

# INTEGRATED FRAMEWORK FOR DEVELOPMENT ON WAQF LAND IN PULAU PINANG

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## ABSTRACT

*Awqaf is one tool for economic development of Muslims. Since the days of the Ottoman Empire, the endowment has been appointed as a fundamental development in ensuring a fair distribution of wealth among Muslims. In line with the rapid development of the world, Muslims are seen to be able to compete in ensuring the welfare of the Muslims through the development of waqf land. Waqf endowments primarily the immovable property is a valuable asset. Thus, land ownership should be developed with sustainable development. In Pulau Pinang, the Majlis Agama Islam Negeri Pulau Pinang (MAINPP) is the trustee and administrator of the waqf properties which responsible for maintaining and administer in accordance with the functions of the trustee for all waqf properties in Pulau Pinang. Pulau Pinang consist of five (5) district namely Daerah Timur Laut(DTL) and Daerah Barat Daya (DBD) on the island and Seberang Perai Utara (SPU), Seberang Perai Tengah (SPT) and Seberang Perai Selatan (SPS) on the mainland is one of the states in Malaysia that have the highest current real estate valuation compared to other states in Malaysia. Rapid development in Pulau Pinang has boosted real estate values towards a high level. Strategic positioning of waqf land owned by MAINPP should be used as wisely as possible to improve the economic status of Muslims in Pulau Pinang. When a lot of developers are coming into Pulau Pinang to invest and develop new property, where is the role of MAINPP in ensuring that waqf property are being fully utilized to provide for the Muslim community? This paper objective is to achieve and develop an integrated framework for development of waqf land in Pulau Pinang. Structural Equation Modeling (SEM) by using AMOS application will be used to develop the framework. Respondents from all three field of works namely contractors, legislators and financial personnel will be interviewed and collections of data from respondents will be collected through questionnaires. The absence of an effective framework or property management system of waqf land could lead Pulau Pinang to an uncompetitive state when compared to other states like Selangor and Johor. Therefore, the development of an integrated framework which incorporates key elements of the development of waqf*

*properties should be provided to ensure that the correct path to economic development of productive Muslims, especially in Pulau Pinang.*

**Field of Research:** *Awqaf, waqf, economic development, integrated framework*

## **Introduction**

Endowments in the context of real estate development is a field that involves not only the development planning such as the theory of the structure alone, but it accounts for the spiritual, physical, and worship of God. Waqf property development and management has been practiced by the Prophet Muhammad during the period of his reign. According to As-Siba'ie (2005) in Mahamood (2006), in his book 'Civilization of Faith' states that a companion of the Prophet, Abu Ad-Dahdah has endowed his sole property of an orchard with 700 fruit trees. Abu Ad-Dahdah endowed after Allah revealed:

مَنْ ذَا الَّذِي يُقْرِضُ اللَّهَ قَرْضًا حَسَنًا  
فِيضَعْفَهُ لَهُ أَضْعَافًا كَثِيرَةً وَاللَّهُ  
يَقْبِضُ وَيَبْصُطُ وَإِلَيْهِ تُرْجَعُونَ \*

**Who is that will loan to Allah a beautiful loan, which Allah will double unto his credit and multiply many times? It is Allah that giveth (you) want or plenty, and to Him shall be your return. (Surah Al-Baqarah: 245)**

Abu Talhah al-Ansari has endowed Bayraha wells and had given the wells to the Prophet for him to do as commanded by God after listening to verse 92 of Surah al-Imran,. The Prophet has also endowed seven hamlets bequeathed to him by a soldier of Islam.

