-19 epidemic. However, the focus of the study has involved the researcher's proposal in the efforts of *Majlis Agama Islam Negeri* (MAIN) as a general inspector to expand the role of special inspectors in dealing with the crisis. Therefore, this study aims to examine the potential of waqf's instrument that can be used and planned by MAIN, especially MAIPs, to overcome and reduce the economic problems faced by the community during the Covid-19 pandemic. In addition, the results of this study also aim to explain the economic impact of the country and the state of Perlis on the transmission of Covid-19.

Literature Review

From the perspective of Islamic economics, waqf is seen as a significant and relative instrument in dealing with economic problems such as aspects of economic development. Previous studies have outlined the role and contribution of waqf according to the framework of economic growth through the health, medicine, education, worship (*ibadah*) and public infrastructure projects (Ramli et al., 2015; Hasbulah et al., 2015; Ab Rahman, 2009; Jani et al.,

2022). Economic problems can be developed aggressively by implementing cash waqf efficiently through marketing and human resources to increase and expand cash waqf. In addition, cash waqf can also provide opportunities to many people who want to waqf and is not limited to individuals who only own land to generate the national economy (Haron et al., 2016).

The spread of Covid-19 infection has affected the country's public health sector and led to a national health crisis. According to Daud and Aris (2021), the use of waqf funds conducted by the State Islamic Religious Council (MAIN) in health care needs to be transformed according to the relevance of time. This transformation effort needs to be actively done, especially in the issue of increasing the cost of care for the public health system because waqf can contribute to the socio-economic development of the ummah by reducing the public health system's dependence on government assistance. In addition, this transformation effort can ensure the long-term sustainability of the country's health system with various improvements in the use of endowment funds when the Covid-19 pandemic hits the country.

Ab Rahman (2009), in their study, has focused on the role of waqf that can provide opportunities to the community and the Islamic country to offer health services to the less fortunate to redistribute wealth through waqf funds. This study has illustrated the importance of waqf in supporting the health sector so that economic development is not affected and disrupted. However, a survey conducted by Daud and Aris (2021) found that the improvement of the health care system could not be implemented due to a lack of funds. The study results also found that the MAIN needs to consider the role of strategic cooperation with corporate bodies in fundraising efforts and increase the potential of the endowment.

Past studies have also discussed the impact of Covid-19 on the country's economic development, either macro or micro. Among them, Farique and Fauzi (2021) have explained the effects of Covid-19 on Malaysia's macroeconomic crisis by adding the country's fiscal stimulus package of RM250 billion. If this action continues, it will cause the country's debt burden to increase and force the government to take out financial loans from world financial institutions. Although this study has outlined the macroeconomic impact on the country because of Covid-19, this study does not present a solution such as the use of waqf to deal with the situation.

In addition, more than 11 thousand hectares of waqf land were disrupted, especially involving special waqf and general waqf, due to shortcomings in the governance of waqf institutions despite being seen to almost meet the standards of governance (Mahmood et al., 2017). Studies have also stated that external and internal factors of the institution have resulted in the maladministration of waqf institutions and caused the economy not to be generated correctly. The shortcomings in the governance of waqf institutions have also been elaborated by Abu Talib et al (2018) through an exploratory study of accounting and reporting practices for waqf on 11 State Islamic Religious Councils in Malaysia (MAIN). The study results found that the lack of factors and differences in the accounting system management and the absence of reasonable waqf transaction record procedures are the cause of the problem. Therefore, the efficiency of economic generation through waqf will be a point of difference depending on the differences in governance of MAIN.

