

## Maybank's Corporate Waqf As An Islamic Finance Instrument In Boosting Economic Development And Community's Prosperity

Khairil Faizal Khairi, Nur Hidayah Laili & Hisham Sabri

Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia, 71800 Bandar Baru Nilai, Negeri Sembilan, Malaysia. +6067986427

[khairil@usim.edu.my](mailto:khairil@usim.edu.my)

**Abstract:** Nowadays, practitioners and responsible government bodies in the Islamic finance industry have been recognized the potential of corporate waqf as a source of funding. A corporate waqf is an endowment of different sources by a founder with the intention that the corpus or principal should be managed by a trustee with the intention to earn an income that could be spent towards righteous purposes as designated by the founder. The aim is as designated waqf is valuable investment in this world and hereafter life. Waqf is one of financial instruments which has been applied since the early islamic period in Madinah in addressing issues related to economic development and community's economic prosperity. This is because waqf has been successful in encouraging economic development through various aspects of social welfare to public. Maybank Islamic Berhad involvement in this field is an outburst that can build awareness, inculcate interest and public concern. It can yield the positive impact towards domain corporate social responsibility (CSR) especially from the aspect of development of waqf. Purpose of this article is to determine the uniqueness of corporate endowments featured by Maybank Islamic Berhad and to view its contribution to the economic development and community's economic prosperity. The general findings of this study indicate that systematic implementation of corporate waqf is very useful in boosting the nation's economic development and community prosperity.

[Khairi, K.F, Laili, N. & Sabri, H. **Maybank's Corporate Waqf as an Islamic Finance Instrument in Boosting the Economic Development and Community's Economic Prosperity.** *Life Sci J* 2015;12(4):189-193]. (ISSN:1097-8135). <http://www.lifesciencesite.com>. 24

**Keywords:** 'ain' waqf, corporate waqf, economic prosperity, Islamic finance.

### 1. Introduction

Development and prosperity of economic activity in a country is very important to lead people to a way of balanced and orderly life. Nonetheless, if you see the economic system adopted today is obvious that it is the capitalist system which often leads to the occurrence of injustice, usury, fraud, corruption, unbalanced monopoly, market manipulation and so on. Consequently, the current system will lead to people being oppressed and still plagued by poverty and face the miseries of life and definitely lead to huge gap between rich and poor.

If certain parties, particularly the government did not take any action to solve this problem, of course the group of poor is increasing and the rich seem more prevalent. In order to eradicate this problem, the social welfare practices is one of the potential way because it can be implemented in various forms. This social welfare practices actually has long been advocated by Islam and should be continued its practice particularly those involving the government and private agencies. Thus, the practice of corporate social welfare that is durable ie waqf because it has elements of perpetuity.

Waqf as an essential instrument in order to prevent poverty among community and generate people's economic prosperity. This is because it is a fund that cannot be withdrawn or disappear and must

be dealt with honestly and trust. It also cannot be traded for the sake of greed and the desire to earn excessive money. Hence, it became the permanent assets in the interest of ummah at all times. If development and economic prosperity of the people can be established, of course there are no gaps between the group of rich and poor and everyone is on the the same level in life. Waqf role has a similar as *infaq*, *sedekah jariyah* and *hibah* (Abd. Shakor, 2011) and it is an essential instrument to help the needy.

Today, an involvement of big conglomerate body like Maybank Islamic Berhad in corporate waqf activities in Malaysia has been assumed as paradigm displacement in the development of waqf. Cash waqf as an innovative instrument in waqf development introduced by Maybank Islamic Berhad will attract and attention of big corporate bodies to participate in the corporate waqf activities. This instrument is closely related to previous concept of the cash waqf where it is increasingly popular concept of waqf and become the easiest medium for Muslims to carry out charitable activities by using cash in contrast to the waqf current method which involving land and buildings (Magda, 2009)

### 2. Material and Methods

#### 2.1 Waqf Definition

According to *al-Quran* or *al-hadith*, there are no exact meaning of waqf. According to Islamic jurists, sadaqah jariyah defined as donation made by someone. If someone donate some possession during his lifetime, the donation must be perpetual once it is created. This guarantees that it will benefit generation after generation and also prohibits it from being confiscated. (Abd. Shakor, 2011). Literally, endowments derived from an Arabic word which means detention (*al-habs*) or prevention (*al-man'*) (Siti Mashitoh, 2007). Technically, waqf means detention of a person's property that can be utilized with the permanent existence of its corpus in order to fulfill specific needs regarding to conditions made by *al-waqif* or property owner (Muhammad Ridhwan, 2012).