لَنْ تَنَالُوا الْبِرَّ حَتَّى تُنْفِقُوا مِمَّا  
تُحِبُّونَ وَمَا تُنْفِقُوا مِنْ شَيْءٍ فَإِنَّ  
اللَّهَ بِهِ عَلِيمٌ \*

**By no means shall you attain righteousness unless you give (freely) of that you love and whatever you give, of a truth Allah knows it well. (Surah Al-Imran: 92)**

Waqf institutions continued after the death of the Prophet. Saiyidina Umar al-Khattab during his visit to Saudi military camp in Jalwa decided to dedicate the colonies won by the Muslim army. The results of the colony will be used for the benefit of the Muslims. During Ottoman Empire, the waqf system has been used widely in the economic development of Muslims. The Ottoman government also endowed colonies derived from war and the colonies are under the management of the treasury (Baitulmal). Colonies will be leased to individuals to run (Mahamood, 2006; Saduman and Aysun, 2009). Endowments are created from the colony is an example of the government established endowments.

In the system's development cycle endowments, charitable institutions used to fund projects that benefit the welfare of all citizens in an Islamic state. Among the social institutions is funded

endowment for education, mosques, health and military. For example, the madrasah al-Nooriyah in Damascus, founded by Noor al-Din al-Shahid was built through endowments. Another example is the University of al-Azhar in Egypt (As-Siba'ie, 2005).

The importance of waqf institutions can be seen during the Islamic government, in support of other social institutions. Endowments have the potential to be a source of funding for these projects aimed to develop social and economic institutions (Ab Rahman, 2009). For example, the construction of a public market can be financed by money endowed from people and the public market will then be a public property (public markets are not belongs to human beings and cannot be traded). The benefits of using the public markets can be enjoyed by all people and money profited from the public market (as a result of rent collection of food stalls, beverages stalls, wet and dry markets, clothing stores and / or maintenance fees) can contribute towards other waqf social institutions such as education and health.

Malaysia is among the countries that have high population of Muslim which is why Malaysia has been stated as a Muslim country. For a country that is recognized as a Muslim country, Malaysia has a unique administration of deliberating administration of Islamic Law which comprises of marriage, divorce, division of property, etc. On the other hand, in the case of waqf, it is specially placed under the administration of Majlis Agama Islam Negeri. In Pulau Pinang, the waqf properties are administered under the Majlis Agama Islam Negeri Pulau Pinang (MAINPP) where their roles are; (i) As a body that maintain and administer the waqf in accordance with the functions of the trustee, (ii) Collecting information and data regarding the waqf properties and general resources, and (iii) Identify land endowments that are not registered. The question is why endowments are not used by governments today, particularly in Pulau Pinang to finance basics institutions of life such as education, health and transportation? With the current real estate value in Pulau Pinang, waqf properties could potentially be developed with encouraging returns. What is more worrying is when the government is indebted to the bank to finance the construction of these social institutions. The adverse effects of the national debt can be seen by observing the fate of the people such as in Ireland and Greece when the countries are declared bankrupt (Mahamood, 2007). Where is the role of MAINPP in this matter? This paper aims to develop an integrated framework of waqf land and/or properties in Pulau Pinang to be used by respective Religious Council of the state. In line with the rapid development of the country, the potential of waqf land should be fully utilized in stabilizing the economy of the Muslims.

#### **PROBLEMS ON ADMINISTRATION AND DEVELOPMENT OF WAQF LAND**

Most of the studies carried out currently with respect to endowments are concerned with the concept, administration and development of waqf lands as well as its obstacles and challenges. Ab Rahman (2009) emphasized the importance of the concept of ownership as well as the redistribution of wealth endowments and its importance in economic development. She explained in detail on the role of endowments in providing education services, housing needs, health, stimulate economic activity of the people, providing a place of worship, develop the agricultural sector, to address the welfare of orphans as well as addressing the issue of poverty. Mahamood (2006) stressed on the various legal systems used in connection with real estate ownership. She highlighted that all Majlis Agama Islam Negeri except Selangor does not have a separate enactment, but still adopting Islamic Religious Administration Enactment of the Federal Constitution, which restricts only a third of the wealth of the Muslims can be endowed which she objected in stating that endower or waqif should be free of making decision on how much of their wealth they would like to endowed. She also pointed out a number of other legal issues involving the waqf. In addition, the lack of waqf personnel who manages the administration of waqf properties is looked as one of the main reasons

towards the failure of waqf management. If any, the personnel are lacked of major discipline including investment analysis, property management, property evaluation, project management etc. Unsuitable personnel contribute towards the ineffectiveness of waqf land development especially in the Majlis Agama Islam Negeri which is the sole trustee of the state waqf properties.

