
AN EXPLORATORY STUDY ON INSTRUMENTS OF *WAQF* FINANCING

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ABSTRACT

Muslims all over the world are exposed to the practice of waqf, but their depth of knowledge on waqf is quite difficult to determine. In general, the Muslim society is aware of the requirement of practicing waqf since it is beneficial to the Muslims and at the same time can help those in need such as the poor, orphans and others. In Malaysia, there is an increase amount of waqf land given by the Muslims from time to time. The objective of this study is to review the financial mechanisms for the development of waqf properties. This study is to discover on theories, structure and review concepts and current instruments that are applicable to waqf. These instruments are able to increase the funds in order to give benefits to the Muslim society. The methodology of this article is through qualitative research on document analysis and observation of all instruments existing in waqf financing. The finding shows that the suitable financial methods that have been devised especially for the development of waqf properties include both classical and contemporary modes.

Keywords: Waqf, instrument of waqf, classical mode, contemporary mode

INTRODUCTION

Islam is a comprehensive religion that covers all aspects of human life. This is because not all people who live in this world will enjoy luxury living. *Waqf*, which literally means “religious endowment”, is

recognized by the Islamic law as religious, pious or charitable donation. It has been a source of development such as the building of mosques, *madrassah*, educational institutions, libraries, travelers' lodges, and inns. Its benefits are not restricted to the Muslim community alone and goes beyond religious, cultural, racial and sectarian boundaries (Monzer Kahf, 1998). *Waqf* is one of the underlying instruments in Islam with a purpose *inter-alia* to eradicate poverty and to improve the socio-economy of the Muslim *ummah*. On that purpose, the institution of *waqf* has played a significant role throughout Islamic history, from the time of the Prophet (PBUH) to the beginning of the 19th century.

According to Muhammad Ridhwan Ab. Aziz *et al.* (2013), poverty is a universal problem, so much so that a great majority of the world population suffers from poverty. Besides income variables, it involves factors like education, health, shelter and also access to resource and physical facilities. There are many ways to address the issues of poverty including the issue of public accessibility to education in many parts of the world. A potential way to solve these problems is through charity, which can be made an effective means to overcome the problem. Charity can be in many forms, but a long lasting form of charity is *waqf*, which has the characteristic of perpetuity.

Meanwhile, the famous *waqf* in the holy city of Mecca and Cairo's *waqf* have contributed significantly to the Muslims society. *Waqf* in the holy city of Mecca may be categorized into the religious, charitable and family *waqf*. Some of the *waqf* properties are endowed for al-Masjid al Haram and other mosques in Mecca, while others are for charitable purposes like religious education, assistance of the poor and destitute, lodging and facilitation of *Hajj* and *Umrah* (Abrar Ahmad Shareef, 2007). The beauty of this institution is that, it is a non-profit and a redistribution institution, its primary objective being not for the sake of profit but to support the private interest or public concern for the welfare of society (Hasan & Abdullah, 2008).

There is no direct command on *waqf* in the Quran. Nevertheless, there is a hadith reported by Ibn Umar that Umar received a piece of land in Khaibar. He said, "O Prophet. I got a piece of land in Khaibar when I have never had a more valuable than that. What should I do?" Prophet SAW said, "If you want, you can donate it to retain the property

so that it cannot be sold, purchased or changed ownership.” Then Umar distributed the land for the sake of Allah. As a result, the land and all proceeds thereof continuously used by the poor, kin, the slave, the travelers, the poor, and *ibn sabeel*”. Therefore, this hadith encourages a Muslim to donate any property for the benefits of Muslim *ummah* that is recognized as being pious or charitable deeds.

Most of *waqf* properties are remain undeveloped and the trustees are still struggling to find a suitable financial mechanism for its development. Hence, a comprehensive analysis of the concept of *waqf* along with the available financial instruments are an ideal way to find solution in order to solve these problems. For this purpose, the main features, and other existing *waqf* concepts are the key to introduction of an appropriate method of financing and plays an important role in the development a new model for financing the development of *waqf* properties. This is because *waqf* requires liquid funds on the one hand and the flexibility to use the matter as guarantee for loans, on the other (Magda Ismail A. Mohsin, 2011) and (Mohamad Tahir Sabit *et al.*, 2005).

