



The Application of Value-Based Intermediation Through *Waqf* in Islamic Banking: A Case Study of Bank Muamalat Malaysia Berhad

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ABSTRACT - The Islamic financial industry has experienced an exponential transformation that has contributed greatly to the national economic growth. Malaysian Islamic finance is considered one of the most comprehensive Islamic financial systems in the world. Bank Negara Malaysia (BNM) has introduced a new concept of Value-Based Intermediation (VBI). This banking practice focuses on profit and supports social values for a sustainable economy, community, and environment. This study discusses the involvement of Bank Muamalat Malaysia Berhad in *waqf* development, focusing on business activities in line with VBI. This qualitative study applied document analysis and semi-structured interviews and found that Bank Muamalat Malaysia Berhad is an Islamic banking institution that bases its existence on commercial profits and is able to implement activities related to *waqf* development, such as cash *waqf* collection and *waqf* project financing consistent with VBI.

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INTRODUCTION

Bank Negara Malaysia (BNM), in collaboration with the Islamic financial industry, has issued a strategy paper related to Value-Based Intermediation (VBI) to detail the strategy adopted to strengthen the role and impact of Islamic banking towards a robust financial ecosystem. The anticipated outcome serves the objective determined by the framework encompassing the environment, social and corporate governance, a robust and responsible investment, and ethical finance (BH Online, 2017a).

Based on BNM's strategy paper, VBI is defined as the intermediation function played by the financial sector aiming to produce financial goals outlined by the Shariah. These goals can be materialized through various financial approaches that create a positive and sustainable impact and are consistent with good returns and long-term advantages for the shareholders (BNM, 2018a). VBI is a method of applying Shariah more holistically. Rather than merely ensuring Shariah compliance in every business activity done in the Islamic banking institution, it also achieves the Shariah objectives of supporting social development (Hassan & Mohamad Nor, 2019).

VBI has some similarities with the framework of the Environment, Social and Corporate Governance (ESG), Sustainable and Responsible Investment (SRI) and Ethical Finance. However, there are some distinctive characteristics in the VBI framework that distinguish it from other frameworks. The difference refers to the positioning of the Shariah objectives (*maqasid al-shariah*)

as the foreground in determining the value of the policy, moral compass, and priorities in implementing Islamic banking. VBI is inextricably linked with the Shariah objectives that underly all of its Islamic banking activities. This calls for a transformation of the Islamic bank from a profit-oriented entity to a value-oriented entity (Mahyudin & Rosman, 2020).

In November 2019, BNM issued a VBI evaluation framework that outlines the relevant factors that need to be considered by Islamic banking institutions when providing funding and making investments. These factors include environmental, social and governance factors or ESG. Through this framework, Islamic financial institutions are encouraged to guide their customers, investors, and stakeholders in an effort to inculcate more sustainable practices (BNM, 2019a).

Waqf can be considered as one of the VBI initiatives taken up by Islamic banking institutions. Currently, *waqf* remains marginalized in the Malaysian Islamic financial system despite the country being a market leader. Although Malaysian Islamic banks offer a wide array of financial products, from basic saving schemes to *sukuk* and other more sophisticated products, *waqf* has yet to be included (Sinar Harian, 2016). At present, the problem of funding shortages is one of the factors currently hindering the *waqf* asset development agenda in the country. Most *waqf* administrators do not have sufficient funding sources to finance development activities, resulting in *waqf* not being fully used to achieve the objective of safeguarding the Ummah's welfare (Mohd Saadan & Abd Halim, 2014). Therefore, the involvement of the corporate sector, especially Islamic banking institutions, is needed for *waqf* development.

Considering the significance of *waqf* in the economic development of the Ummah, this study examined the role of Islamic banking institutions in *waqf* development in Malaysia. Therefore, the author will conduct a specific study on the initiatives undertaken by Bank Muamalat Malaysia Berhad (BMMB) in *waqf* development based on VBI.

LITERATURE REVIEW

Role of *Waqf* in Developing the Ummah

Considering the role of *waqf* in the development of the Ummah, the essence of *waqf* goes beyond the concept of devotion to Allah SWT, as *waqf* also plays a significant role in human interaction based on the principles of love (*mahabbah*), cooperation, and mutual assistance (*ta'awun*) (Sulaiman, 2008). Because of its significant role, *waqf* has become a fundamental component underlying the social sector in the theory of the Islamic economic system (Kastin & Ahmad, 2010). *Waqf* has always been perceived as a tool for socio-economic development and plays an important role in improving the welfare of the Ummah (Hasan et al., 2019).