Chowdhury (2012) stressed on the various facets on the waqf and the administration issues in Malaysia where he suggested a new innovative avenue to deal with the performance of the existing waqf administration. An innovative waqf administration from various parties of the society can benefits enormously including the poorest in the society who are generally the non-reachable group of society in the country by the government or other agencies. Chowdhury believes that from this practice, it can help to fulfill the religion requirement through various activities such as mobilizing resources equally, creating employment and many more benefits to all Muslims.

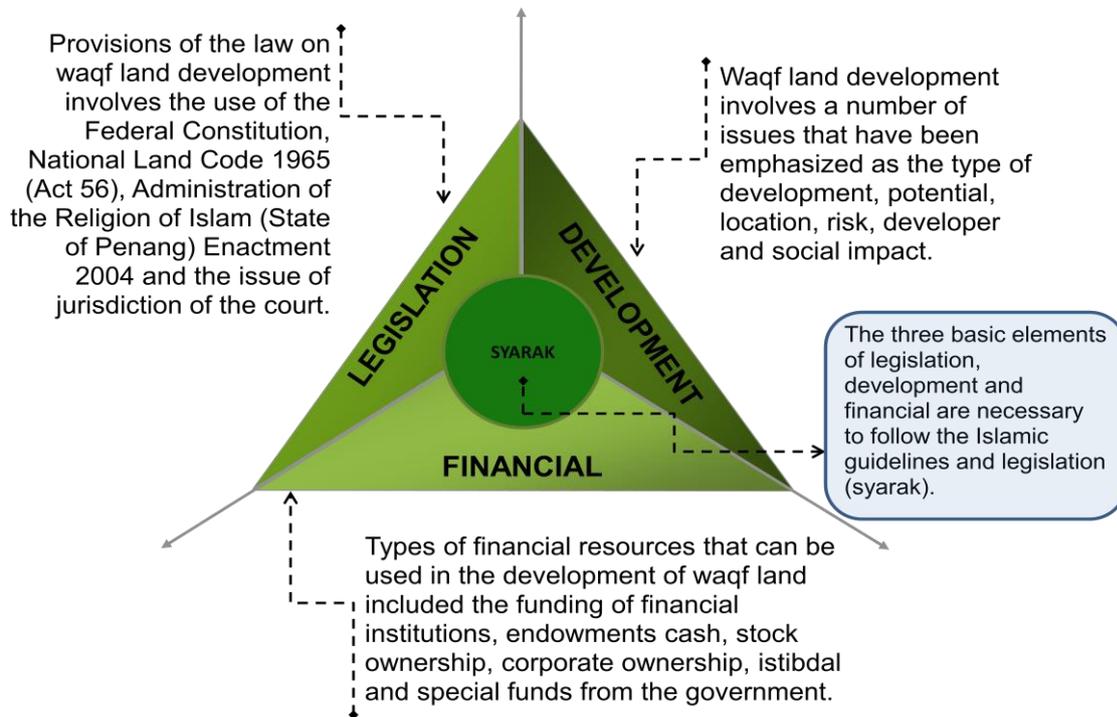
Another major issue regarding waqf properties is the financial implication. Mohsin and Sabit (2011) discussed on the issue that continues to happen in Waqf financial administration which is the idle or underdeveloped properties of awqaf or Islamic Trust. As this issue has repeatedly discussed in several different publications, the issue is still happening which indicates that various innovative methods developed in the last three decades are not effective. Both Mohsin and Sabit discussed on the various methods developed i.e. that of raising working capital, financing and investment and suggested alternative methods that can minimize the problems and yet resolve it. Cizakca (2011) and Md Zuki (2012) also agrees that a good financial control in waqf administration plays a vital role in providing public services as waqf stands alone in terms of its delivery to the public. In waqf sector, there is no need of excessive cost as the land has already been voluntarily given by the waqif and the developer and/or the government has only need to share part of the development. Basically, this is the best practice and eventually the most economical development of a property.