Based on the definitions above, we found that although the benefits of the donation are beneficial to man, the property itself is considered to be returned to God. No person can ever become the owner, so the waqf becomes a 'common asset', thus it shall not be involve in trading business. At the same time, waqf benefits can be used accordance to Shariah so that waqf can last for a long time and can be enjoyed by Muslim people community (Muhammad Ridhwan, 2012). Besides that, they also can enjoy the benefit from waqf properties without being bound to a particular period and follow to an agreement which has been agreed.

### 2.2 Waqf Foundation

As stated, there are no precise meaning for waqf in *al-Quran* and *al-hadith*. However, the existence of waqf in Islam is based on three foundations (Dahlia & Haslindar, 2013).

First, the Messenger of Allah SAW said, "When a man dies, his deeds come to an end except for three things: Sadaqah Jariyah (ceaseless charity); a knowledge which is beneficial, or a virtuous descendant who prays for him (for the deceased)." (reported by Muslim, Tarmidhi, Abu Dawud, Nasa'i and Ibn Majah).

Second, Ibn Umar reported: Umar acquired a land at Khaibar. He came to Allah's Apostle (may peace be upon him) and sought his advice in regard to it. He said:

*"Allah's Messenger, I have acquired land in Khaibar. I have never acquired property more valuable for me than this, so what do you command me to do with it? Thereupon he (Allah's Apostle) said: If you like, you may keep the corpus intact and give its produce as Sadaqa".*

The land cannot be sold, mortgaged, gifted or inherited. However, it also can be used in reasonable way by waqf properties manager. For example, become one of recipient's without make it as source of income".

Third, all the companions of the Prophet (SAW) declared their land as waqf land. This is provent through narrations and reports by Thabit bin Anas Jabir bin Abdullah and Ibn Hazm.

Implementation of waqf through *al-Quran* has been strengthened based on a few verses:

*"The parable of those who spend their wealth in the way of Allah, is that of a grain (of corn); it grows seven ears, and each ear has a hundred grains. Allah gives manifold increase to whom He wills. And Allah is All-Sufficient for His creatures' needs, All-Knower."* (al-Baqarah: 261).

*"(Those who spend their wealth (in Allah's cause) by night and day, in secret and in public, they shall have their reward with their Lord. On them shall be no fear, nor shall they grieve.)"* (al-Baqarah: 274).

*"By no means shall you attain Al-Birr, unless you spend of that which you love; and whatever of good you spend, Allah knows it well."* (al-Imran: 92).

*"Who giveth his wealth that he may grow (in goodness). And none hath with him any favour for reward. Except as seeking (to fulfil) the purpose of his Lord Most High. He verily will be content"*. (al-Lail: 18 – 21)

*"Lo! those who give alms, both men and women, and lend unto Allah a goodly loan, it will be doubled for them, and theirs will be a rich reward"*. (al-Hadid: 18)

Based on these principles, it clearly shows that the waqf play an important role especially in improving the economy of ummah and generally stabilizing the country. Moreover, all Muslims are encouraged to maximize their wealth according to the shariah and also encouraged them to involve in the waqf because the foundation of waqf is based on the concept of *ta'awun*.

### 2.3 Types of Waqf

Generally, *waqf* was categorized into two category which are *waqf Khairi* (charitable purpose) and *waqf zurri* (family) (Abd. Shakor, 2011). *Waqf Khairi* divided into two which are *waqf am* for charitable purposes without prescribing motives, conditions and beneficiaries, meanwhile *waqf khas* for charitable purposes with objectives, conditions and beneficiaries has been determined. While *waqf zurri* is, the benefit is for the purpose of family. However, some scholars assumed that this type of waqf is *bid'ah* and not in line with Shariah rules.

Other than that, endowments also can be categorized into *waqf musytarak* and *waqf irsada* (Abd. Shakor, 2011). *Waqf musytarak* is a combination of two types of endowments which are *waqf khairi* and *waqf zurri*. It means some benefit from waqf is special for family and others for public use. *Waqf musytarak* is part of the *waqf istibdal* and share waqf. While *waqf irsada* also is another type of endowment

established by the authority or government who endowed Baitulmal properties whether the property is movable or immovable.

There are two forms of property that can be endowed of immovable property such as land and buildings, and movable property such as cash and shares. For immovable property, Islamic scholars agree that it is valid in practice waqf because it meets the main principles of waqf which perpetuity. This is based on the endowments made by the Prophet (SAW) and his companions (Abd. Shakor, 2011).