An Overview of Waqf

The wording of *waqf* comes from the Arabic verb “*waqafa*”, which mean to hold, keep or detain. Meaning that, *waqf* is a form of continuous charity (*sadaqah jariah*). The rewards for this type of charity continue even after the donor’s death for as long as people continue to benefit from the *waqf*. For evidence, the hadith narrated by Abu Hurairah: “*The Prophet Muhammad (peace be upon him) said: “When a human being dies, his work for God comes to an end except for three: a lasting charity, knowledge that benefits others, and a good child who call on God for His favour”* [Hadith narrated by Muslim, Abu Daud, Tirmidzi, al-Nasaa’i and al-Bukhari].

Waqf also refers to gift some of money, property or other items of charity which have been held and preserved for the confined benefit of certain humanity. The *waqf* property is forbidden from being used or disposed of outside the specific purpose. This type of properties includes real estate, stocks, cash money, books, chattel and etc. According to Majid Khademolhoseini and Sayed Mohammad Mahdi Mousavi (2010), *waqf* means appropriation of the *Mauquf* (property)

to charitable purpose with separation from private ownership and dedication of its usufruct.

In another view, Abul Hasan and Mohammad Abdus Shahid (2010) mention that the endowment assets are considered as the trust asset, where the trustee role is to protect the assets for the benefit of the beneficiaries. It means that all fixed assets of endowment have the potential to generate benefits for the public and contribute towards prosperity.

According to Mohammad Tahir Sabit Haji Mohammad *et al.* (2005), the classical definition of *waqf* in Islamic law is given by Imam Abu Hanifah, “the appropriation of any particular thing in such a way that the founder’s right in it shall continue and the advantage of it go to some charitable object”. This definition however is not favored by his followers, Abu Yusuf and Muhammad, as well as jurists in Shafi’i, Hanbali and Imami schools.

Component of Waqf

According to *fiqh*, *waqf* have five pillars, it is *waqif* (founder) as a person who endows his property or cash to charitable purpose. Second is *waqf* contract (*waqfiah*), which way in *waqif* states his/her asset or fund as *waqf*. Third is *mawquf ‘alaih* (beneficiaries) as people or areas that are charitable purposes. In other word, those other people or areas enabled to advantage from return of *waqf*. Fourth, is *mawquf* (property) that is asset or fund which is endowed as *waqf* charitable purpose and others. The last component is *mutawalli* as a person or institution who is assigned as legal custodianship over *mawquf* which is not belonging to him in order to follow endowment same as *waqf* contract (Dian Masyiat & Erie Febrian, 2004).

Characteristic of Waqf

As reference of Magda Ismail (2011) three characteristics that Muslim jurists agree, namely; irrevocability, perpetually and inalienability. For in irrevocability, this means that once the founder created the cash *waqf*, he/she cannot revoke it back, intended to take effect immediately and the donor has no power to revoke it thereafter. Second, *waqf* must perpetually. This will ensure controller and continual support from the *waqf* property towards financing charitable areas especially that needed

by Muslim society. The last one is inalienability, means that once cash is created as *waqf* no one can ever become the owner to alienate it and as it becomes a 'frozen asset'. It cannot be a gift, inheritance, or any division whatsoever.

LITERATURE REVIEW

Innovation in several modes of financing is a necessary in the current situation. It does not mean, the authors completely eliminate the traditional method in endowment but we need some more effectiveness and the appropriate instruments in contemporary Islamic societies. Abdullah Jalil and Asharaf Mohd Ramli (2008) describe three instruments for fund accumulation of the *waqf*, which is; cash and *e-waqf* fund; per-square feet value certificate and the issuance of *sukuk*. Cash and *e-waqf* fund are considered for small scale projects, per-square feet certificate value and *sukuk* will be focused for the structure of medium and large scale projects. *Mutawalli* (cash *waqf* fund manager) collects the fund from *waqif* and invests the money in the real sector and in *shariah* based investment opportunities. Nevertheless, Magda Ismail and Ahcene (2008) add, for investing in cash *waqf*, the contract of *mudharabah* (partnership) is allowed in order to generate the funding.

There is a source of social fund that is economically and politically free of charge, which is cash *waqf* under the Islamic socio-economic concept. Cash *waqf* is a special charitable endowment fund, is expected to become one of the instruments for the property improvement programs worldwide mostly in Islamic countries. (Monzer Kafh, 1998) is stated one of the contemporary jurists who see the financing for the development of *awqaf* assets is necessity to all Muslims society (Muhammad Ridhwan Ab. Aziz *et.al*, 2013).

