

## **CRAFTING A NEW HOLISTIC WAQF TOURISM MODEL: ENHANCING GOVERNMENT SPENDING STRUCTURE**

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### **1.0 Abstract**

Tourism sector is the third largest contributor to the Malaysia's economy. Aggressive measures have been taken to boost Malaysia as a leader in the tourism sector which are then lead to an increasing of spending by the government. Due to critical budget availability, one of the alternatives to reduce the spending is to utilise waqf model as an innovative way to fund the tourism sector without relying on government funding. Waqf Tourism Model can help the government to reduce the expenditure in tourism sector. The spending structure can be identify in tourism sector which could be reduced and to construct a Waqf Tourism Model.

### **2.0 Introduction**

Tourism industry is very important to Malaysian economy. The industry contributes to 13.7% of GDP for Malaysia in 2016 with the contribution of RM182.4 billion to the economy. As for now, aggressive measures have been taken to boost Malaysia's tourism and hospitality industry, which include hotels, foods, restaurants, chefs, as well as food services equipment and suppliers, that help to maintain the industry as the third largest contributor to the country's economy (Department of Statistics Malaysia, 2017).

Government has plan many activities and efforts to sustain the growth of the industry as well as to put Malaysia as a leader in Tourism. According to Deputy Minister of Tourism and Culture, Datuk Mas Ermieyati Samsudin, combined efforts has been taken by various stakeholders to push the industry enabling the tourism industry to contribute RM73.3billion to the nation's coffers in 2017.

Tourism Malaysia forecast for tourist arrivals in 2018 will increase to 31.8 million while revenues are expected to reach RM118billion. Tourism and hospitality industry is recognised as one of the National Key Economic Areas in the government's vision to help make Malaysia a high-income nation by 2020. By 2020, Malaysia is targeted to draw some 36 million tourists with tourism receipts projected at RM168billion.

Therefore in order to maintain the industry sustainability, government need to maintain the tourist attractions, facilities as well as service provided to tourists both local and foreign; which will then lead to an increasing of expenditure. One of the alternatives to reduce the spending from government and private spending, we proposed to utilise waqf model as one of the solutions.

Waqf, which literally means “religious endowment”, is recognized by the Islamic law as religious, pious or charitable donation. The waqf system also can contribute significantly towards huge reduction in government expenditure, therefore lower the need for government to borrow (Cizacka, 2000). Waqf is one of the significant institutions in Islam. It has played a vital role in the development of the Muslim ummah in various aspects of ensuring the communities received better quality of life. It is also attain a better distribution of income in the economy through waqf (Htay et al., 2012). Waqf also have been identified as known solution to balance the human development and economic system (Khairil Faizal Khairi et al., 2014). Waqf is a not-for-profit organization (NPO).

Waqf is significantly different from profit based organizations in terms of achieving its objective. Objective of a NPO is to fulfill, for example, some socially desirable need of the community or its members (Singh & Mirchandani, 2006). Technically, performance is based on organization’s achievement on targets set. Good performance is vital in ascertaining relevancy of an organization to the community it serves. For example, waqf has proven to serve community in many countries such as Egypt and Turki. Waqf has played important role in the development for many industries including Tourism in Turki for hundred years (Razali Othman, 2017).

However, Waqf in Malaysia, as a Muslim country; is not widely practiced, even though waqf in Malaysia essentially and significantly possesses huge potential (Megat Mohd Ghazali, 2007) particularly to sustain the commercialization facilities, to establish commercial attractions as well as basic facilities; all has been implemented in middle east countries. Even though Waqf is one of the important elements towards Islamic civilizations; yet, lots of opportunities not yet explore, particularly in Malaysia. Due to this, waqf is expected to be one of a solution to the sustainability of tourism industry problem as there is no specific framework on how waqf practices can help this industry.

This study will be a source of reference on the waqf tourism model for policy makers. The policy makers can develop the effective ways to increase on the waqf tourism funds and reducing the government overall spending on tourism sector.

There are few existing literatures on the waqf tourism. This situation shows that there are lacks of studies that cover on the waqf tourism. This study useful to the future researchers who have interest in this particular topic where it can acts as references and guidelines. Based on the limitations, the future researchers can use the limitation of study to make improvements on that particular area.

### 3.0 Literature review

#### Tourism in the Malaysia's Economy

Over the last decades, Malaysia's Tourism Industry shows continuing growth in demand and the worldwide expansion. According to Tourism Malaysia statistics, Malaysia has receipts about RM82.1 million with total arrivals of the tourist are about 26.76 million. Hence, this competitive industry had putting this sector as the third largest contributor to the Malaysia economy (The Star, 2017).