Another form of property is movable property . For this type of waqf, There are differences opinion among Islamic scholars because it is not permanent and perishable or destroyed. However, according to *jumhur ulama'* likes Imam al- Syafie, Imam Malik and Imam Ahmad bin Hanbal, movable property can be endowed provided it is not depleted when used. (Asmak, 2009). According to the view of Imam Hanafi, movable property can be endowed if it is accompanied by immovable property because it will also contribute to charitable purposes. One of the movable properties has been practiced today is share waqf. From a legal perspective, shares was endowed is recommended (Mustahab) in Shariah because it is consistent with the principles and concepts of the Islamic waqf. The next section will look at the concept of corporate waqf introduced by Maybank Islamic Berhad.

### 3. Discussions

The contemporary concept of cash waqf is very popular and has been practiced in various institutions and countries around the globe. This scenario leads to the authorities to launch various forms of waqf that enable individuals and organizations to contribute to waqf with a very minimum rate. In Malaysia, the involvement of corporate entities in the management

of waqf is known as corporate waqf. The main objectives of the establishment of this waqf are to raise awareness, foster interest and attention of society in order to get involved in charitable activities, especially activities to develop the waqf properties. (Mohd Ali Hashim, 1996 & WAN Corp Annual Report 2013).

Initiatives and ideas made by Maybank Islamic Berhad with collaboration of Majlis Agama Islam Wilayah Persekutuan are a wise move and worth for Muslims throughout. Additionally, this cooperation will foster and build positive values in the corporate world in the management of waqf. As a consequent, it will improve public confidence towards waqf institutions and thus, increase the waqf fund for the ummah benefits. This collaboration will prove the important of Islamic finance instrument in contribution to national prosperity through waqf. This collaboration is also responding to the government's call that is to increase the efforts for the waqf asset development.

As shows in Figure 1, the Maybank Islamic Berhad's corporate waqf is believed to be highly recommended model for other conglomerates since they applied ain' cash waqf as their main element in the asset waqf. Basically, this is different with previous waqf corporate by Johor Corporation where they used shares as their main asset waqf.

This ain' cash waqf then will be used to invest in different investment instruments monitored by Maybank such as fixed income, equity & balanced equity and properties that allowed by Shariah. Through the investment gains or profit from those investments it then distributed to the waqf recipients (*mauqufalaih*) that has been targeted such as education infrastructures, young entrepreneurship incentives and health.

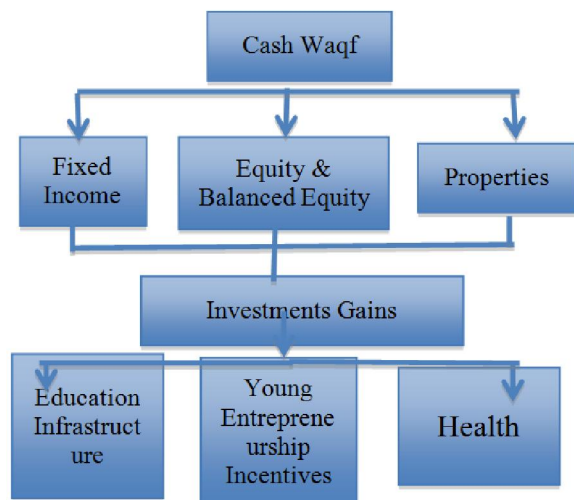
**Table 1: Maybank Islamic Berhad's Corporate Waqf Model**

ELEMENTS	EXPLAINATION
<b>Waqf asset</b>	Cash
<b>Waqf Founder (waqif)</b>	Islamic Maybank - provide initial funds of RM20 million while in following phase will involve individual or companies that want to contribute to endowment funds and become waqf founder subsequently.
<b>Beneficiaries (mauquf alaih)</b>	MAIWP – as sole trustee for state waqf assets as enshrined in Administration of Islamic Law (Federal Territories) Act 1993, Section 61 and 62(1), (2)
<b>Waqf Manager (Nazir)</b>	Maybank Islamic - who will manage the funds and charitable projects that have been designed in the early stages onwards.
<b>Beneficiaries</b>	Whole community
<b>Goals of Benefit Distribution</b>	Developing education infrastructure, health care and also entrepreneur's development.

From the table, it can be concluded that the concept of corporate waqf organized by Maybank Islamic Berhad has complied with the waqf tenets

outlined and fulfill the Islamic legislation requirements that are *waqif*, *mauquf*, *mauquf alaih* and *sighah*. Therefore, issues related to *Shariah* in

corporate waqf can be reduced thereby encouraging of future participation among others in the future.



**Figure 1: Corporate Waqf Model by Maybank Islamic Berhad<sup>1</sup>**

An awareness of Maybank Islamic Berhad's top management to participate and involve in the corporate waqf practice should be praised and emulated by others company like government-linked companies (GLC's) in Malaysia. This is because through an extensive involvement from this reputable company is believed be able to led a lucrative outcome which can provide great benefits for developing the economic activities in the country in general and Islamic society in specifically. This study then will justifies on the impact of corporate waqf in developing economic prosperity of the communities.