History has proven that *waqf* development has had significant implications for the socio-economic development of the Muslim community. Most aspects of worship, education, healthcare, and the provision of basic infrastructure such as roads, canals, bridges, orphanages, shelters, and assistance to the poor have been financed through the efficient utilization of *waqf* assets without any cost from the government. *Waqf* has also served as a tool for redistributing wealth to achieve economic development in a comprehensive context (Sadeq, 2002).

Economic development through *waqf* enables the community's economic activities to be driven through the provision of business centers and premises. The existence of business centers and premises developed from *waqf* funds provide opportunities for the community to engage in economic activities. Furthermore, *waqf* also plays a role in alleviating poverty. This can be achieved by constructing hospitals for the poor, schools, universities, training and skills centers, and housing (Ab Rahman, 2009).

Funding for *waqf* development

The issue of obtaining legitimate funds is at the top of the agenda in *waqf* development in Malaysia and elsewhere in the Muslim world. However, most administrators of *waqf* assets do not have sufficient sources of funding to fund development activities, thus resulting in the inability of the

endowment entity to realize its charitable objective (Zarqa, 1994). All too often it is the case that potential *waqf* assets are not properly preserved and efficiently managed, one of the root causes being the lack of resources to develop and expand these assets (Hassan & Shahid, 2010). The issue of insufficient funds is a major issue faced by *waqf* institutions in the effort to develop their assets in Malaysia (Sulaiman, 2008). In general, the *waqf* assets are readily available. However, they need to be expanded or require additional funds for their restoration and proper maintenance. To date, there has yet to be consistent funding for the development and maintenance of the existing *waqf* assets. In general, the financial needs with regard to *waqf* management in receiving contributions from the public and the government are very limited (Ngadimon, 2015). Saadan and Abd Halim (2014) explained that the lack of capital faced in managing and developing *waqf* is a major obstacle. Most of the income obtained from the *waqf* assets is used to manage the entity, including maintenance, repair, and administration costs. The effort to generate the *waqf* fund can support the efforts of the State Islamic Council or Majlis Agama Islam Negeri (MAIN). Mahmood (2007) elaborates that the creation of *waqf* funds is consistent with the country's socio-economic needs, where it is anticipated that it can yield high profits while easing the financial burden of MAIN in funding the development of *waqf* assets. Thus, the involvement of the corporate sector is needed for *waqf* development at present, including the development of *waqf* in the public health sector (Mahmood, 2007).

VBI in Islamic Finance

The Islamic banking system in Malaysia has experienced several changes and improvements. Recently, Islamic banking institutions have entered a new phase in their banking operations, where banking activities are not only focused on Shariah compliance but also on achieving Shariah objectives through VBI. Hassan and Mohamad Nor (2019) stated that VBI is a way in which the Shariah application can be introduced in a more holistic manner that goes beyond mere Shariah compliance. VBI seeks to ensure that the preservation of assets through wealth distribution and ownership protection can be done fairly and equitably. Hence, VBI encourages Islamic banking institutions to contribute to social development and cater to social needs. This practice is harmonious with the framework of the Objectives of the Shariah (*maqasid al-shariah*).

According to the VBI implementation guideline issued by BNM, several issues and challenges have emerged, such as the capability for risk management, maintaining competitive marketability, and changes in customers' and investors' thinking. Behind these multiple challenges, Mahadi et al. (2019) explained that the local Islamic banking institutions have responded positively and have started to apply VBI in their products and services, particularly through social financial instruments. Nine Islamic banking institutions have confirmed their commitment to the VBI initiative, aiming to strengthen the role and impact of Islamic banking institutions towards a robust financial ecosystem. The banking institutions involved are Bank Islam, Bank Muamalat, CIMB Islamic, Agrobank, HSBC Amanah, Maybank Islamic, AmBank Islamic, Alliance Islamic, and Standard Chartered Saadiq (BH Online, 2017b).

Therefore, the Islamic banking institutions are expected to play their part in steering value-based banking and administration and ensure that there is a fair practice in banking that is ethical and that there is a sense of responsibility towards the customers and the community consistent with the Shariah objectives (Abu Bakar et al., 2017).

Ramli & Muhamed (2018) and Hamad et al. (2020) highlighted the need to review the reported activities of Islamic banking institutions related to VBI and VBI strategies. This integrated report has been stated clearly in the VBI strategy paper released by BNM.

