

Empowering Educational *Waqf* : Development and Prospects for Private Higher Education Institutions

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Abstract

This article seeks to reinstate the concept of educational waqf in recognition of student-related financial difficulties, especially during the era of the covid-19 pandemic. Malaysia and Indonesia promote higher education among their muslim communities. However, issues of sustainability in private higher education will require some effort in the related muslim communities for the empowerment of the educational waqf for future generations. These efforts will benefit not just the students, but also the institutions of education themselves to enhance the national civilization of one country. Al-Azhar University is an example of an institution founded on waqf property, and a symbol as the world's primary and most successful Islamic higher education system due to waqf contributions. Higher education facilities are costly to operate since they need the development of permanent infrastructures such as mosques, academic and administrative buildings, dormitories, and libraries. Additionally, both physical infrastructure maintenance and human skill development need considerable financial commitment. As a result of this reality, this article contributes to a better understanding of the role of educational *waqf* for institutions of higher learning, particularly private universities or colleges as well as the prospects and sustainability of the institutions for the muslim community.

Keywords: Educational *Waqf*, endowment, higher education

1.0 INTRODUCTION

Waqf plays a crucial role in the growth of a higher education institution and creates excellent human capital cccccc. Nowadays, fees at higher education institutions, particularly private universities, are very high and create a burden for the students. Existing educational financial aid cannot cover the entire cost of the tuition fees. Some of the higher education fund providers at the national level cannot contribute up to the amount needed to assist students at the tertiary educational stage, as they could in the past. On the other hand, when waqf were empowered in Malaysia, i.e. in University College Bistary (UCB), Universiti Islam Malaysia (UIM), and Albukhary International University (AiU), the fees paid by students were relatively low and not burdensome, apart from providing continuous benefits to donors who endowed the property. Universitas Muslim Indonesia (UMI) is an example of a waqf based university in the Makassar province of Indonesia. The success of UMI as a private institution is shown by its sustainability as the oldest private Islamic university, and its place as one of the largest and leading institutions of higher learning in Eastern Indonesia.

History has proven that the waqf can provide better economic, educational, and social support to Muslims. Most of the educational institutions in West Asia have long used endowed property ccccccexcellent higher education institutions, colleges must diversify and earn revenue. Recognizing the significance of waqf in the growth of higher education institutions, all public universities are urged to produce and enhance waqf revenue (The Sundaily, 2016). Consequently, to assist universities in generating money from alternative and complementary sources, the Ministry of Higher Education (MOHE) published the UniTP Purple Book 'Enhancing University Revenue Production, Endowment, and Waqf (2016). The objectives are to provide universities with funds and to implement the waqf model for long-term financial sustainability.

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Given the significance of educational waqf to public universities in resolving cost and budget difficulties, it is vital that private institutions look at the government strategy of diversifying their funding streams. This study attempts to examine educational waqf and endowment ideas and discuss sustainability and the prospects for private higher institutions. Additionally, examples are given on several efforts that are being made which benefit institutions' stakeholders particularly, and benefit the future of education in general.

2.0 ENDOWMENT CONCEPT IN INSTITUTIONS OF HIGHER LEARNING

Endowment is a term used in the west for higher education institutions. An endowment essentially helps build the institution by assisting with operational expenses, managing and supervising the development of human capital, boosting the educational standard, and helping many individuals enhance their intelligence. Additionally, throughout the Muslim world, waqf funds are used to create schools, pay teachers, and provide student scholarships (Akhunov, 2015). Educational waqf, in particular, plays a variety of functions in the establishment of educational institutions. It provides an opportunity for community members to improve their educational benefits for both the students and the institution. For example, al-Qarawiyy University, al-Azhar University, Cordova University, and al-Fateh University have all rebranded as waqf facilities.

The use of waqf in higher education institutions through endowment may be recognised by the universities of Oxford and Cambridge in the United Kingdom, as well as Harvard and Yale in the United States of America. Indeed, the endowment concept is quite similar to waqf and has been extensively utilised throughout the Muslim community, particularly during the early stages of Islamic civilisation (Mahamood et. al, 2015). The approach has been shown to be effective in funding scholars' activities and educational growth. Thus, by diversifying their sources of income, the institution may avoid relying on external sources of funding and, without a doubt, become self-sufficient.

Waqf concepts in education are derived from the Arabic term waqf, which literally translates as "to stop, to pause, or to hesitate." When it comes to the law, waqf refers to the retention of its principle as well as the devotion of its products. Waqf is a term used in Islamic law to refer to donations that are both long-lasting and continuous in nature, allowing future generations to profit from them. This guarantees that the waqf is preserved and that the residual revenue produced from it is utilised only for the purposes for which it was established (Ismail,

2013). The waqf's property is protected against any sale, inheritance, or hibah, and it will continue to preserve its physical resources ('ain). In this sense, property offered by a donor for charitable purposes and for the benefit of the community is done for the cause of Allah SWT. Once a property has been designated for waqf purposes, it is no longer considered to be the property of the donor, and it cannot be reclaimed or acquired by anyone else as property.