Past studies have also discussed and suggested elements of the waqf instrument as an alternative in dealing with Covid-19 (Anwar et al., 2020). For example, one study has suggested using waqf to address Malaysian health issues. It has the potential to be an intermediary to foster a spirit of cooperation and volunteerism among the community during this critical situation (Ab Rahman et al., 2020). In addition, waqf also becomes more productive in producing a dynamic impact for the benefit of the ummah (Kamal & Che Seman, 2017) not only from the health sector but also education with the help of education funding, various supports and initiatives conducted by Yayasan Waqf Malaysia (YWM). In addition, the use of waqf can help reduce the economic crisis hit by the country. At the same time, the study of Iskandar et al. (2020) have discussed social-financial instruments such as waqf, interest-free loans (*qard hasan*) and zakat that can be used in the Islamic social-financial framework to address economic problems arising from Covid-19.

Through the study of Roslan et al. (2021), the emergence of Covid-19 has indirectly affected the country's socio-economic and political, especially the private sector, small hawkers, and the corporate sector. This study found that the country's finances will be stronger through Islamic financial institutions by strengthening instruments such as zakat, waqf, takaful, *hibah* in helping the community face the critical situation. However, Daud & Mubarak (2019 & 2021) suggested that the state's different aspects of waqf management are constraints the efforts to strengthen instruments such as waqf, especially in the application of management functions. A specific study on *Perbadanan Wakaf Negeri Sembilan* (PWNS) and the Penang Islamic Religious Council (MAINPP) found that PWNS and MAINPP need to enhance strategic and structured planning and organizing functions in empowering the national economy (Daud & Mubarak, 2021).

In the face of the Covid-19 pandemic, the Malaysian government has carried out various efforts and initiatives, such as preparing a People-Concern Economic Plan to help the community. According to Ab Rahman et al. (2020), in the face of the Covid-19 pandemic, the diversity of types of waqf plays a role in easing the burden of the government to be utilized by every layer of society. The study results explained that waqf governance is limited to the State Islamic Religious Council (MAIN) as general nazir. The role and strategy should be extended to the community as special nazir or *mutawalli* in sharing expertise to face pandemic challenges, mainly fundraising purposes.

The Covid-19 outbreak and the pandemic phase experienced by the whole country have had an enormous impact on the economic sector, health sector, education sector, private sector, and agricultural sector. The Covid-19 pandemic is considered a tragic phenomenon that claimed millions of lives and tested a country's food security (Mohamed & Shafiai, 2021). Accordingly, the reduction in food security has led to an increase in patients admitted to hospitals. Therefore, to address this matter, the role and function of the administration of zakat, infaq, alms and waqf are essential by activating lands, waqf buildings and zakat property for investment to help the agricultural sector. In addition, the use of zakat, infaq, alms and waqf funds can also protect the affected agricultural industry.

Manshor & Abdullah (2021) have explained that waqf can also help social entrepreneurship and potentially empower the Muslim economy. According to them, the study results found that waqf and social entrepreneurship have great potential as instruments of socio-economic

development and can overcome poverty and the economic crisis in Malaysia. Syamsuri et al (2019) also stated the same thing where waqf can reduce poverty and economic crisis in Indonesia and contribute to various alternatives in generating the Muslim economic sector. In addition, the study also found that good administration and empowerment of waqf management can meet the basic needs of the community and business community in need of assistance.

In general, some studies have discussed the role of waqf in economic development and the national health sector. These studies focus more on managing waqf and expansion when there is no economic crisis due to the spread of Covid-19. However, studies related to the impact of Covid-19 on the economy and the role of waqf as a support instrument on economic problems are not discussed jointly. Therefore, this study aims to fill the gap by identifying the potential of waqf in addressing the economic issues impacted by Covid-19 transmission. This study has selected the state of Perlis as a case study.

Methodology

This study uses a qualitative approach through secondary data collection methods obtained from books, journals, proceedings, newspapers, official websites and related circulars. The official information and data obtained from the Ministry of Finance Malaysia (MOF), *Majlis Agama Islam & Adat Istiadat Melayu Perlis* (MAIPs), Department of Statistics Malaysia (DOSM), World Health Organization (WHO) and Ministry of Health Malaysia (MOH). MAIPs was selected as the sample of the study due to waqf matter was under state's governance. Further data analysis in this study was done using the method content analysis to achieve the objectives of the study which involves the process of identification, screening, interpretation and distribution of data in the category of management waqf during the Covid-19 outbreak hit in Malaysia (Lebar, 2018).