METHODOLOGY

This qualitative study examined the involvement of BMMB in *waqf* development from the perspective of VBI, referring to the initiatives that have been carried out.

The study approaches were field study and document analysis. For the field study, information was gathered through interviews with the selected respondents, and the semi-structured interview was conducted face-to-face. Meanwhile, the document analysis was carried out to obtain information related to BMMB banking activities involving VBI and *waqf*.

RESULT

This study discovered that BMMB plays a significant role in *waqf* development in Malaysia and has implemented several initiatives in line with VBI indicators, such as cash *waqf* collection, offering end financing, and *waqf* project financing.

VBI initiatives in Islamic banking

Based on the definition given above, the aim of VBI, as established by BNM, is for the local Islamic banking institutions to act as mediators in delivering sustainable Shariah goals and objectives in all matters pertinent to national finance, the economy, the community, and the environment while achieving sustainable returns and securing the long-term interests of the shareholders.

VBI is not a revolutionary concept that in any way alters the functions of the current banking practices. When adopting VBI, the Islamic banking institutions retain their original aims; however, they commit to observing the full scope of the Shariah, including its aims and objectives, rather than merely fulfilling the technical criteria of official Shariah compliance. In other words, the banks pledge themselves to support social development.

VBI focuses on the mediator role of Islamic banks, which requires them to have a clear focus on generating a positive, sustainable impact on the national economy, the community, and the environment. VBI gives an equal emphasis on upholding positive economic values and supporting ethical practice. Therefore, their business strategy and performance are measured in a wider scope, which goes beyond commercial gain and profit margins. The risk assessment approach also needs to account for a strong business practice when looking at the aspects of providing funding and investment. For instance, a VBI-oriented bank can also offer consultation services in addition to providing funding to its corporate customers in the agriculture sector. The consultation post-funding encompasses ongoing business operations such as reasonable resource management for the purpose of irrigation and environmental recovery (BNM, 2019b).

In the current context of Islamic finance, the study focuses on the banking practices relevant to VBI. For example as outlined in Table 1, Agrobank has collaborated with Padiberas Nasional Berhad (BERNAS) to launch an initiative to increase the production of paddy and the living standards of the local farmers. Agrobank has allocated a working capital worth MYR50 million, while BERNAS has offered free technical consultation services to the farmers. Agrobank's working capital also provides for disabled individuals as an incentive for them to start their own agricultural businesses. Bank Islam Malaysia Berhad (BIMB) has introduced the Al-Waqf Housing Fund to build 76 homes and nine commercial lots. This project is a cooperation between the Penang Islamic Department and a local property development company. BIMB has also formed a strategic alliance with Tenaga Nasional Bhd to prepare the funding to install photovoltaic solar systems. The collaboration is part of the initiative of the Islamic Bank green funding to support sustainable business practices and lifestyles. On the other hand, Maybank Islamic has introduced the Rent-to-Own (Sewa Milik Selangorku) scheme to the low-income groups in Selangor, providing affordable housing. This scheme is part of the bank's VBI initiative to provide a competitive and sustainable solution in home ownership, which is in line with the national agenda in property ownership. Consequently, Bank Muamalat has introduced an entrepreneurial social finance program for the *asnaf* and B40 recipients. This program is known as iTEKAD Mawaddah

and involves MYR10,000 as start-up capital and free business training. In addition, CIMB has allocated MYR250 million as part of CIMB GreenBizReady to facilitate Small and Medium-sized Enterprises (SMSE) in Malaysia. This program is designed as a comprehensive solution to help SMSEs inculcate positive elements in their businesses, reduce their carbon footprint, and create a positive impact in the long term that is in line with VBI values.

Table 1: VBI initiatives of Islamic banking institutions

No.	Banking Institution	Initiative/Program
1.	Agrobank	Collaboration with Padiberas Nasional Berhad (BERNAS) to provide working capital of MYR50 million for farmers, including working capital for the disabled to start their own agricultural business.
2.	Bank Islam Malaysia Berhad	Funding of <i>waqf</i> housing to build 76 homes and nine commercial lots; joint strategic cooperation with Tenaga Nasional Berhad to install photovoltaic solar systems.
3.	Maybank Islamic	Innovative scheme of rent-to-buy property for low-income groups.
4.	Bank Muamalat Malaysia Berhad	Entrepreneurial program as social finance for the <i>asnaf</i> and B40 recipients.
5.	CIMB	Green Biz Ready program to help Small and Medium Enterprises.

