

## CASH WAQF IN KELANTAN: PROSPECTS AND CHALLENGES

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**Abstract:** *Cash waqf is an innovative instrument for Islamic Social Finance (ISF). It has the potential to handle social concerns by supporting Muslims economy, education, welfare, religious issues, agriculture and social wellbeing. Cash waqf was introduced in Kelantan in 2015 under MAIK as a contemporary waqf instruments that are beneficial to the Muslims in the state. It increases the prospect of curbing poverty and a more structured socio-economic development in Kelantan. The objective of this paper is to look into the potential of cash waqf in dealing with the abovementioned issues, considering its flexibility and ease of collection. Besides that, this paper also attempts to address issues and challenges faced by the state of Kelantan in implementing cash waqf. They include lack of comprehensive legislation, lack of transparency and accountable governance, and lack of regulatory or framework that ensures effective collection and distribution.*

**Keywords:** *Cash waqf, Prospects, Challenges, Social Finance*

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### Introduction

Throughout Islamic history, there is evidence that *waqf* played a crucial role. It is a well-established concept practiced since the era of the Prophet Muhammad (PBUH). The tradition has persisted over time, and *waqf* has made a tremendous contribution to the development of Islamic society. Apart from religious aims such as the building of mosques, graves, and Islamic schools, *waqf* has evolved into a mechanism accepted by Muslims for providing critical needs in different sectors such as education, health care, agriculture, and infrastructure. Without a doubt, *waqf* is still relevant today, and it has the potential to contribute significantly to the development of a more dynamic, progressive, and inclusive economy while also achieving its socioeconomic objectives. In Malaysia, *waqf* is well recognised as an important means to making positive impact on the society through promotion of socioeconomic well-being and economic growth. In addition to the conventional *waqf*, cash *waqf* also played a significant role during the times of the Prophet Muhammad saw, his companions and during the Ottoman Empire (1299-1922).

Cash *waqf* is an innovative instrument for Islamic Social Finance (ISF). It possesses the potential to address societal concerns by supporting and increasing the Muslim communities' economic, educational, health, religious, agriculture and social growth. Cash *waqf*, as a contemporary indicator, is a *waqf* of a liquid asset that generates returns that can be utilised to accomplish the *waqf* charter's stated purposes (Bank Negara Malaysia, 2018). Nowadays, due to its flexibility and efficiency, the practice of cash *waqf* has evolved and improved in many Muslim countries.

### **The Definition of Cash Waqf**

Cash *waqf* is different from the ordinary real estate *waqf*. First, the capital of cash *waqf* is altogether or partially cash (Cizacka, 2000). Second, cash *waqf* does not relate to immovable assets like lands and buildings. According to Khaf (1998), there are *waqf* of transferrable properties such as books, agricultural machineries, cattle, shares, stocks, currencies or cash *waqf*. Mohsin (2009) defines cash *waqf* as a certain amount of cash from a founder (*waqif*) and the dedication of its continuous use for the well-being of a society. Mahamood (2009) explains that cash *waqf* is a mixture of the terms *waqf* and fund, and it refers to a pool of money set aside for a particular or a general purpose, with the benefit in perpetuity to encourage social prosperity. Cash *waqf* can also be invested in mudharabah, and the profit earned is extended to aid charitable activities. Cash *waqf* is a *waqf* other than physical assets (e.g., land and buildings). In cash *waqf*, the cash is invested and the proceeds are used for social benefits.

Mandaville (2013) describes cash *waqf* or *waqf al-nuqud* as a formation of trust with money. Similarly, Chowdhury et al. (2011) stated that cash *waqf* is a trust fund formed with cash to support services to society in the name of Allah S.W.T. According to Lahsasna, (2010), cash *waqf* refers to the use of funds from donors in perpetuity through investment in productive assets that provide either the legal rights to enjoy the benefits or revenues for future consumption by individuals or groups while taking into account the policies and guidelines provided by both donors and recipients. Overall, cash *waqf* is classified as cash donations for *awqaf* purposes, which means the funds are protected or restricted to the benefits of society.