Another instrument that can be used in getting fund is *waqf* share which is under cash *waqf*. Magda Ismail A. Mohsin (2011) found that, *waqf* share begin when the founder purchases the *waqf* share which has been issued by the trustee of the *waqf* in order to generate income in perpetuity. Some states have practiced this *waqf* share. Parallel with the result from *Majma' Fiqh Islami* on 24 November 2005 that approved this instrument to be used in the market, this scheme can be proven by referring to Johor *Waqf* Shares Scheme which has been launched in 2005 (Hasan & Abdullah, 2008).

From the observation on previous studies, *waqf* properties can be developed through several ways. Instead of *waqf* land, the other prominent and potential *waqf* is a cash *waqf*, which has developed considerably since the time of Prophet Muhammad (PBUH). It has many changes from classical modes like *waqf* land to the contemporary modes. Contemporary *waqf* development on current situation deemed more relevant to be applied in recent year. Many scholars accepted and come up with the new *fatwa* are deemed necessary in addition to classical *waqf*. From that beginning, emerge several types of instrument in *waqf* like cash *waqf* is more popular than another current instrument like *musharakah sukuk* which is not widely discussed. Additionally, Kahf (www.kafh.net) on November 2011 has categorized under three modes of financing that can be applied in developing *waqf* assets, which is; classical modes, modern schemes, and self-finance modes. Nowadays, traditional modes of *hukr*, *istibdal* and *ijaratain* have been widely used in Islamic financing. Under cash *waqf*, many current applications like *waqf* shares, corporate cash *waqf*, and deposit product can be introduced (Majid Khademolhoseini *et al.*, 2010).

METHODOLOGY

The methodology of this article is through qualitative research on document analysis and observation of all instruments existing in *waqf* financing. To achieve the aim and objectives, the study therefore includes a comprehensive literature reviews and findings. Literature review involves collecting information relevant to the study from previous publications, research papers, website of various institutions and all other secondary data that are useful for this study. Basically, the literature review is in form of three-way relationship which involves the convergence of data from multiple sources and works of multiple writers and investigators. The aim of this approach is to search the conceptual instrument of *waqf* and their recurrence and practice to collect data among some of researcher's opinions.

FINDINGS

This study has explored and elaborated the concept of *waqf*, its characteristics, and the benefits of these characteristics on the financial instrument in the development of *waqf* properties. The suitable financial methods that have been discussed especially for the development of *waqf* properties are inclusive both classical and contemporary modes.

The classical modes are *hikr*, *ijaratayn*, *murabahah*, *bai-bithaman ajil*, *istisna'*, *ijarah*, *musharakah*, and *mudharabah* are tailored towards the nature of *waqf* properties (Magda Ismail and Ahcene, 2008) and (Mohzer Kahf, 1998). The contemporary methods are the extension of the old to new situations. For instance, many jurists permitted cash *waqf* in the olden day, but touse it as an instrument of development will be justified if the old theory of adding new *waqf* or the conceptions of *ibdal* and *istibdal* are applied (Anas Zarqa, 1994).

CLASSICAL MODES OF FINANCING

In general, this mode can be for both low-risk investments and high risk investments as highlighted below:

Low Risk Investment

Mode of Hikr

Hukr modes created by jurists to go around with the prohibition of sale of *waqf*. The term of *hukr* means “monopoly” or “exclusive.” This exclusive right may for a long time beyond the normal life span of human nature or it may be permanent. According to MonzerKahf (1998), the mode of financing *hukr* may be abused if the prices used exclusively for operating expenses resulted beneficiary, as *hukr* significantly reduce future income of *waqf*. However, if the price is exclusive, thus it can be used to buy new productive assets as a *waqf*, the flow of revenues remains as it used to be or it can also be improved. In other words, the mode itself is neutral while the application can sometimes have a negative impact from the point of view of the beneficiary or objectives. This mode is known in certain countries under the form of “lease” in which the property is 99 years or more to the payment of a lump sum price, and the subsequent sale of the property will be affected for the remainder of the term. This compares with the “freehold” where no time limit on ownership of the property, and it is sold without any limits.

