

# Financing Kolej Universiti INSANIAH Using the Concept of Cash *Waqf*: The Way Forward

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## Abstract

Kolej Universiti INSANIAH, which is classified as a private higher learning institution has had to depend mainly on student fees and Kedah state's assistance as its sources of revenue to finance its operating and development expenditure. The objective of the study is to examine the possibility of financing Kolej Universiti INSANIAH using cash *waqf* scheme. This study uses library research to examine the way forward to establishing and implementing the *waqf* project scheme which is to be used in financing the expenditures of Kolej Universiti INSANIAH in the future. This study comes up with a cash *waqf* model to be used as a guideline for KUIN management to launch the cash *waqf* project scheme so that *waqf* could be used as an additional source of revenue to finance the expenditure of KUIN in the future.

Keywords: Kolej Universiti INSANIAH, Finance, Cash *Waqf*, Expenditure, Revenue.

## Background

Kolej Universiti INSANIAH (KUIN) is a university college fully owned by Kedah State government. It was previously known as Institut Agama Islam Negeri Kedah Darul Aman. The objective of Institut Agama Islam Negeri Kedah Darul Aman was to produce Islamic scholars capable of spreading the teachings of Islamic knowledge and capable of leading the neighboring society. Specifically, it aimed to improve the quality of Arabic and Islamic knowledge teachings to produce Islamic scholars and intellectuals who are capable of spreading the teachings of Islam from time to time.

At the early stage, Institut Agama Islam Negeri Kedah Darul Aman had a twinning university program with Al-Azhar University, Egypt in the field of *Shari'ah* and Arabic. In May 2006, it was upgraded and renamed as Institut Agama Negeri Kedah Darul Aman (INSANIAH). In February 2009, a new campus of INSANIAH in Kuala Ketil was built and completed in 2012.

However, Kolej Universiti INSANIAH, which is classified as a private higher learning institution has had to depend mainly on student fees and Kedah state's assistance as its sources of revenue to finance its operating and development expenditure. This is due to the fact that the federal government only channels its budget allocations to the public institutions of higher learning. Because of the decreasing number of student intakes each semester since 2013, Kolej Universiti INSANIAH has had some financial difficulties to finance its expenditure. A lot of

efforts and strategies have been taken to attract more students to enroll at this university. However, as of June 2017, the number of student intake keeps dropping. Hence, there is a need to explore other sources of revenue in order to finance its expenditure.

In general, the objective of the study is to examine the possibility of financing Kolej University INSANIAH using cash *waqf* scheme. This study attempts to explore the procedure of implementation of *waqf* as a source of finance to support the financing of expenditures by Kolej Universiti INSANIAH.

### **Literature Review**

There are several studies concerning *waqf* in Malaysia such as Aziz, Johari, & Yusof (2013) which proposed that cash *waqf* as an Islamic financial instrument to generate financing in education activities in high learning institutions. *Waqf* is also one of investment expenditure which gives benefits and rewards in the world and hereafter. Cash *waqf* could be used to invest and generate income. *Waqf* is the best method in the cash investment. It not only gives a return in the context of income but also gives capital protection. In additional, the bank use cash *waqf* based on the principle of *fiqh* in its operations (both loan and investment). Therefore, the main characteristic of *waqf* is perpetuity of the object and the capability of recurrent use for the benefit.

Bank can be entrusted as cash *waqf* collector from the public for a specific purpose. It is easy to get *waqf* donation fund from the public. When the deposit is made, the bank can distribute the cash for a loan, to the indebted, for marriage purposes, and other projects which are related to social welfare. The special account named as reserve account is needed to be established. The loan would be given without interest and the minimum service charge would be imposed.

*Waqf* also can be deposited as an investment or its own *waqf* capital. Same as cash *waqf*, it can generate income through an entrusted bank to manage *waqf* capital in economic activities. Any protection and capital accumulation become a main function of the bank. *Waqf* capital cannot use for other purposes except for investment purpose. So, the profit from *waqf* capital would give benefit to society. *Waqf* capital would be invested by an entrusted bank to any transaction activities which can gain profit and generate income.

According to Ismail, Deni & Sulaiman (2015) and Razak, Embi, Salleh & Fakhrunnas (2016), *waqf* has been widely practiced since a long time ago. However, most *waqf* in Malaysia has been used for specific purposes such as to build religious schools, mosques, graves or any spending related to religious activities. *Waqf* activities should be used widely around the world including in Malaysia. Muslims have their own strength to build an economy in capital formation which is obtained from *waqf* without relying on financing from the government. Currently, *waqf* in Malaysia becomes as an alternative fund for institutions of higher learning to survive and not continuously being subsidized by the government because the government budget is currently constrained.