History have proved that the waqf legislation has plays a very important role in the economic development of a country. Waqf activities have become the distribution tool of wealth to achieve economic development in the whole aspect. This article believes that there will be a lot of benefits if any waqf model successfully implemented in our economy system. As an example, in the time of Prophet Muhammad (saw), Uthman bin 'Affan was endowed a wells known as al-Raumah which became the main source of water supply for Muslims on that time.

Other example is a cash waqf. This instrument is also being done during the Ottoman period that helps in providing a multiple of community economic development activities such as education, health,

<sup>1</sup> Oktober 2014. Maybank Islamic Umum Dana Wakaf RM20 juta.

<http://malaysiagazette.com/ms/ekonomi/maybank-islamic-umum-dana-wakaf-rm20-juta>

welfare and other activities that give benefit to the community (Asmak, 2009).

Accordingly referring to the objective of this article, corporate waqf that have been implemented by Maybank Islamic Berhad can provide substantial capital injection to the developing of economy activities when it is functioning systematically and properly. Through the distribution of the benefits of the proposed corporate waqf model which includes the education sector, health and young entrepreneurs development, it is believed will contributes to the communities regardless of religion and races background. Indirectly, it will improve a community economic prosperity and living cost comprehensively.

For a better understanding about the above scenarios, this reseach highlights the simulation approach on RM20 million of total corporate waqf fund as a starting point. As example if the amount of RM20 million is manage to invest in the investment instruments and we are expecting a lower of 4% profit to be derived as a result of these investments.

Therefore, through this corporate waqf fund, there will be RM800,000.00 of profit gain and will be distributed to the waqf benefits (education sector, health and young entrepreneurs development) established by Maybank Islamic Berhad. As a result, all of these three groups of waqf recipients are benefited from waqf activities. As a result, it can accelerate the development and economic prosperity of the community regardless of race or religion.

This paper also expecting to gain lot of advantages to the various aspects of the developing of economy activities if corporate waqf can attract more conglomerates companies such as GLCs in Malaysia. Nowadays, there are 17 companies that are categorized as GLCs in Malaysia. If all of these companies can be directly involved in corporate waqf activities and spend only RM20 million to waqf cash fund for corporate waqf, the fund will reached RM340 million.

Again, if we assumed that a lower of 4% of profit gained from investments made so, the total amount of RM13.6 million can be utilized through this corporate waqf. Just imagine how this Islamic finance instrument will generate the economic activities such as infrastructure development, health, education and development, etc. in the country and at the same time helping government in their yearly budgeting. This is consistent with Khairi et. al. (2014) where the have proposed of involving the GLC in corporate waqf because these companies have greater financial resources and its management is under the monitor of the government.

Therefore, through the above simulation it can be stated that corporate waqf can contribute in achieving macroeconomic objectives where equality in income

distribution and reduce the tax function as the main sources of national income that burdensome to civilian. At the same time, country spending will also become deficit and reduce loan consumption as funds for development projects. Through the implementation of this corporate waqf, people and organizations are able to provide assistance in achieving communities economic prosperity by donating their cash into the corporate waqf funds.

#### 4. Conclusion

As the conclusion, the innovation of 'ain corporate waqf that have been introduced by Maybank Islamic Berhad is very suitable to be practiced. Additionally, corporate waqf implemented by Maybank Islamic Berhad is believed can encourage other larger conglomerates and communities to participate because it is very easy to practice through a cash. Through corporate waqf, profit from investments that have been waqf will be contribute to meet the needs of the community as was highlighted by the Maybank Islamic Berhad.

The Maybank Islamic Berhad approach is actually encouraging to corporate social responsibility (CSR) which should serve as main agenda of conglomerates in Malaysia. This study hopes that through the example of simulations it can create an awareness to other conglomerates companies especially GLCs to get involved because 'ain waqf seen more easily used for practice compare to previous model of corporate waqf.

Besides, this paper proposing to the government to provide several of attractive incentives including tax incentives to companies that are directly involved in the practice of corporate waqf as was done to *zakah*. Thus, it is believed that larger companies will be more inclined to allocate their annual expenses through corporate waqf. The impact of corporate waqf funds that were implemented in the present can contribute to the development and economic prosperity and promote the equal distribution among the people.

#### Corresponding Author:

Khairil Faizal Khairi

Faculty of Economics and Muamalat

Universiti Sains Islam Malaysia, Malaysia

E-mail: [khairil2277@gmail.com](mailto:khairil2277@gmail.com)

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