Ijaratayn

Ijaratayn implemented by creating term lease in which the rent consists of two parts: the first part is a big lump developed for the reconstruction of the *waqf* property, and the second part is a small periodic payment paid, say, every year for the term of the lease. This mode is very similar

to *hukr* except *inijaratayn*, the advanced price must be used for the reconstruction of the leased property itself. Distinctly, in this contract both parties observed that *waqf* property rented after the reconstruction in accordance with the specifications in the contract (Monzer Kahf, 1998).

Murabahah Mode

Mode of financing in *Murabahah* is popular in the market; it is widely used by Islamic banks. The *murabahah* generally defined as: sale of a commodity at a price the seller has purchased, with additional gains realized known by both sellers and buyers. It is a cost plus profit sale where the seller expressly discloses profits (Muhammad Ridhwan Ab. Aziz, 2013). Part of the fund can be a channel for this type of business. Function and mechanism is similar to the practice of *Murabahah* in Islamic banks. Therefore, the trustee or Cash *Waqf* Financing Institution (CWFI) can adopt this type of financing (Magda Ismail & Ahcene, 2008).

Bai-bithaman ajil (BBA)

A markup sale capable of being on installment is *Murabahah*. Nowadays, it is connected with a credit sale settled on installments, called BBA (Mohammad Tahir Sabit, 2006). The BBA is a sale contract in which payment is deferred and pays the price at some point in the future; it may be involved in any sales contract including *musawamah*, and *murabahah*. The BBA refers to a method of payment through a deferred payment basis, lump sum or installments (Muhammad Ridhwan Ab. Aziz, 2013). The trustee may invest in BBA as one of financial security products that can generate huge profits and revenue (Magda Ismail & Ahcene, 2008).

Istisna'

According to the OIC Islamic Fiqh Academy Resolution, *istisna'* payment with deferred by mutual agreement is *Shariah* compatible contract (Monzer Kahf, 1998). *Istisna'* is a model that has a very wide scope in the industry, and CWFI can benefit from the implementation of this model and generate appropriate profits and income. *Istisna'* is a contract to buy a definite price that can be manufactured later on according to agreed sizes between the parties, it is a contract of sale of certain goods to be manufactured or constructed with the obligation

on the part of the manufacturer or contractor to deliver them to the customer at completion (Muhammad Ridhwan Ab. Aziz, 2013).

This model can be in the home business oriented, it means charitable institutions may form a contract with a trustee who manages funds for industrial projects or social development, or infrastructure construction. This model will ensure the safety of funds, and increase investment responsibility to a very high percentage. However, *istisna* ' model can be a channel for some other business activities of the institution building such as endowment schools, hospitals, universities, colleges, apartments to rent or sell. In the meantime, *istisna* ' can become a channel for the industry in the open market in accordance with the requirements and needs of the industry. The model can be under normal *istisna* ' or parallel *istisna* ', and both are profitable contracts (Magda Ismail & Ahcene, 2008).

Ijarah

Ijarah or lease is a form of contract to facilitate the needs of the public and to provide convenience in life. Islamic law allows leases certain assets that benefit to be derived by the lessee for rental payments. Technically, *Ijarah* term used in two different connotations (Magda Ismail & Ahcene, 2008). It means 'to employ the services of a person on wages given to him as a consideration for his hired services'. This type of *Ijarah* including every transaction in which the person hired by someone else like doctor, lawyer, teacher or any person that may cause some valuable services. The cash *waqf* through the trustee can hire a professional from the industry for different purposes for the benefit of operating cash endowment. Then, for the second type is related to the usufruct of *Ijarah* assets and property and not to the service of mankind. *Ijarah* in this context means to transfer the usufruct of a particular property to another person in exchange for a rent claimed from him (Muhammad Ridhwan Ab. Aziz, 2013). Funds can be invested into *Ijarah* as a business model that is very safe. Institutional endowment trustees may contract to finance projects under *Ijarah* model. In addition to this cash *waqf* can involve all of the concepts and a variety of mechanisms including *Ijarah muntahiya bil tamlik*, or an operating lease/*ijarah* (Muhamad Ayub, 2008).

HIGH RISK INVESTMENT*Mudarabah*

Mudarabah is the action where one party giving away his property as capital to a person for him to work with that capital. They will share the profit according to a certain ratio that they have agreed upfront if the venture makes a profit but, in case of losses, it will be entirely endured by the *rabal-mal* and the worker receives nothing for his efforts. In another word, *mudarabah* is a partnership for participation in profit in which capital is provided from one side, whereas the labour or skill (*'amal*) is from the other side (Muhammad Ridhwan Ab. Aziz, 2013). The nature of cash *waqf* can accommodate the type of equity financing of *mudarabah* even it is associated with high risk investment (Magda Ismail & Ahcene, 2008). The *mudarabah* only allow in trading provided that the investor does not interfere in the management of the project as stated by Imam Shafi'i and Maliki jurist. However, Imam *Ibn Hanbal* allowed *mudarabah* between the owner of fishing net and a fisherman where the catch would be shared between them (Mohammad Tahir Sabit, 2006).