Educational waqf is not a new concept in Malaysia, particularly in higher education. This charity activity reveals numerous waqf funds were founded as the IIUM Endowment, Kolej Universiti Islam Melaka (KUIM) Cash Waqf Fund, and UPM Dana Waqaf Ilmu. Dana Waqaf Ilmu, for example, was founded in 2011 to allow students and the general public to donate to the waqf fund via UPM's waqf counter, waqf collecting boxes in different offices, CIMBClicks, monthly pay deductions, and employee claims facility which accept waqf donations (e-claim). As of May 2016, RM7.1 million has been collected (MOHE, 2017). Educational waqf is a religious endowment that has gained popularity in Malaysian higher education, especially when private institutions enter the system.

3.0 EDUCATIONAL WAQF PRACTISES: DEVELOPMENT AND PROSPECT

3.1 Development of educational waqf

Aspects of socioeconomic growth such as educational waqf have been similarly adopted for zakah for *fisabilillah*. The funds for waqf however, are targeted for students and educational institutions. It is worth noting that the waqf fund provided the majority of the funding for Al-Azhar University in Cairo and the College of Abu Hanifah in Baghdad, both of which are Islamic institutions. Meanwhile, Cizakca (1998) points out that Turkey has a remarkable history of waqf, with the nation having benefited from a thriving waqf culture from the medieval Selcuk and early-modern Ottoman Empires up to the nineteenth century. This is further shown by the designation of the 1967 Waqf Law, which demonstrates that efforts to adopt waqf practices were made in addition to education. Even up until this point, Turkey has been undergoing a significant centralization process in its waqf system. The notion of waqf has also been practiced in the West for a long time via the practice of endowment. This may be shown by looking at the endowment data presented in Table 1.1 below.

Table 1.1

List of the 5 National Universities in United States with the largest endowments at the conclusion of fiscal year 2020

| SCHOOL | END OF FY 2020 ENDOWMENT |
|---------------------------------------|--------------------------|
| Harvard University | \$41,894,380,000 |
| Yale University | \$31,108,248,000 |
| Stanford University | \$28,948,111,000 |
| Princeton University | \$25,944,300,000 |
| Massachusetts Institute of Technology | \$18,381,518,000 |

Source: <https://www.usnews.com/education/best-colleges/the-short-list-college/articles/10-universities-with-the-biggest-endowments>

With a 7.3 percent return for the fiscal year that concluded June 30, 2020, the Harvard endowment is worth \$41.9 billion, according to the most current financial year ending June 30, 2020. As part of its \$2 billion contribution to the University's operational budget, the endowment has also supported financial assistance, research funds, and academic chairs, among other initiatives. (HMC, 2020). The majority of the money came from a variety of sources, including alumni associations, private people, and nonprofit organizations. To date, they have concentrated their efforts on a number of critical initiatives, including significant organizational restructuring, implementing their investment approach across the portfolio, rebuilding the public market side of the portfolio, capitalizing on historically successful segments of the illiquid portfolio, and addressing significant illiquid portfolio issues. Additionally, they are in ongoing discussions with the University about its risk tolerance in order to guarantee that future investment selections strike a balance between the requirement for endowment growth and the need for reliable endowment income, as seen in Table 1.2. When private higher educational institutions in our country seek sources of money for their own expansion, they may do so via this mechanism.

Table 1.2

Harvard Management Company's Investment Portfolio

| ASSET CLASS | ALLOCATION | RETURN |
|-------------------|--------------|-------------|
| Public Equity | 18.9% | 12.2% |
| Private Equity | 23% | 11.6% |
| Hedge Funds | 36.4% | 7.9% |
| Real Estate | 7.1% | -0.5% |
| Natural Resources | 2.6% | -6.2% |
| Bonds/TIPS | 5.1% | 58.2% |
| Other Real Assets | 1.3% | -17.5% |
| Cash & Other | 5.6% | - |
| Endowment | 100%* | 7.3% |

**Due to rounding, the approximate allocation adds up to more than 100*

Source: Harvard Management Company Fiscal Year 2020 Report

3.2 Sustainability of Educational Waqf for Private Universities

It is widely known that the practice of *waqf* has been in use just as long as higher educational facilities have existed themselves. Traditional educational systems and schools are no longer the core of educational *waqf* growth. Nowadays, public and private universities are also involved in educational *waqf*. The initiation of this practice includes student housing endowments, scholarship endowments, compensation endowments, building endowments, and endowments for learning equipment such as books, and desks, as well as other educational endowments.