For example, Kolej Universiti Islam Antarabangsa Selangor (KUIS) was established by Selangor Islamic Religious Council (MAIS) in 1995. KUIS aimed to become a full university in 2016 and also planned to become a *waqf* university within five years after becoming a full-fledged

university. To achieve these targets, there are several preparations implemented by KUIS. First, KUIS's Foundation was established for the purpose of managing and controlling activities related to *waqf* education and *zakat*. The collection of *zakat* and *waqf* education was expected to come from local people. It cooperated with Selangor Institute of Zakat and Selangor Corporation of *Waqf*. Responsiveness from people was very encouraging. KUIS also moved forward to get a fund of *waqf* from the Middle Eastern countries such as Egypt, Qatar, Saudi Arabia and Turkey.

However, according to Razak, Embi, Salleh & Fakhrunnas (2016), *waqf* activities have different implementation, strategy, method and laws in every state. In Selangor, *waqf* managed by Selangor Islamic Religious Council (MAIS) where cash *waqf* was used as a scheme to increase *waqf* fund for the social purpose. Moreover, Kedah Islamic Religious Council (MAIK) implemented "*waqf jemba*" where *waqf* would be funded in small pieces of land which were worth from RM5 RM30 per piece for a specific purpose. In addition, the Federal Territory Islamic Religious Council also managed *waqf* to build mosques, orphanage centres etc.

There are several universities in Malaysia such as International Islamic University of Malaysia (IIUM), Universiti Putra Malaysia (UPM) and Universiti Sains Malaysia (USM) which have had formal *waqf* institutions under *zakat* units of the universities, respectively. *Waqf* fund was used, among other things, to help students to pay their education fees. The sources of *waqf* fund in Universiti Sains Islam Malaysia (USIM) and International Islamic University Malaysia (IIUM) were from foreigners and Malaysians. However, Universiti Putra Malaysia (UPM) and Universiti Kebangsaan Malaysia (UKM), respectively have received *waqf* funding only from local sources.

Islamic International University Malaysia (IIUM) established *waqf* fund in 1999. It was known as IIUM's *Waqf* Fund which was subsidized by the government. Its purpose was to finance the living cost of needy students at IIUM and also to generate income by using investment by building a commercial building for rental. The revenue from the investment would be channelled into *waqf* fund. The *waqf* fund of IIUM was also collected by using voluntary monthly salary deduction scheme contributed by IIUM staff. As a result, the IIUM's *Waqf* fund has arisen (Razak, Embi, Saleh & Fakhrunnas, 2016; Mahamood & Ab Rahman, 2015). According to Sulaiman, Adnan & Suad (2009), there were several programs which were conducted by IIUM's *Waqf* Fund. It was known as *Kafalah* to sponsor the cost of student's living at IIUM. The donators could choose to bear education cost for only one student who was staying at IIUM or sponsor the different students for different years. There were flexible of the amount of donation from RM70 until RM350 for every student. To reduce financial burdens among IIUM students, IIUM *Waqf* Fund also assists students to find jobs on campus as supporting staff to survive help them survive at IIUM's campus. Moreover, the IIUM's *Waqf* Fund was managed under Executive Board (including Honourable Rector, Deputy Rector (Academic), Deputy Rector (Research and International), Deputy Rector (Students), the General Manager of IIUM's *Waqf* Fund, Finance Director, the Director of Management Centre, a representative of Alumni and a senior member of academic staff. Additionally, there is an Investment Committee which was managed by finance professor to supervise investment activities of IIUM's *Waqf* Fund.

IIUM's *Waqf* Fund has also received donations from foreigners to build commercial buildings. For example, the UAE Ambassador, Sheikh Humaid bin Rashid Al-Nuimi was donated to build a hostel for IIUM female students. After the construction was completed, the hostel would be used to accommodate students and the students had to pay the rent. The revenues from rental would be used as scholarship (named as Sheikh Humaid bin Rashid Al-Nuaimi's Scholarship). The hostel provides 16 apartments with consist 4 individual rooms (Mahamood & Ab Rahman, 2015).

Besides that, UKM started the establishment of a *waqf* fund since 2010 and registered under Selangor Department of *Waqf* (PWS). Ali & Wahid (2014) found that UKM received the source of funding from among UKM's staff only. *Waqf* fund in UKM was at the beginning and they still did not collect from outside campus especially from local people. Consequently, *waqf* fund in UKM collected only RM300, 000 as of March 2014. It was used to finance several research projects, giving scholarship and religion activities like donating *Al-Qur'an* to *musollas* of every faculty. In addition, the *waqf* fund provided ICT facilities for *waqf* donors to contribute to the *waqf* fund. By using internet banking through direct debit, the donations of *waqf* fund have become easy. The *waqf* fund also organized road shows disseminating information about *waqf* donation and the importance of *waqf*. Its purpose was to create the high level of awareness among students and local people (Mahamood & Ab Rahman, 2015).