Findings and Discussion

Covid-19's Impacts on The Economy

Among the direct actions taken by the Malaysian government when dealing with Covid-19 is to implement the Movement Control Order (MCO). This approach reduces the impact of Covid-19 infectiousness among Malaysians due to the limitations of permitted movement, whether it involves individuals, economic sectors, or businesses. However, this MCO approach has impacted the country's economic activities. The method of implementing MCO by limiting business activities has resulted in their income and expenditure being affected (Hasbullah & Ab Rahman, 2020). This study has identified three main effects of Covid-19 transmission on the Malaysian economy. The three effects are a financial burden, rising unemployment, and economic recession through the contraction of Gross Domestic Product (GDP).

Figure 1. Financial impact in the face of the MCO period (Department of Statistics Malaysia, 2020)

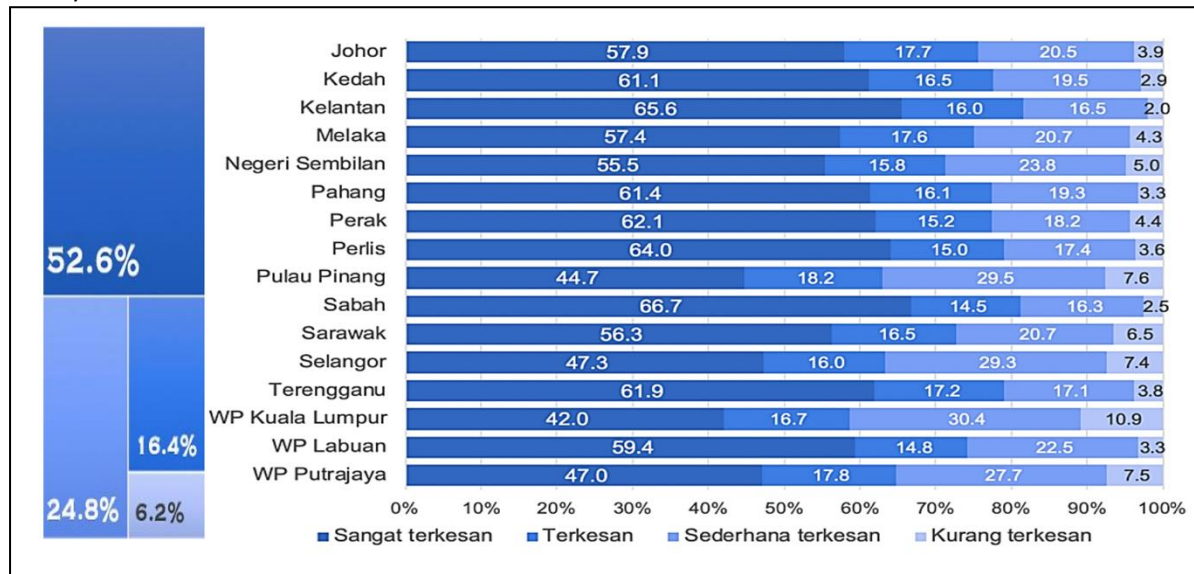


Figure 1 shows the financial impact due to the implementation of MCO by the state in Malaysia. It was found that seven states in Malaysia have experienced more than 60 percent financial impact because of the MCO, which involves the states of Sabah, Kelantan, Perlis, Perak, Terengganu, Pahang, and Kedah. Three states recorded the highest impact: Sabah at 66.7%, Kelantan at 65.6%, and Perlis at 64%. This situation clearly illustrates that all states in Malaysia are affected financially due to the MCO with an average of 56.9 percent.

Talha (2020) summarized the details of this data, where the individuals affected from the financial aspect belong to the class of employers, government and private employees, traders, farmers, and fishers. This financial effect can be seen through the absence of sources of income due to job losses and salary deductions. In addition, business operations also had to be shut down due to reduced demand from both wholesalers and traders. In addition, this financial burden also occurs when there are employees who have been ordered to leave without pay or have their salary deducted by 20 to 50 percent during the period of the PKP.