Therefore, educational waqf is vital in meeting the requirements of those who cannot afford education. In partnership with their respective Majlis Agama Islam Negeri-negeri (MAINs), 14 public and 6 private universities have formed educational waqf. Among the public university involved are Universiti Sains Malaysia (USM) which is the first public university to use waqf funds, Universiti Kebangsaan Malaysia (UKM), Universiti Putra Malaysia (UPM), and Universiti Sains Islam Malaysia (USIM) (JAWHAR, 2018) starting in the year 2009. The sustainability of public as well as private universities is imperative towards the nation's future agenda, as outlined by UNESCO. UNESCO supports Education for Sustainable Development

(ESD) by bridging the global and local, by ensuring that no one is left behind, by advancing human rights and gender equality, and by addressing economic, social, and environmental sustainability while preserving cultural variety (News Straits Times, 2019). Meanwhile educational waqf at private universities is becoming an increasingly significant mechanism for the long-term viability of institutions that are not directly affiliated with the government. Students and the community will benefit from examples of waqf practices. Some of the efforts to be highlighted are:

i. Malaysia Al-Bukhary International University (AiU): The institution was founded by Syed Mokhtar al-Bukhary in 1996 and is known as a waqf university. The Syed Mokhtar al-Bukhary Foundation scholarship provides funds to cover students accommodation. The food and drinks are sponsored and there are other free based learning costs.

ii. Universiti Islam Malaysia (UIM): The donation was initiated by the former Sultan of Selangor (one of the states in Malaysia) and involves the property known as Istana Jameah (Jameah Palace). The construction of the buildings for UIM was based on the waqf principle in 1955. Known as the Kolej Islam Malaya (KIM) campus, it represents the progress of education in Malaya as it became a university that continues to grow in Islamic endowments without relying on government or private contributions. The UIM waqf matters were supervised and consulted on by a group called the Shariah Council, made up of experts in Shariah Law (Mustaffa et. al, 2014).

iii. Universiti College Bestari (UCB): It was formerly known as Kolej Teknologi Bestari (KTB) and the campus was developed on 320-acres of land which were donated as waqf. This university is managed by the Terengganu State Government and Majlis Agama dan Adat Istiadat Melayu (MAIDAM), as the trustee for all kind of waqf facilities in Terengganu. The UCB was established with the aim of improving the education of orphans, the poor and students in rural areas.

iv. The Waqf Foundation of Indonesian Muslim University (UMI) of Makassar has been expanding, with their productive businesses originating from Islamic waqf. They are involved with the Educational and Preparatory Institutions (LPP) that coordinate various secondary schools, such as: i) SMP LPP UMI Makassar; ii) SMA LPP UMI Makassar, and iii) SMK LPP

UMI Makassar. Services like savings, loans and sharia financing were provided through the Baitul Maal Wattamwil Ukhuwah (BMTU), especially for the extended family, such as lecturers, employees and students of the institutions. In addition to construction projects for housing complexes by PT Ukhuwah UMI Teknik, facilities were provided through Ukhwah BMI Business (ie general trading) and PT UMI Toha Ukhuwah Graphics for the business of printing and publishing.

3.3 Prospects and Challenges Educational *Waqf*

As previously stated, educational waqf can be used for a variety of educational financing purposes in institutions of higher learning, including the construction of student facilities and the provision of scholarships for deserving students, particularly for institutions other than public universities in Malaysia. Waqf, in the field of education, is one of the mechanisms for not only improving education, but also allows societies to conduct charity work with benefits which will continue till the end of time, in lieu of paying school fees which only provide short-lived benefits. The community would rather sponsor donations, which create the benefits of multiple rewards, than just paying fees. In this respect, this concept is based on a famed hadith as mentioned by Muslim; the Prophet (PBUH) 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 calls on God for his favor"

However, waqf in business sectors is also becoming more popular due to the efforts of many different parties in recent years. It is hoped that developing the educational waqf, will meet three fundamental needs: the development of higher education and its facilities, the funding of the university's day-to-day operations, and activities that encourage academic excellence, personality development, and leadership in students and lecturers. Funds may be raised via many methods such as crowd financing, alumni involvement, employee pay deduction, and so on.

As Malaysia moves towards digitalization and the use of financial technology (FinTech), the development of waqf for the administration of the waqf fund has been highlighted in order to avoid any leakage of funds. The use of digital platforms such as blockchain and artificial intelligence (AI) will help to ensure that governance is more efficient, transparent, and Shariah-compliant in the implementation of decisions (Berita Harian, 2019). Thus, the Endowment Act

in Malaysia has been drafted and is currently at the stage of discussion with all relevant stakeholders, including information technology (IT) professionals. If the regulation is successfully passed, it would be the first in the world, as Malaysia as a country adopted a computerized Islamic administration platform for waqf funds.

4.0 CONCLUSION

In conclusion, educational waqf should be implemented in accordance with the principle of not depending on the government's financial resources, which are controlled by the political system. The waqf sources at Al-Azhar University and around the globe demonstrate that the Islamic educational system is capable of benefiting all Muslims seeking knowledge. In this age of globalization, educational institutions have the task of providing the greatest, most efficient education possible at all levels of education for all socioeconomic strata. This research may be useful in terms of examining public perceptions about educational waqf. Additionally, it is believed that the contents of this research would encourage private universities to launch and implement educational waqf as part of their waqf instruments, since there are several implications for educational waqf on Muslim society, particularly students and faculty.

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