Waqf properties in Pulau Pinang administered by the Majlis Agama Islam Negeri Pulau Pinang (MAINPP) are responsible to develop all waqf land and properties in Pulau Pinang. Based on the current real estate value, Pulau Pinang is among the states that has the highest land value in Malaysia. Even a small per square feet area of Pulau Pinang can climb onto its ceiling. With data recording the number of waqf lots in all five districts in Pulau Pinang, it is understandably agree on why investors are trying so hard to invest in Pulau Pinang especially towards the development of land. Muslims in Pulau Pinang are very lucky to have lots of endowment lands to boost the Muslim economic development. Additionally, it must be done properly and critically. Isa et al (2011) have done a comparative study of waqf land in Malaysia which shows that Pulau Pinang did developed a few waqf land but the number is still low and mainly focuses on housing development whereas there are many other developments which can be built to provide for the public such as hospital, university and many more.

### **THREE MAJOR ELEMENTS IN DEVELOPMENT OF WAQF LAND**

The major issues concerning idle or underdeveloped waqf land is mostly affected by poor administration. It is the role of Majlis Agama Islam Negeri to come up with innovative strategy towards sustainable and economical development on waqf land. Various studies had been focusing onto three main issues or elements regarding the poor development of waqf land namely legislation, development and financial. Figure 1 below shows the three major elements and their basic core. There are only a few studies which relate all three elements towards Shariah Law where ultimately in order to develop a waqf land or property, one must follow according to the Syariah Law.

Development is a very broad concept. Literally, it means the transformation of a state that is not or less successfully to a condition more successful, or an unfavorable situation into a better situation. Development is a productive process, which produces something worthwhile (Mohammed et al, 2009). Town and Country Planning Act 1976 (Act 172) defines a property development as “the carrying out of any building, engineering, mining, industrial or other similar operations in, on, over or under land, or the making of any material change in the use of any buildings or other land, or the subdivision or amalgamation of lands.”



**1: Basic Elements in Development of Waqf Land**

**Figure**

Definition of development from the point of law<sup>1</sup> lead to physical changes in the material to a property, that is the result of boundary-breaking work-border or consolidation of land, or the land use on the occurrence of a change in land use, for example, of the order agricultural land to housing, or changes to the land owned by the owner-proprietor with the result of the ground-breaking procedure. It is also associated with economic activities such as mining works, engineering, building, manufacturing and other activities that result in substantial changes to the use of any land or building or any part of the property. However, the definition of development in the law of town and country planning does not include social and spiritual development (Mohammed et al, 2009).

According to Byrne and Cadman (1984), generally, there are three main phases in real estate development stated as below:

Phase I: *Pre-development (acquisition)*. This phase involves the identification of sites, land acquisition and conversion, boundary surveying, planning consent applications, subdivision / subdivision, the proposed project (including the design and engineering aspects), market research and / or possible , negotiation of financing, consulting contracts, etc.

Phase II: *Construction phase (production)*. This phase involves the actual construction such as land, basic infrastructure, buildings, interior and exterior of buildings, landscapes, and other aspects of project management.

<sup>1</sup> Section 2 of the Town and Country Planning Act 1976 (Act 172)



## **RESEARCH METHODOLOGY**

In this study, there are three main elements that will be used, namely legislation, development and financial with Syariah Law which will be the core element. Through the three main elements, there will be some sub element that reinforces the basic consolidation to the main element earlier. The sub elements that follow the three main elements will be the National Land Code 1965, the Federal Constitution, the Islamic Religious Administration Enactment (Pulau Pinang) 2004 for the legislation, the type of development, and the potential risks in the development and financial institutions and types of loans in financing and so on. The sub elements will be an additional towards the findings of this research.