Tourism can bring many definitions from numerous perspectives. But ones for sure, there are people that involves with activities of travelling and staying whether inside or outside their countries for the purpose of either leisure or business for not more than one consecutive year (Tourism HR society, 2017). This is parallel to The World Tourism Organization (1995) which defined tourism as "beyond the common perception of tourism as being limited to holiday activity only", as people "traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes". Besides, form the conventional perspectives of Towner (1995), through his article on History of Tourism, it can be defined as the activities of the affluent, occurring in particular tourism settings such as resorts or lengthy tours. These forms of tourism are prestigious events which occurred periodically in people's lives and their significance is generally assessed in quantifiable terms such as length of visit and economic outlay.

Nowadays, tourism has been vital importance of many countries as this sector can lead to substantial benefits to the country. Thus, in making it success, tourism industry requires the ability to adapt constantly to the fast changing of taste and preferences of customers, their safety and needs, activities and enjoyment, in order to reach the tourist/customer's satisfaction. Not limit to that, this industry also contributes to the other sectors and industries in Malaysia such as job sectors, transportation, travel services, recreation and entertainment, accommodation, food and beverage services and many more. This has been agreed by Andre and Melchor, (2015), Archer and Fletcher, (1996) and Frechtling and Horvath, (1999) saying that international and regional experiences has reveals that tourism industry significantly bring positive direct and indirect effects to the local level via generating production and employment, as well as increasing wages and capital revenues for the country.

For instance in Malaysia, as reported by World Travel and Tourism Council through Travel and Tourism Economic Impact 2017 report, the total contribution of Travel and Tourism Industry of Malaysia to GDP was RM167.5 billion, 13.7% of GDP in 2016, and is forecast to rise by 4.2% in 2017, and to rise by 5.4% pa to RM295.6 billion, 15.9% of GDP in 2027, while directly supported 639,500 jobs (4.5% of total employment) in 2016 and 6.5% of total investment approximately RM20.6 billion in a year. Malaysia also is ranked 27 out of

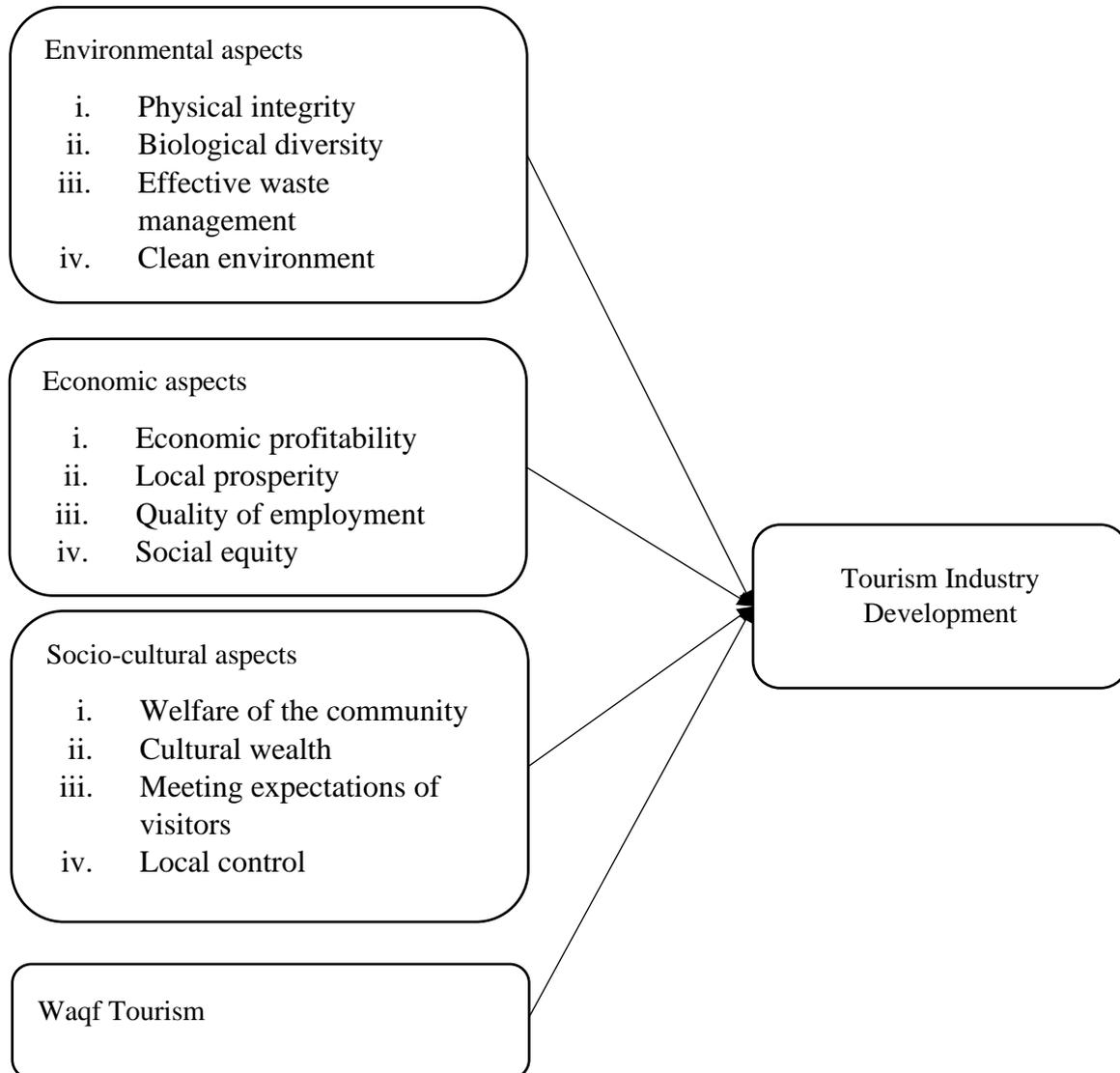
185 countries all over the world in the World Tourism and Travel Council's global tourism satellite accounts (TSA).