Apart from the financial impact due to the MCO, the country was also affected by the shutting down the business operations, which caused many workers to be laid off due to not being able to cover operating expenses such as employee wages during the MCO (Abdul Aziz, 2020). The expense of employee wage costs cannot be borne by most business owners due to lack of cash flow and resulting in termination of employee service. This situation is mainly affected by Small and Medium Enterprises (SMEs) due to insufficient capital to cover the cash flow burden. Although the sectors are allowed to operate during the MCO period, it still affects the business because it must operate under the strict Standard Operating Procedure (SOP), which causes an increase in business management costs. This is exacerbated when the number of customers declines due to travel restrictions involving cross-states or districts. The effect is that most businesses are forced to decide to cease business operations and employees (Department of Statistics Malaysia, 2020).

Table 1. Total Labor Force by Quarter (Department of Statistics Malaysia, 2021)

LABOUR FORCE	2020			2021	
	Q2	Q3	Q4	Q1	Q2
Total Labor Force ('000)	15675.50	15840.60	15922.30	16008.40	15972.20
Working Population ('000)	14883.70	15095.60	15161.60	15236.50	15207.30
Unemployed ('000)	791.80	745.00	760.70	771.80	764.90
Labor Force Participation Rate (%)	68.10	68.40	68.50	68.60	68.30
Unemployment rate (%)	5.10	4.70	4.80	4.80	4.80

Table 1 shows the total labour force in Malaysia quarterly for the period 2020 (Q2, Q3 and Q4) and 2021 (Q1 and Q2). Based on the table above, the Q2 of 2020 showed the highest unemployment rate at 5.10 percent involving 791 thousand unemployed individuals. This is the first period of MCO implementation by the government, which began on March 18, 2020 (Bernama, 2020). Although this rate has declined by 0.4 percent in the Q3 of 2020, it rose again to 4.8 percent in the Q4 of 2020, Q1 and Q2 of 2021. The total unemployment for the Q2 of 2021 (April - June) is as many as 764 thousand people. This unemployment rate coincides with the projection made by Bank Negara Malaysia that the unemployment rate will increase to 4 percent for 2020 and remain until the Q2 of 2021 compared to the trend before 2020, with Malaysia's unemployment rate remaining at 3.3 percent per annum (The Malaysia Reserve, 2020; Farique & Fauzi, 2021). Meanwhile, the International Monetary Fund (2020) has projected Malaysia's unemployment rate in 2020 to reach 4.9 percent. The sectors affected by unemployment include tourism, aviation, business, creative industries, housing, manufacturing, human resources, private medicine, professional services, non-governmental organizations (NGOs), agriculture and plantation (Abdul Aziz, 2020; Zainudin, 2020). This situation is exacerbated when the Research Firm Institutions Report, IPSOS (2020) has reported that people's concern about unemployment is at 40 percent, which is the highest number compared to the previous year.

The subsequent effect is an economic recession caused by a contraction in the business cycle resulting from declining economic activity in a country. This decline can be seen through the GDP indicators through the resulting trends based on the type of economic sector moving in the country. The country's economic recession characteristics can be described through the contraction and decline projections on GDP growth (Farique & Fauzi, 2021).