Musharakah

Musharakah or *Al-Shirkah* covers both *shirkah al-mulka* a joint ownership of a common property as well as *shirkah al-aqad* or a partnership in a business as a consequence of a mutual contract. The term *musharakah*, as it is used in modern financing, is confined to the second type of *al-shirkah* only, that is, contractual partnership. Scholars define *musharakah* as a contract between partners on both capital and profit (Muhammad Ridhwan Ab. Aziz, 2013). The *musharakah* financing can be supported and enhanced by the cash *waqf* model, furthermore the cash *waqf* can accommodate the risk associate with the *musharakah* financing as well (Magda Ismail & Ahcene, 2008).

CONTEMPORARY MODES OF FINANCING

Cash *waqf* instrument has been adjusted with various changes. Several instruments will be presented which has been practiced in Muslim countries. According Magda Ismail and Ahcene, (2008), there are nine contemporary modes known as *waqf* shares model, *waqftakaful* model, direct model, mobile model, semi-compulsory, corporate cash *waqf*

model, deposit product model, co-operative model and *waqf* mutual fund model.

Waqf Shares Model

Waqf shares model is a public *waqf* that has been practiced in Malaysia, Indonesia, Sudan, Kuwait and United Kingdom. Modus operandi of this model are, firstly, the founder will buy *waqf* shares ranging from \$1 to \$10 according to each country. Then, the founder will receive cash *waqf* certificate as the evidence of the purchase of *waqf* shares. These *waqf* shares will then be endowed to the issuer's institution who will act as a *mutawalli* to manage the collected fund. Finally, the fund that has been collected will then be distributed for the charitable purposes as specified by the institution itself, for example build the mosque, schools, training center and others. This process eventually tie *waqf* donation to fixed asset and henceforth is not liquid. In another words, its effectiveness is limited to development or purchase of a new property alone (Mohamad Tahir Sabit, 2006), (Magda Ismail, 2007) and (Magda Ismail and Ahcene, 2008).

Waqf Takaful Model

Waqf takaful model is also a public *waqf* which had been practiced in Malaysia. The modus operandi of this plan is similar to *waqf* share whereby, the *waqif* pays a minimum contribution of RM10/USD3 per month under this plan, then, the contribution will be divided into two accounts which are Participants Account (PA); and Participants Special Account (PSA). The allocation between PA and PSA is based on a pre-agreed ratio, as specified in the *takaful* contract. Profit from investments (if any), will be distributed between *takaful* operator and the PA and PSA in the form of a profit-sharing arrangement (*mudharabah*, i.e. the participants as the *rab al-mal* and *takaful* operator as the *mudharib*), based on a pre-agreed ratio, as specified in the *takaful* contract; and upon death of the *waqif* or maturity of the plan, the amount accumulated in the PA will be paid to the beneficiaries specified by the *waqif* in the *Waqf* Declaration Form (Magda Ismail and Ahcene, 2008).

Direct Model

Direct Model is a public *waqf* which has been practiced in Malaysia, Singapore, Bahrain, UAE, Pakistan, India, US and South Africa. The modus operandi of this model is begin with the founder will contribute

directly to a specified religious authority or a specified institution by depositing money as cash *waqf* to a specific bank account. Then, the bank will invest the money according to the agreement with the religious authority or the specified institution. The religious authority in this case will act as the *mutawalli* and the revenue generated after the investment will then be distributed to the charitable areas (Magda Ismail and Ahcene, 2008).

Mobile Model

This model is a public *waqf* which had been practiced in Malaysia and Kuwait. The modus operandi of this model is starting from founders create cash *waqf* by sending a coded SMS to a designated server number ordering for deduction of a certain amount from his airtime to a certain religious authority. Then, the amount collected will be invested through *musharakah* investment. After the investment, revenue generated will then be distributed on the basis of a pre-agreed ratio between the telecommunication company to cover operating costs, the religious authority and to the charitable areas (Magda Ismail and Ahcene, 2008).