In UPM, *waqf* fund was conducted among local people to fund several projects such as the development of commercial complex and car park in Hospital Serdang. As a result, *waqf* fund of UPM collected RM4.2 million as of March 2014. UPM also received RM200, 000 annually from profit which was generated from *mudharabah* investment and planned to give sponsorships to students using the fund. In addition, UPM also received a donation from the UPM Chancellor, i.e. the Sultan (Ruler) of Selangor, Sultan Sharafuddin Idris Shah and received RM 300, 000 as *waqf* fund (Mahamood & Ab Rahman, 2015).

Universiti Teknologi Malaysia (UTM) introduced "UTM's Fund Endowment" which was collected from UTM staff. In 2013, UTM received RM53 million from this program and it was used to finance 260 students. UTM also planned to provide financial aids to its students to help them pay their tuition fees. Moreover, Universiti Malaysia Sabah (UMS) also introduced "*Tabung Amanah Siswa*". This fund was used to help and give scholarships to students (Che Yaacob & Muhamad Don, 2013; Ghazali & Md. Sawari, 2014).

*Waqf* could be used as an additional source of funding in education system including institutions of higher learning. It is one of the ways to solve financial burden of the university students who rely heavily on subsidies granted by the government. However, there are several challenges which need to overcome in order to fully utilize the *waqf fund* in institutions of higher learning in Malaysia. According to Mohamad, Kader, & Ali (2012), *waqf* has been widely used in Malaysia. *Waqf* schemes have been officially registered since 1952. Any *waqf* activities must be managed through State Islamic Religious Councils (SIRC). It was enshrined in the law relating to the Islamic law and Malay culture, under the Law of Management of Islamic Religion (1992). An amendment to this law was made in 1989 and known as Enactment of Management of Islamic Law 1989 to combine all laws related to management Islamic Religion in Selangor. In 1999, the special enactment related to *waqf* was approved, known as *Waqf* Enactment of

Selangor 1999. This enactment is important as a source of referral to streamline *waqf* administration in Selangor. It provides the implementation procedure for registration and supervision of *waqf* properties. This enactment emphasizes the necessity of registration of *waqf* properties in Selangor under the name of Selangor Islamic Religious Council (SIRC). The SIRC is the only one entrusted with the registration of *waqf* property in Selangor (Section 32 of the Selangor Wakaf Enactment 1999).

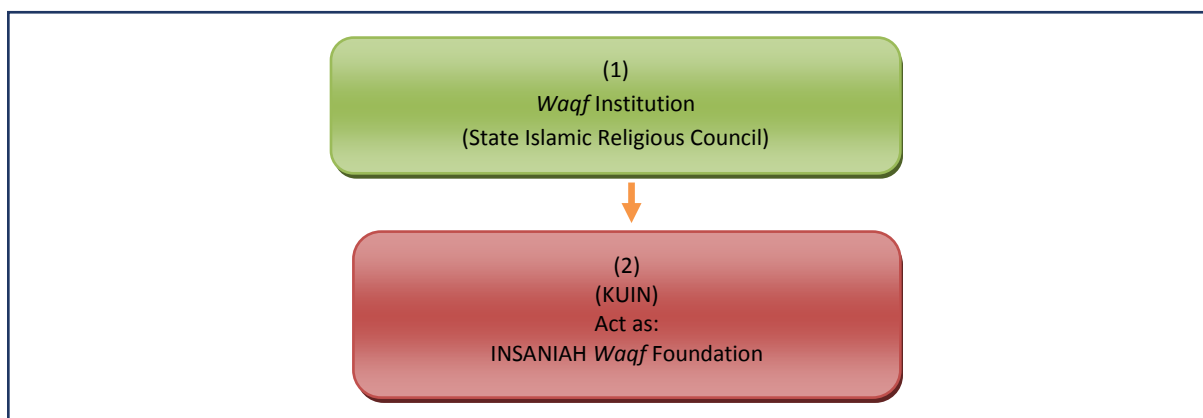
Also, *waqf* management needs to refer to the Circular of the Director Land and Mines issued in 1999. Its purpose is to advise the Register of Tiles and Land Management concerning *waqf* management through statutory vesting to SIRC based on 416C of the National Land Code. However, there are some states which complied to this circular, but awareness among society about *waqf* is at a low level. As a result of a meeting of Selangor State Fatwa Council, For example, Selangor state decided that the state government could use any government properties for *waqf* purposes including providing sites for mosques, prayer rooms and Islamic schools. The 77<sup>th</sup> decision of National Fatwa mentioned that federal government can entrust a person as a government agent to manage matters related to *waqf*. The person has the authority to create any land as *waqf* land.

### Methodology

This study uses the qualitative method. The qualitative method using library research is used in order to answer research objectives. Library research is conducted to examine the way forward to establishing and implementing the *waqf* project scheme which is to be used in financing the expenditures of Kolej Universiti INSANIAH in the future.