Table 2. Malaysia's GDP: Quarterly 2020 and 2021 (Department of Statistics Malaysia, 2021)

GDP by Type of Economic Activities at Constant 2015 Prices (YoY Growth, %)	2020			2021	
	Q2	Q3	Q4	Q1	Q2
GDP	-17.20	-2.70	-3.40	-0.50	16.10
Agriculture	0.90	-0.30	-1.00	0.20	-1.50
Mining & Quarrying	-20.80	-7.80	-10.40	-5.00	13.90
Manufacturing	-18.30	3.30	3.00	6.60	26.60
Construction	-44.50	-12.40	-13.90	-10.40	40.30
Services	-16.20	-4.00	-4.80	-2.30	13.40

Table 2 shows Malaysia's quarterly GDP performance for 2020 and 2021. Overall, GDP performance in each mid-quarter experienced a decline from the Q2 of 2020 to the Q1 of 2021. During the Q2 of 2020, from April to June, the highest drop was recorded at 17.2 percent. This downward trend in GDP continued until Q1 of 2021. However, in the Q2 of 2021, the GDP trend appeared positive after some economic sectors were easing to resume operations. The mining, manufacturing, and services sectors are among the most significant sectors contributing to this downward trend in GDP.

The Impact of Covid-19 on The Economy in The State of Perlis

The economic background of Perlis in 2020 shows that the total population of Perlis is 255,400 people, with an employment rate of 64.7 percent and an unemployment rate of 4.3 percent (Department of Statistics Malaysia, 2021). The total average income of the people of Perlis is RM5,476, and the mid-class income is RM4,594 (Department of Statistics Malaysia, 2021). In terms of economic performance, the state of Perlis has contributed 4.3 percent of the country's total GDP in 2019.

Based on Table 1, the effect of the MCO on the financial burden borne on the people of Perlis showed 64 percent is highly effected, 15 percent is affected, 17.4 percent moderately affected, and only 3.6 percent less affected. This fact makes the state of Perlis ranked third after the states of Sabah and Kelantan compared to the total of 14 states in Malaysia. According to the calculation, the total population of Perlis, who is highly affected, is 163,456 people. Perlis is a small state, and most of the population depends on micro-based economic activities such as small to medium industries and agriculture. A study conducted on 123 small farmers in Perlis found that micro-agriculture such as *Harum Manis mangoes* was affected at a rate of 100 percent (Musa & Abdul Rashid, 2021).

Table 3. Total Labor Force of Perlis (Department of Statistics Malaysia, 2021)

LABOUR FORCE	2018	2019	2020
Total Labor Force ('000)	107.6	112.2	110.3
Working Population ('000)	104	108.5	105.6
Unemployed ('000)	3.6	3.7	4.7
Labor Force Participation Rate (%)	62.7	64.7	63
Unemployment rate (%)	3.4	3.3	4.3

The unemployment rate in Perlis also showed an increase in 2020 compared to 2019 at 4.3 percent. This rate involves the total labour force affected by Covid-19 in 2020 is 4,700 people. Some of these affected employees represent groups working in the small and medium industrial business sector who have had to cease business operations due to the MCO and inadequate cash flows. This rate is in line with statistical data, which shows that the most significant number of labour force classifications in the state of Perlis is the category of service and sales workers, which are 28,300 people in 2020 (Department of Statistics Malaysia, 2021). This category is the employees engaged in the small and medium industrial business sector.

Furthermore, the effect of the economic recession in terms of GDP contraction in Perlis also showed a decrease in prices in 2020 compared to 2019. This GDP contraction involves reducing current prices in 2019 from RM6,483 million to RM6,010 million in 2020, equivalent to 6.1 percent (Department of Statistics Malaysia, 2021). The two largest revenue sectors contributed to the decline, namely import duty revenue and agriculture, with percentage decreases of 44 percent and 18.5 percent, respectively (Department of Statistics Malaysia, 2021). This situation reflects the spread of Covid-19 has caused the revenue of Perlis to decline compared to the previous year, which showed an increasing trend of 4.5 percent in 2018 and 2019. Overall, the total GDP of Perlis contributed to Malaysia's GDP of 0.4 percent in 2020 compared to 3.3 percent in 2019. The percentage decline in GDP growth of 6.1 percent makes Perlis the third state to contribute to Malaysia's overall GDP decline after Sabah and Sarawak, with a percent decline of 9.5 and 7.1 percent, respectively (Department of Statistics Malaysia, 2021).