In other perspectives written by Wattanakuljarus and Coxhead (2008), tourism usually a very popular development strategy adopts by low-income countries to gain profits for the country. This is because of three main reasons; first the country can earn through foreign exchange which in return will contribute to the economic growth. Secondly, tourism is services in nature which so called labor intensive, thus the expansion of the industry will create jobs to the local as well as increase revenue distribution. Third is because tourism known as "clean" industry which is good for the environment especially for the low-income countries as well as developing countries which not requires a lot of expenses for the Government to spend on. Besides, tourism helps the government to curb the poverty alleviation impact through creating jobs for unskilled workers.

### **Sustainability of Tourism Industry**

The first definition of sustainable tourism has been declared by the United Nation World Tourism Organization in 1996: "tourism which leads to management of all areas, in such a way, that the economic, social and environmental needs are being fulfilled with the cultural integration, ecological processes, biodiversity and supporting the development of societies". In addition, with reference to the concept of sustainable development, UNWTO said that sustainable tourism was also a process that "takes into account the needs of present tourists and traveller needs for future generation as well" (Fannel, 2003)

## Theoretical Framework



The framework of sustainable tourism includes the guidelines and practices that should be considered not only in relation to specific categories of tourist activity, but also in relation to the framework for creating all forms of tourism, including mass tourism and its types. The concept of sustainable development based on environmental, social and economic grounds, which are also basis for sustainable tourism. Sustainable tourism activities should be characterized by (Buckley 2009):

- i. Optimal use of natural resources, proper environmental management processes and efforts to preserve biodiversity, - Respect for socio-cultural attitudes of the local community, the preservation of cultural and traditional values, as well as taking action to intercultural understanding and tolerance, - Ensuring real and lasting economic processes enabling to benefit society by all actors involved, including stable employment and income-earning opportunities. 2.

- ii. The success of tourism in the long term, depends on whether the tourism sector is able to manage economic, social and environmental aspects which are also the sustainable development's dimensions. (Wearing, 2012)
- iii. Environmental dimension - the quality of the environment and its natural resources, very often, constitutes a tourist attractiveness of the place, so any activity that adversely affects the environment or the natural resources in the long run, worsen the attractiveness, from the point of tourism view, which leads to a smaller number of visitors and less revenue from tourism, - socio-cultural dimension - the social and cultural heritage of the area plays an important role in tourism, particularly in areas with high cultural or artistic value, or in places where local traditions and values play a significant role, in such places tourism can play a significant role such as creating new jobs positions, carry out actions to preserve the heritage, but also can lead to addiction of these places from foreign companies or tourist operators,
- iv. The economic dimension - tourism not accordingly carried out with the principles sustainable development concept, contributes to the social and environmental costs, which in the long term, can outweigh financial income due to tourism. In case when these costs are not taken into account when the revenues from tourism are estimated, the results of future projections can distort images and lead to wrong planning. Therefore, sustainable tourism is highly dependent on the ability to increase the financial benefits, achieved by all participants involved in the tourism sector, including the ability to maintain social, cultural and environmental heritage. This means that the form of tourism should be developed with taking into account various aspects (Harris, Griffin, Williams, 2002).