Source: Value-Based Intermediation Strategic Paper, Bank Negara Malaysia (BNM, 2018a)

***Waqf* as a VBI initiative**

Waqf endowment practices are considered part of philanthropy and reflect the positive aspects of goodness, love, compassion, generosity, and caring for other people. The sentiments of kindness, generosity, and compassion motivate some wealthy individuals to donate some of their assets or properties in the form of money, time, energy, and so on to benefit others (Othman, 2017). The participation of corporate bodies in establishing *waqf* is a significant step forward in assuming their social responsibility, especially if they follow a specific standard as a reference. As noted by Yusoff et al. (2021), there is a pressing need for a detailed standard or guideline for managing *waqf* endowments in Malaysia. This standard should include a governance framework, best practices, and the development of consistent and clear reporting disclosures specific to local *waqf* institutions. Adopting these strategies will markedly enhance *waqf* management and promote increased accountability for its stakeholders. In the context of the Islamic banking institutions in Malaysia, initiatives related to *waqf* are considered part of corporate social responsibility. For instance, BMMB's effort to link with government agencies like Perbadanan Wakaf Selangor to collect and manage *waqf* funds ensures the well-being of the residents in Selangor. From this collaboration, the Selangor Muamalat Waqf was founded. Bank Muamalat and the corporation formed a joint management committee to formulate and implement *waqf* activities for improvement and development, especially in the education and health sectors. The collected funds will be channeled towards welfare projects that are not limited to religious projects but include any activities of public interest, such as the development of educational institutions like colleges and universities and health institutions like hospitals and clinics (Abdullah et al., 2019). A more specific example is the funding for medical equipment provided to Sungai Buloh Hospital and the funding for dormitory equipment for Maahad Tahfiz Al-Quran Wa-Ulumuddin (BMMB, 2013). However, it is conceded that these activities are more in line with corporate social responsibility than VBI.

Waqf can be categorized as a VBI initiative when it fulfils the characteristics stated in the strategic paper issued by BNM as outlined in Table 2. These characteristics include that the Islamic banking institutions act as mediators to achieve Shariah goals and objectives related to finance. More specifically, the *waqf*-based initiative must have a positive and sustainable impact on the economy, community, and environment and offer sustainable returns and long-term interests to

the shareholders. Other than that, initiatives for the development of products or programs that support and empower the community can also be considered consistent with VBI. This can mean providing financial solutions through development, funding, and effective implementation that benefit the community as a whole. The aim is to generate a positive impact in the community and open new business opportunities for Islamic banking institutions as stated by a BMMB officer (interviewee research participant).

Table 2: VBI Characteristics

No.	Aspect	Statement
1.	Role	Act as a mediator to deliver goals or objectives of the Shariah in matters related to finance.
2.	Program impact	Provide a positive, sustainable impact on the economy, community, and environment.
3.	Responsibility to the shareholders	Grant sustainable returns and long-term interests.
4.	Community empowerment	Provide financial solutions through development, funding, and effective implementation on community-relevant issues to produce a positive impact on society and open up new business opportunities for Islamic banking institutions.

Source: Bank Negara Malaysia (BNM, 2018b)

Given that one of the Shariah propositions is to prevent or minimize harm or negative impact and to secure the benefit or positive impact, the VBI Scorecard assesses to what extent financial intermediation of Islamic banking institutions has created positive and sustainable values for all stakeholders and the community at large. Based on the document (BNM, 2018b), this assessment focuses on the impact of intermediation activities on the wider group of stakeholders, including the community, environment, and the economy. The document makes frequent reference to the “triple bottom line,” which focuses on the following three aspects:

- i. Social empowerment – education, health care, social inclusion, and affordable housing.
- ii. Environmental regeneration – renewable energy, sustainable agriculture, green building, energy and water efficiency.
- iii. Economic resiliency – micro-financing and economic inclusion.

VBI *Waqf* Initiatives in BMMB Practice

As mentioned earlier, *waqf* can be categorized as one of the current VBI initiatives when the bank acts as a mediator in achieving specific Shariah goals to achieve a positive and sustainable impact on the economy, community, and environment, in addition to securing the long-term interests of the shareholders (BNM, 2018a).