In conclusion, the three indicators of the impact of Covid-19 on the Malaysian economy, such as financial burden, rising unemployment and economic recession through GDP contraction, also directly affect the economy of Perlis. Although Perlis is the smallest state, it has also contributed significantly to the Malaysian economy. It has a different impact due to other states' different demographics and economic backgrounds.

The Role and Potential of Waqf Institutions During Covid-19

Management and administration related to waqf affairs in the state of Perlis is managed and regulated by *Majlis Agama Islam & Adat Istiadat Melayu Perlis* (MAIPs). This is in line with the provisions of Perlis state law, Clause 4, Islamic Religious Administration Enactment No. 3/1964, which places MAIPs as the MAIN institution responsible for realizing the socio-economic development of Muslims, including the administration of waqf property (Perlis Islamic Religious and Malay Customs Council, 2021). MAIPs as the sole trustee of waqf in the

state of Perlis, is responsible for managing and administering all matters related to the waqf property of Muslims in Perlis. The role of MAIPs is in line with Section 89 of the Islamic Administration Enactment 2006 states as follows:

“The Majlis shall be the sole trustee of all waqf, general Nazr and trusts in the State of Perlis.”

Currently, MAIPs comprise a Chief Executive Officer and three heads of Operations Division, namely Head of Zakat Management Division, Head of Management & Secretarial Services Division and Head of Waqf, Property & Mal Development Division (Perlis Islamic Religious and Malay Customs Council, 2021). Looking at the waqf division specifically, MAIPs have three main units: Property Unit, Technical Unit, and Waqf Unit (Perlis Islamic Religious and Malay Customs Council, 2021).

When Covid-19 hit Malaysia at the end of 2019, MAIPs as the sole trustee institution of waqf was responsible for managing waqf property as an Islamic social financial instrument to help the affected and curb the spread of the Covid-19 epidemic in Perlis. MAIPs have undertaken various initiatives and efforts towards those affected by Covid-19, specifically the small and medium traders who have severe business cash flow problems through waqf instruments. Among the initiatives is granting premise rental payment exemption by MAIPs on waqf properties and buildings for three months. The exemption of rental payment for the premises involves a total exemption cost of RM343,317 (Perlis Islamic Religious and Malay Customs Council, 2021). Apart from that, MAIPs also offer a reduction in the rental rate of MAIPs premises that consists of properties and waqf buildings, which involves a cost of RM171,668. From the social aspect, the waqf land used as the Funeral Management Center has also been used to manage the remains of those who died because of Covid-19. The death due to Covid-19 will be managed by Pusat Pengurusan Jenazah Darul Abrar which is established and developed in waqf land without incurring any cost to be borne by the heirs.

The role carried out by MAIPs has shown the seriousness of MAIPs in the management and administration of waqf by using existing waqf assets optimally to help the impact of Covid-19 in the state of Perlis both economically and socially. However, MAIPs still have room to pioneer the potential of waqf as one of the specific and more systematic Islamic economic and social financial instruments. Among the potentials is exploring waqf property and assets that can be structured and formed through waqf *Mu’aqqaat* (temporal waqf), waqf *Khas* (waqf with specific purposes), cash waqf, expertise and labour waqf.

Conclusion

The government’s action to implement MCO aims to curb the spread of Covid-19 among the community in Malaysia. The economic impact due to the MCO has affected the people’s financial burden due to job loss, salary cuts, and having to stop business operations. This effect also increased the unemployment rate and decreased the country’s income. The same effect has also affected the economy of Perlis. As a small state, Perlis has experienced the same impact and made the state third place in terms of the financial burden, and there is an increase in unemployment. This situation also decreased Perlis state revenue compared to the year before the Covid-19 pandemic. Although MAIPs have taken several initiatives using waqf property and assets, there is still room to make waqf one of the Islamic social finance economy instruments. The structuring and formation of this waqf involve the form of waqf

Mu'aqqat (temporal waqf), waqf *Khas* (waqf with specific purposes), cash waqf, expertise and labour waqf.

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