### **Cash Waqf Development in Kelantan**

The *waqf* unit is part of the Baitulmal division of Majlis Agama Islam Kelantan (MAIK). Formed in 2013, the *waqf* unit manages matters pertaining to *waqf* in the state, including the cash *waqf*. The Board of Scholars approved the implementation of cash *waqf* in Kelantan on June 9, 2013, with the following statement:

*“Contributing waqf in cash form is permissible in Islam. In managing this cash waqf, the MAIK management and administration shall ensure that the cash dedicated for waqf is used for the purchase of permanent assets. This is because the cash cannot be physically retained in its original form, but the retention can still be realized by turning it into other property of a permanent nature. Thus, it meets the waqf concept of holding an asset that can be used without its physical depreciation.*

(MAIK Board of Scholars Council)

The cash *waqf* division in Kelantan was successfully inaugurated by the Muslim Religious Council and Malay Custom, Kelantan on 22nd December 2015. Officiated by His Royal Highness (HRH) Sultan Muhammad V at Hotel Perdana Kota Bharu, Kelantan, it involved the launch of a cash *waqf* website, a cash *waqf* scheme, and the Bunut Payong Pondok *waqf* project

The Bunut Payong Pondok project was Kelantan's first cash *waqf* project. The aim was to revitalize Kelantan's largest and oldest pondok education system with the construction of a dormitory for Sullamiah Religious Secondary School students. With area of 0.7624 hectares, the location of the project was at Lot 3388 Mukim Kampung Bunut Payong Gang Kota Bharu. This project included the construction of two four-storey dormitory blocks, able to accommodate 500 male and female students, two units of hostel for wardens and guardians, a multipurpose hall, a hostel office, seven units of musolla, and a badminton court.

Normally, revenues or benefits from *waqf* assets are utilised to maintain *waqf* assets that do not generate money, such as mosques. MAIK are also responsible for paying the quit rent or assessment rate of *waqf* lands. Graveyards located on *waqf* lands must also be maintained. As at February 2022, the current total contributions for cash *waqf* under MAIK's supervision stood at RM 3,350,719.80.

### Prospects

Cash *waqf* has the potential to help Muslim communities in Kelantan achieve a more structured socio-economic development. The prospect of cash *waqf* in the development of socio-economy of Kelantan can be perceived from the viewpoints of economy, religion, education, health, agriculture and social well-being.

Cash *waqf* helps Muslim communities in Kelantan by offering loans for business start-ups of small and medium-sized enterprises (Che Hassan and Rahman, 2018). After a given timeframe, borrowers must pay back their loans with an agreed percentage of profit (Kahf, 1998). Monzer Kahf explored the effectiveness of cash *waqf* and discovered that cash *waqf* is suitable for capital investment, based on the concept of al-mudharabah.

Second, Muslims in Kelantan have offered many properties and lands as *waqf* for religious activities especially mosques, religious schools, tahfiz schools, cemeteries or any other amenities that serve religious purposes. Spiritual activities conducted at mosques bring communities closer to the religion. These properties need maintenance and improvisation throughout the years, which could be supported wholly or partially by the cash *waqf* fund.

Third, the potential of cash *waqf* in improving education can be in various forms, including paying for students' accommodation, scholarships and allowances, or building infrastructures and providing learning materials. The states that are well-known to have Pondok education are Kelantan, Terengganu, and Kedah (Latiff et al., 2006). Normally, students who study in Pondok schools are sponsored by public donations, a form of cash *waqf*. *Waqf* funds have empowered *waqf* education including higher education, through formal organizations (Harun et al., 2016).

Cash *waqf* prospect can also be seen in healthcare, with *waqf* health facilities built in several parts of Kelantan to cater the needy and reduce patient load in local hospital. Having said this, *waqf* health facilities in Kelantan are in need of upgrading and should compliment the local government hospital. The least it should do is being ineffective in reducing the patient load. Statistics have shown that the number of patients getting treatments at government hospitals is overwhelming, especially at the Kota Bharu General Hospital. This hospital has limited spaces in terms of number of beds, number of operating theaters, clinics and parking spaces which contributed to the backlogged in patient's appointments and procedures. Cash *waqf* or *waqf* assets are capable of providing healthcare infrastructures that assist the Kota Bharu General Hospital in terms of day-to-day treatment, such as dialysis centres, wound care centres and the

likes. An effective delegation by the hospital and swift communication between the facilities are needed to overcome the overwhelming patient load at the hospital.

Fifth, the cash *waqf* fund can also be channeled into in the agricultural sector. Cash *waqf* was common in the 16th and 17th centuries in the Ottoman Empire and it was a great contributor to the development of the people's socioeconomy then. In modern times, cash *waqf* funds are loaned to farmers (Mandaville, 1979). Hence, using cash *waqf* to enhance Kelantan's agricultural growth is appropriate since many may earning a living from it. Income or profits gained from these farming activities not only help farmers go about their daily lives but also allow them to grow their farms.