In the case of BMMB, there are three major *waqf*-related initiatives worth mentioning, namely, the bank's cash *waqf* service, project or bridging financing, and end financing. Regarding the cash *waqf* service, BMMB is the first Islamic banking institution in Malaysia that offers a cash *waqf* collection service and works cooperatively in managing the funds through a joint management committee with five selected State Islamic Councils (MAIN). BMMB launched its *waqf* program in 2012 under the name Wakaf Selangor Muamalat (WSM) in cooperation with Perbadanan Wakaf Selangor (PWS). Besides WSM, BMMB has collaborated with four State Islamic Councils, namely Negeri Sembilan, Kelantan, Kedah, and Pahang. Among the projects implemented through the cash *waqf* gathered is the distribution of health and education equipment. Table 3 outlined some of the projects that have been implemented through the cash *waqf* fund which include the distribution of medical equipment such as the ultrasound machine, dialysis machine, patient monitoring machine, prosthetic body parts, ambulance, nitrogen storage tank, embosser machine, and automated external defibrillator.

Table 3: *Waqf* contribution to healthcare

No	Project	(RM)
1.	Mobile clinic for Angkatan Tentera Malaysia	708,080.00
2.	Mobile clinic for Beacon International Specialist Hospital Selangor	245 000.00
3.	Mobile clinic for KPJ Damansara Specialist Hospital	254 900.00
4.	Mobile clinic for KPJ Perdana Specialist Hospital	265 659.32
5.	Ambulance van for Rumah Ehsan Kuala Kubu Bharu	168,063.00
6.	Haemodialysis machines for Pusat Dialisis Yayasan Islam Darul Ehsan, Shah Alam	241,680.00
7.	Haemodialysis machines for Pusat Perubatan UiTM Sungai Buloh	70,000.00
8.	Haemodialysis machines for Pusat Hemodialisis Islam Makmur, Kuantan	80 000.00
9.	Four dialysis machines for Hospital Waqaf An-Nur, Pasir Gudang	178,920.00
10.	Three dialysis machines for Pusat Dialisis Ar-Rahman, Bachok Kelantan	138,330.00
11.	Ultrasound machine for Kuala Lumpur Hospital	225,000.00
12.	Ultrasound machine for Selayang Hospital	265,000.00
13.	Ultrasound machine for Tengku Ampuan Rahimah Hospital Klang	97,997.00
14.	Ultrasound machine for Universiti Sains Malaysia Hospital, Kubang Kerian	75 000.00
15.	Ultrasound machine for Sultanah Aminah Hospital in Johor Bharu	100 000.00
16.	Kidney-stone detection machine for Serdang Hospital	125,120.00
17.	Ten reclining chairs for Serdang Hospital	16,920.00
18.	Nitrogen storage tank for Majlis Kanser Nasional (MAKNA), Universiti Kebangsaan Malaysia Medical Center	99,600.00
19.	Various items for 18 selected hospitals during Covid-19	369,200.00
20.	15 oxygen concentrators, 40 oxygen regulators, and five patient transport trolleys for Tuanku Ja'afar Hospital Seremban, Tampin Hospital, Jelebu Hospital and Jempol Hospital (treating COVID-19 patients)	116 250.00
21.	Bus to be used as the mobile dental clinic in collaboration with the University of Malaya	1 000 000.00

Source: Bank Muamalat Malaysia Berhad

In the education sector, the BMMB initiatives included school buildings, school equipment, school vans, dormitory equipment, computers, and a training center for converts as summarized in Table 4.

Table 4: *Waqf* contribution to education aspect

No	Project	(RM)
1.	Development of Sekolah Menengah Islam (SMI) Seremban (in the process of fund collection)	5,000,000
2.	One academic building for Sekolah Menengah Ugama (Arab) Darul Ulum Diniah, Padang Siam, Tanah Merah, Kelantan	468,587
3.	Three-level building for KAFA Integrasi al Mubarak Kota Damansara	157,500
4.	Building for Muallaf Training Centre at Tumpat Kelantan	369,632
5.	Development of one classroom for Sekolah Rendah Islam Al-Huda (SERI Al-Huda)	498,000
6.	Canteen and Female Prayer Room (Musolla) for Sekolah Menengah Tahfiz Harapan, Kuala Langat	71,600
7.	Education equipment to Sekolah Al-Fatih Putra Heights	40,539
8.	One classroom for SRA Darus Saadah Ijok	95,400
9.	Hostel equipment for Maahad Tahfiz al-Quran wa Ulumuddin, Sg Besar	32,240
10.	Assembly area for SRA Bandar Seri Putra Kota Damansara	20,000
11.	Lab equipment for Yayasan Pendidikan Islam Selangor	25,997
12.	Contribution for Sekolah Agama Rakyat Al – Falah, Sabah	41,000
13.	Basic equipment for two classrooms at Sekolah Rendah Islam (SERI) Al-Ummah, Sitiawan, Perak	65,040