As this study objective is to develop an integrated framework to be used in readiness of waqf land development, Structural Equation Modeling (SEM) with the application of AMOS will be used. Analysis of Moment Structure or better known as AMOS is an application in SEM use to confirm the model that will be built in this study, in the form of a graph. AMOS allows the model to be painted and the model does not have to be linear but may be structured. AMOS in SEM is best suited for this study as there are few sub elements which needs to be linked to the main elements namely legislation, development and financial.

Structural Equation Modeling is a general term that has been used to describe a large number of statistical models used to evaluate the validity of substantive theories with empirical data. It represents an extension of general linear modeling procedures, such as the ANOVA and multiple regression analysis. The advantage of using SEM is that it can be used to study the relationship among latent constructs that are indicated by multiple measures. It is also applicable to both experimental and non-experimental data, as well as cross-sectional and longitudinal data (Lei and Wu, 2007). SEM measures the relationship between the number of dependent variables (DV) and the factors that influence the other several Independent Variables (IV). In this case, SEM can measure the latent variables (eg, type of development, risk, and financing system) that cannot be measured or observed directly.

## **EXPECTED FINDINGS AND SIGNIFICANCE CONTRIBUTION**

The major element in the weakness of waqf land development is poor administration. From the above Figure 1, it can be seen that there are three main elements which need to be centralized namely legislation, development and financial. Then, Figure 2 shows the process that need to be taken for a property to be developed. Not only does it involves the Majlis Agama Islam Negeri but also a lot of other agencies. These agencies also contribute to the development of this framework as sub elements. Thus, as it is been said earlier in this study, more sub elements will be included and excluded in this framework until satisfactorily towards suitable and workable integrated waqf framework. The core elements that should be the base or foundation in every detail are to be compliance with Syariah Law. From this study, it is hoped that an integrated framework which incorporate all of the elements namely core, main and sub elements can be generated into a complete framework as a guiding tool to the administrator.

As many researchers have been exploring the potential use of waqf land and properties, there is no study being carried out on the development of waqf land by using Structural Equation Modeling (SEM) to generate and develop an integrated framework. This integrated framework is hopefully can be used not only by the waqf personnel in Majlis Agama Islam Negeri Pulau Pinang but also to other Majlis Agama Islam Negeri, developer, town council, State government and other agencies involved in the development of waqf land. In addition, it is hoped that this study can gives new idea to students towards the advancement of statistical analysis such as SEM to be used in

developing new and integrated framework. From this study, hopefully major problems among administrator can be ease out in finding the guidelines on development of waqf land. Modern and beneficial developments can be planned by using this integrated framework. Not only will it be beneficial to the Muslim community but also to all public irrespective of religion, race and nationality.

## CONCLUSION

This article has tried to show the significance contribution of the integrated framework towards development of Muslim economic development. Islamic countries experience has shown that the objective of Waqf has managed to distribute wealth in society by using financial and property in line with the aims of humanity to expand opportunity and access vulnerable to the development of major infrastructure. In addition, through the development of Waqf and charities, welfare and prosperity in line with the private sector, government spending will be reduced. Hopefully, community can benefited from this new development i.e. hospitals, recreational areas, public market etc. The Muslim community in particular will foster the movement cycle of development in parallel with development in public and private sectors.

Currently, preliminary works on waqf lands in Pulau Pinang for this study has been carried out. Collections of data regarding number of lots of waqf land in Pulau Pinang according to the five districts have been collected. Past, current and future development of waqf land in Pulau Pinang has also been identified according to classification of development on the property. Interviews with personnel in MAINPP have been conducted in order to determine the roles and functions of MAINPP. Information on the distinctive role towards development of waqf land has also been discussed. In future, more investigations regarding legislation and financial will be carried out to explore the problems arising in these fields. Also, sets of questionnaires will be distributed to collect data from different personnel according to their field of work. Data collected will be used to develop and validate the integrated framework by using SEM. Overall, the flow of this study is going smoothly. Attention and consideration has been put on a higher ground towards limited number of personnel in the areas of legislation with regards to Syariah Law as there is only a few legislators who practice Syariah Law in Pulau Pinang whom have vast experience and knowledge regarding waqf.

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