Finally, the relatively low per capita income and high rate of poverty makes cash *waqf* funds an important means to help Kelantanese Muslims in many aspects of life including their well-being. Cash *waqf* fund can also help alleviate the burden of costs for the low-income farmers, by providing them with seeds and fertilizers and subsidizing their equipment. As raw produce is tax free, farmers are spared from the burden of sales tax. However, there is Human Resource Development Fund's levy for employing foreign workers in Malaysia, which might affect small-scale farmers and entrepreneurs. Taxes and levies are important in funding public development projects for the benefits of all, but it can also pose a real burden to the low-income earners, especially the self-employed. Cash *waqf* can be channeled to low-income self-employed by offering tax/levy rebates at a regular basis. For farmers, hiring foreign workers has become a need since the locals are reluctant to become farm hands. In addition, they can also be assisted in fulfilling their basic needs for food, security and comfort through food coupons, food aids or shelters. *Waqf*, be them cash or tangible assets, welcome the Shared Property Vision 2030, launched by the Government of Malaysia, a blueprint released to focus on raising incomes of all ethnics in the lower income group (B40). Together, the onus is upon the federal and the state governments to ensure no citizens are being sidelined while the country makes progress.

### Challenges

Despite great advances in *waqf* administration and development, cash *waqf* implementation continues to face several issues and challenges. Previous studies laid out some issues involving *waqf* asset, management and sole trustees of *waqf* assets (Ali & Markom, 2020; Ismail et.al., 2014). If these concerns are appropriately addressed, cash *waqf's* potential for creating sustainable and perpetual benefits for all can be achieved. In Malaysia, and Kelantan specifically, challenges include lack of comprehensive legislation, transparency and accountable governance and lack of regulatory or framework to ensure effective collection and distribution.

The inadequacy of *waqf* legislation originated from the separate *waqf* laws that govern every state. As matters of religion is controlled by the state government, the thirteen states of Malaysia have their own enactments governing their *waqf* institutions. Comprehensive *waqf* law is critical in addressing the growing needs for effective *waqf* management and resolution of problems pertaining to state's *waqf* management. The distinctive types of *waqf* assets, ranging from immovable to movable property including cash, shares, and bonds, being widely recognised as *waqf*, require strong legislation to award them with recognition and proper management (Manaf et. al., 2019). The laws must be comprehensive, neither ambiguous nor restrictive, and must address all areas of *waqf* governance, from the prerequisites for establishment to the form of dispute settlement.

Second, concerns and challenges to cash *waqf* implementation is the lack of a transparency and accountable regulatory system. Issues such as incompetent *mutawallis* (*waqf* manager) who lack experience must be tackled to avoid inefficient and unsystematic management of *waqf*. In Malaysia, all activities related to *waqf*, including cash *waqf* are looked after by SIRC, who acts as a sole trustee. All *waqf* assets (movable and immovable) are registered under the name of the respective SIRC. Because of this, *waqf* management in Kelantan must be entrusted to professionals with extensive expertise and impeccable character, high calibre, skilled, and morally upright. In terms of reporting, the current practice is of non-disclosure nature, when it comes to cash *waqf* collection and expenditure as well as activity surrounding the *waqf* funds.

Another significant concern is the absence of a legislative framework or mechanism to ensure transparency and integrity of cash *waqf* collection and distribution. Without them, the trustees are not obliged to provide information regarding the cash *waqf* collection, allocation and activities. A regulatory mechanism provides clear guidance on how cash *waqf* or any *waqf* for such matter, should be utilised and reported every year. To remedy the issue, modern technology such as blockchain may be pertinent in restoring trust and transparency that affects the *waqf* system (Gazali & Che Ismail, 2019).

Finally, new innovation such as fintech, digital payment and others need to be regulated and monitored. Several fraud incidents involving conventional cash *waqf* practices have been identified in the country. Trustee has to display accountability, since they are entrusted with a lot of money. With innovations such as fintech and digital payment, the collection and reporting processes may become more efficient and effective. However, no innovation is able to avert fraudulent attempts entirely. Trustees need to be monitored by another committee and the accounts be audited by independent auditor.

## Conclusion

In conclusion, cash *waqf* is proven to be an alternative source that could transform into a powerful economic tool for the development of socioeconomy of Muslims and growth of nations. The prospects and challenges mentioned in this paper may help *mutawallis* and *waqf* institutions explore and develop new strategies to increase collection and distribute allocations wisely. A success story and good governance of other countries should be exemplified and used as a benchmark. Collaboration and cooperation between all relevant stakeholders is critical in maximising the potential of cash *waqf*. It is crucial to be able and willing to change and adopt the best practices and policies to drive the development of the cash *waqf* sector in the right direction.

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