No	Project	(RM)
14.	Van for Institusi Latihan Ilmuan Al-Quran (ILIQ)	79,000
15.	Van for Sekolah Menengah Sains Tahfiz Alor Setar	104,290
16.	Van for Madrasah Uthmaniah ABIM	79,654
17.	Bus for SMAP Labu	243,000

Source: Bank Muamalat Malaysia Berhad

The fund collection activities can be regarded as a VBI initiative, as stated in the VBI Preview Report 2017–2020 (AIBIM, 2021). The funds collected through bank channels are used as *waqf* in health, education, and economic empowerment, which is consistent with the second characteristic outlined in the VBI strategic paper issued by BNM and benefits the community in the long-term. In the Muamalat Waqf Model, the collected funds will also be used for investment through Islamic finance instruments. The profit gained from the investment will be used for community and economic empowerment. Therefore, this initiative is also in line with VBI requirements.

Table 5: VBI waqf initiatives in BMMB practice

Institution	Initiative	Sample of activity	Classification
	Cash <i>waqf</i> : Through the collaboration with the State Islamic Council such as Wakaf Selangor Muamalat, Wakaf Negeri Sembilan Muamalat, and Wakaf MAIK Muamalat.	Distribution of medical equipment to hospitals Distribution of donations in the education sector to schools.	VBI for social empowerment (health and education)
Bank Muamalat Malaysia Berhad (BMMB)	Project/Bridging Financing	Funding for <i>waqf</i> land development projects with Perbadanan Wakaf Selangor (PWS) and Nada Sepakat Corporation (Malaysia Sdn Bhd) as developers.	VBI for social empowerment (affordable housing)
	End Financing	<i>Waqf</i> land development project in collaboration with PWS for the construction of housing settlements in Jalan Kebun Daerah Klang, Selangor, End financing for the <i>waqf</i> land development project Seete Aisyah in Penang.	VBI for social empowerment (affordable housing)

Other than the cash *waqf* initiative, BMMB is also involved in bridge and end financing of *waqf* property development projects as listed in Table 5. This is to support housing development on *waqf* lands by the State Islamic Council and selected developers. This development project benefits those in need of affordable housing, thus the Shariah objective of fulfilling the basic needs of individuals, which are shelter and basic well-being. In addition, the *waqf* asset is developed and managed for the benefit of the wider community, which can enjoy new facilities in the form of affordable housing units and business premises below the current market price. Therefore, BMMB's involvement in property financing through end or project financing is consistent with the community empowerment principle as outlined in the VBI strategic paper.

On 1st November 2019, BNM issued the Value-based Intermediation Financing and Investment Impact Assessment Framework as a reference in evaluating any financing or investment activity in line with the VBI framework. One of the basic principles employed in the evaluation is to achieve socio-economic harmony and to safeguard the well-being of all members of society. According to this principle, Islamic banking institutions need to determine the potential benefits and detriments of a financing activity beforehand (BNM, 2019a). The evaluation of the impact has to be consistent with the notion of sustainability as well as people, planet, and profit. In the context of financing the *waqf* property development of BMMB, the housing project developed on *waqf*land has supported the efforts of MAIN which they can later use the generated profits for community empowerment. This is consistent with the principle stated in the VBI strategic paper issued by BNM.

CONCLUSION

The study findings have shown that Islamic banking institutions can play a significant role in *waqf* development by providing funds and offering banking facilities. The Islamic banking institutions are profit-oriented entities. However, they can participate in *waqf* development.

There are several Islamic financial instruments that can be used in *waqf* development. This study found that the initiative of collecting the *waqf* fund and channelling it to deserving recipients for a good cause, such as in public health and education, project financing, and end financing facilities are in line with VBI. Nevertheless, Islamic banking institutions can enhance their involvement in financing *waqf* property development through project and end financing, as there is a noted scarcity in this respect. Other than that, the *waqf* institutions face the challenge of insufficient funds for *waqf* development and should collaborate more closely with the Islamic banking institutions. For example, *sukuk* is a suitable financial tool for *waqf* funding and is consistent with VBI. As an Islamic banking institution, BMMB has played its role in *waqf* development in Malaysia by implementing several initiatives such as cash *waqf* collection, offering end financing, and *waqf* project financing. All of these initiatives provide significant benefits to the community, especially in terms of healthcare, education, and social development. It is hoped that more Islamic banking institutions in Malaysia will follow suit.

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