### **Definition and Characteristics of Waqf**

The word waqf or some might have called it awqaf which means causing a thing to stop, contain or to preserve, is derived from the Arabic root verb waqafa, (Murat, 1998). Waqf in Arabic literally is *al-Habsu 'an at-Tasarruf* (Az-Zuhaili, 2004; As-Syarbini, 2004; Ad-Dimasyqi, 1998) which means to hold, keep or detain (Ad-Dimasyqi, 1998 ; Al-Khin, Al-Bugho, & Al-Syarbajieyy, 2000) (Al-Dasuqi, 2003) (Az-Zuhaili, 2004). It does also bring other definitions which is pious (charitable) foundations (Murat, 1998). National Awqaf Foundation of South Africa (NAFSA) outlines that in Shari'ah, Waqf is a voluntary, permanent, irrevocable dedication of one's wealth - in cash or kind - to Allah. NAFSA mentions once waqf, he has never been arrested, inherited, or sold. It belongs to Allah and the corpus waqf always remain intact. Kahf (1998) added waqf from Shari'ah perspective as "holding a maal (an asset) and preventing its consumption for the purpose of repeatedly extracting its usufruct for the benefit of an objective representing righteousness or philanthropy."

Under Islamic law, Waqf is an unincorporated trust established by an individual owner of immovable property for continuous service provision. In addition, Waqf is not

necessarily in the form of fixed assets such as land or buildings but may also be in the form of liquid assets such as cash or stock. This matter was agreed upon by Rashid (2011) in his previous study saying that With respect to potential assets to cover including: (1) an endowment of title to some property from which any benefit, interest or profit may be derived; (2) an endowment of any interest or profit from some property; (3) "waqf by the consumer", and such waqf shall not be solely by the user who has ceased, irrespective of the term of such termination; (4) grants or nazar commonly known as religion and charity; (5) family waqf (waqf al-aulad), and (6) waqf al nuqud (waqf cash). Given all the types of assets mentioned by Rashid, and this also coincides with Kahf (1998), it becomes clear that waqf should not be enclosed in the form of fixed assets as widely assumed by the majority of Muslims but can also be in different forms either in the fixed or liquid asset.

### **Waqf in Islamic Economic Development**

Many believe that the waqf system is not a new affinity for modern Islamic economics. Since eighth (8th) century till now, most Muslim-dominated state had provided a large scale of public goods to their country. These widespread resources flow to waqf resulted to a number of services financed through waqfs include mosques, schools, hospitals, fountains, roads, parks, accommodations, bathhouses, orphanages, and soup kitchens. For instance, services to big cities in the Middle East mostly were supplied largely by waqf. Waqf can be regarded as a fundamental economic institution for the purpose of generating economic activities whilst simultaneously ensuring benefits to a particular part of society (Alhabshi, 1991).

Murat (1998) agreed that the Waqf system contributed substantially to reducing government spending leading to a decline in budget deficits, which lowered government lending requirements by cutting down the 'crowding-out effect' and leading to a reduction in interest rates which resulted in the fundamental barriers to private investment and growth. Obviously waqf is not part of government expenditure. Indeed, the waqf system applied in various essential services such as health, education, municipalities, land, building and many more which have been made available in history at no cost to the government. This happened with the of individual or private sector involvement. Waqf system encourages any individual or private sectors participation via their voluntary actions and automatically will reduce government involvement in the economy. The more waqf funds collected for certain development projects that benefit the community, the lesser the government will be for certain projects Mochammad (2014).

Waqf has played a precious function in economic aspect and always has potentialities to do so. Waqf could be regarded as a fundamental economic institution for purpose of generating economic activities whilst at the same time ensuring that the benefits will accrue to the certain part of the society.

In economic sense, waqf could be defined as diverting funds and other resources from the current consumption and investing them into productive and prospective assets which generate revenues for the future consumption by individuals or society at large. Waqf is therefore a peculiar combination between the act of savings and the act of investment. It operates by taking certain resources off consumption and simultaneously putting them in the form of productive assets that increase the accumulation of capital in the economy. The waqf implies a sacrifice of a present consumption opportunity for the benevolent purpose in providing income and services for the society and following generations.

In line with the principle of perpetuity in waqf, a waqf asset may not sold or disposed of in any form. It should remain in the waqf domain perpetually. Should there is a new waqf, it will be added to that domain. Therefore, waqf assets will continually increase and at the same time they are not permitted to decline due to the prohibition to consume the assets of waqf or to leave them idle by any action or neglect or transgression. Hence, waqf is not only an investment, but it is a cumulative and an increasing investment. This is support by the historical development of the Muslim lands where the extent of waqf properties were estimated at over one third of the agricultural land in several countries including Turkey, Morocco, Egypt, and Syria.

The dynamism of the waqf institution and its mechanism hence could bring about essential contributions to the economic development in the present time.

#### **4.0 Conclusion**

Based on discussion in this article, it is clear that there are many benefits that can be derived from the establishment of waqf tourism model. Indeed, not only help government to lower down expenditure in tourism sector and also help to sustain the tourism industry itself.

With the concepts and the principles for the establishment of waqf tourism in this article, we hope that the content will become interest to the relevant tourism organizations and stakeholders.

We believe that the other experience of those waqf endowment based in other sectors could be the inspiration for the Malaysia authority and also other countries to have their own waqf based tourism. This would absolutely lead them to becoming a permanent future.

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