Semi-compulsory Model

This model is a public *waqf* which had been practiced in Singapore. The modus operandi of this model is when the semi-compulsory monthly contributions are made by Muslim employees in Singapore depending on their monthly gross income through an automatic check-off system, the amount deducted from their salaries will be channeled through the CPF, to Singapore Islamic Council (MUIS) who will act as a *Mutawalli*; and the collected amount will then finance charitable purposes such as to build the Mosques, educational programs and others. Although this is a successful model in Singapore but it has been realized that the founder has no right to choose his/her own beneficiaries (Magda Ismail and Ahcene, 2008).

Corporate Cash Waqf Model

This model is also as public *waqf* which had been practiced in Malaysia specifically in Johor under Kumpulan *Waqf an-Nur* 1998, Turkey in Sabanci Foundation-1974, Pakistan in Hamdard Foundation-1953 and South Africa in the National Awqaf Foundation-2000. The founder in this model is not only individual but corporations and organizations. The modus operandi in this model is started when dividends earned

for example by individuals, state *baitulmal*, corporations are channeled to an Associated *Waqf* Institution as cash *waqf*. Then, the associated *waqf* institution will act as a *mutawalli* where it manages and invests the accumulated cash *waqf*. Finally, the revenue generated will then be directed to charitable projects after operational expenses have been deducted (Magda Ismail and Ahcene, 2008) and (Majid Khademolhoseini *et al.*, 2010).

Deposit Product Model

This model is a public *waqf* which had been practiced in Bangladesh in two banks, the Social Investment Bank Limited (SIBL) and the Islamic Bank Bangladesh Limited (IBBL). The modus operandi of this model is when the founder deposits money into cash *waqf*-based account in the bank; while depositing the money the founder will be given a list of the beneficiaries whereby the founder can choose. The founder also can specify his/her beneficiaries; the bank will act as a *mutawalli* and will invest the capital through *mudharabah* contract; and the revenue generated will be channeled to charitable purposes or purposes specified by the founder (Magda Ismail and Ahcene, 2008) and (Majid Khademolhoseini *et al.*, 2010).

Co-operative Model

This model is a public *waqf* which had been practiced in Uzbekistan. This is a decentralized *waqf* system which had been established in 1992 in providing the basic needs for each district. Each district manages its own cash *waqf* funds. In 2002, the number of district cash *waqf* funds becomes 9,941, for religious educational, healthcare and for economic development projects. The modus operandi of this model starts when the citizen will become the founder of the cash *waqf*, whereby they will endow the cash to a specific cash *waqf* fund for their districts; the specified district/*mahallah* will be the *mutawalli* to manage and invest the capital; and the investment earnings will then be distributed for development project in their districts (Magda Ismail and Ahcene, 2008).

Waqf Mutual Fund Model

This model is a combined *waqf* which had been practiced in Indonesia in the Dompét Dhuafa Batasa. The Dompét Dhuafa-Batasa Syariah Mutual Fund was established in July 2004 as a *Shariah*-compliant

mutual fund, which invests heavily in fixed-income returns financial instruments. This mutual fund is managed by the Batasa Capital Asset Management. The modus operandi starts when the founder will contribute to the mutual fund and at the same time he/she can contribute to the *waqf* fund. In this case the founder will specify for example 70% of his investment earnings return will be allocated to the mutual fund, or in the other words, his personal account and the remaining 30% is appropriated to the *waqf* fund; the Batasa Capital Asset Management will act as the *mutawalli* to manage and invest the capital; and the investment earnings will then be distributed according to the founder condition where 70% will go for his mutual fund and 30% will go to *waqf* fund and distributed to charity projects (Magda Ismail and Ahcene, 2008) and (Majid Khademolhoseini *et al.*, 2010).

CONCLUSION

Generally, institution of *waqf* can provide for fund raising. The most important outcome is to improve the socio economic welfare of a society. Most of the Muslim countries have failed to fill the gap that mostly existed in *waqf* institution, namely; legislative system, administrative lapses, lack of political will, indifferent of the management committee of the *awqaf*, and lack of honesty and integrity. The current practices of the modes among Muslim countries are good evidences for the continuation of the remarkable role of the institution of *waqf* from time of the Prophet (PBUH) until today. Hopefully, by adapting the innovative ways of financing modes they will be able to benefit the Muslim societies at large.

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