### Findings

Based on the library research, this study comes up with a cash *waqf* model as illustrated in Figure 1.



**Figure 1: Cash *Waqf* Model for Financing Kolej Universiti INSANIAH**

State Islamic Religious Councils (SIRCs) have exclusive powers to manage and control *waqf* activities in Malaysia. Hence, the *waqf* implementations by any institutions are bound and subjected to the enacted enactments. It includes the implementation of *waqf* by Institutions of Higher Learnings in Malaysia which plan to use *waqf* as their sources of alternative financing

(Muhamad Don & Bahrom, 2016). Siti Mashitoh (2007) mentioned that the parties involved in the *waqf* activities could work together through the concept of a joint venture with the experts and the available facilities in order to advance the *waqf* system in Malaysia. Therefore, the implementation of cash *waqf* which we propose to be used to finance Kolej Universiti INSANIAH (KUIN) will go through the same legal process like other *waqf* centers of Institutions of Higher Learnings. Kedah State Islamic Religious Council (MAIK) would appoint KUIN as a representative or an agent.

Through this venture, the implementation of *waqf* is subjected to the State *Waqf* Enactment, which means that matters related to *waqf* is under the monitoring of Kedah State Islamic Religious Council. Hence, Kedah State Islamic Religious Council would have to give a written permission in order to validate the implementation of *waqf*. Consequently, all *waqf* activities would be under full or partial monitoring as agreed by both parties (Mohd Ali Muhamad Don, 2016). As a result of the existence of a *waqf* center in KUIN, the center of *waqf* management in KUIN would be able to collect *waqf* through various sources such as government organizations, non-government organizations and the public. The center of *waqf* management in KUIN would play a role as a *Nazir* for the cash *waqf* fund project which would enable it to collect and manage the cash *waqf* fund and subsequently, could channel to fund to the account of the bursary of KUIN. Revenues generated from those funds would be invested by Kuin Center of *Waqf* Management in order to generate more revenues. The revenues would be channeled to KUIN Bursary Department as additional sources of revenues to finance the operating as well the development expenditures of KUIN. Table 1 shows the sources of revenue in the pre and post *waqf* project scheme.

**Table 1: Sources of revenue in Kolej Universiti INSANIAH (KUIN) before and After *Waqf***

No.	Before	No.	After
1.	Tuition fees	1.	<i>Waqf</i> Fund
2.	State fund	2.	Tuition fees
3.	Others	3.	State fund
		4.	Other

It should be emphasized that Muslim jurists agree that once a property is created as *waqf*, it should be placed under three key restrictions, the same three restrictions must also be followed in the case of cash *waqf*. The restrictions are:

- Irrevocability. This means that once the founder(s) created the cash *waqf*, he/she cannot revoke it. However, he/she can benefit from its generated profit.
- Perpetuity. Once the cash *waqf* is created it must be perpetual. This will ensure sustainable and continuous support from the revenue generated from the cash *waqf* towards financing different goods and services needed in the different Muslim societies.
- Inalienability. This means that once money is created as *waqf* no one can ever become the owner to alienate it and it becomes a “frozen asset”. It cannot be the subject of any gift, inheritance, or any alienation whatsoever.

The management of *waqf* by KUIN center of *waqf* management must be carried out according to the principles of corporate governance. The study proposes that the *waqf* project to finance KUIN set up a joint venture with Bank Muamalat and is managed by a joint committee managed consist of members from KUIN as well as Bank Muamalat representatives. In order to ensure transparency in the management of the *waqf* fund, the KUIN *waqf* project scheme must be supervised by two internal auditory bodies i.e. internal audit department of Bank Muamalat and the internal audit department of KUIN. The supervision entails that audit inspections are to be carried out from time to time on the management activities of KUIN *waqf* project scheme and audit reports to be presented to the Joint Management Committee comprise members from KUIN as well as Bank Muamalat representative. The stringent audit process is one of the efforts to assure the donors (*waqif*) as well as the governance stakeholders of KUIN *waqf* project scheme as to the integrity of the scheme. Individuals who wish to participate in the scheme may do so by donating cash through the Bank Muamalat account, periodical payment instruction (PPI), debiting the amount to be donated from their saving or current account or by cheques.

### Conclusions and Recommendations

In conclusion, this study attempts to explore the possibilities of setting and launching a *waqf* fund for the purpose of financing its operating and development expenditure. This study comes up with a way forward to use *waqf* as an additional source of financing by constructing a cash *waqf* model to be used as a guideline for KUIN management to launch the cash *waqf* project scheme so that *waqf* could be used as an additional source of revenue to finance the expenditure of KUIN in the future. Further studies are recommended to further examine in more detail the procedure of the implementation of *waqf* as outlined by the Manual of *Waqf* Land Management.

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