

Waqf-Based Social Business: A Financial Alternative to Private Tahfiz Institutions

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Abstract: Tahfiz institutions are now gaining popularity among Malaysians, and they have a lot of potential to be part of the mainstream education system. The growing demand for Tahfiz has resulted in a rise in the number of Tahfiz institutions in Malaysia especially private Tahfiz owned by individuals. However, most of the private Tahfiz institutions in Malaysia face financial constraints and struggle to obtain sufficient funding for their operations and infrastructure development. This may affect the operation of Tahfiz institutions in general. Therefore, the lack of funds has had many direct and indirect effects on the operation of Tahfiz institutions. Lack of resources, especially financial, hinders the institution's ability to provide a conducive learning environment for students. Tahfiz institutions in Malaysia are completely dependent on student fees as their main source of funds. Thus, this paper aims to propose the role of waqf as an alternative to help Tahfiz institutions, especially private Tahfiz in ensuring the sustainability of their operations. A review of existing literature on waqf education, development of private Tahfiz, and financial constraint. A proposed model was developed to assist the financial burden of private Tahfiz through a Waqf-based Social Business model.

Keywords: *Waqf, Tahfiz, Private Tahfiz, Financial and Social Business*

1. Introduction

The growing demand for Tahfiz education has led to an increase in the number of private Tahfiz institutions in Malaysia. To meet market demand, many Tahfiz institutions have been established mainly by individuals. The Tahfiz institution is an organization that specializes in educating students to read and memorize the al-Quran entirety (Bani, Katan, Noor & Fatah, 2014). The number of registered Tahfiz institutions in Malaysia has increased from only 58 in 1999 (Bani et al., 2014) to 1237 in 2022 (JAKIM, 2022). These institutions are either managed by the federal government through the Malaysian Islamic Development Department (JAKIM), the Ministry of Education, and the state government under the State Islamic Religious Council (SIRC) or privately owned. Privately owned Tahfiz institutions may be owned by foundations, Non-Governmental Organizations (NGOs), or individuals. This institution is registered under SIRC, the Registrar of Societies, or other agencies such as the Malaysian Companies Commission.

However, many Tahfiz institutions face financial constraints and struggle to obtain sufficient funding for their operations and infrastructure development. This can affect the quality of facilities, teacher salaries, and overall student welfare. Lack of resources hinders the institution's ability to provide a conducive learning environment and comprehensive support to students. Tahfiz institutions in Malaysia depend on various sources of funds to support their operations and provide quality education to their students. Student fees are the basic funds of each Tahfiz institution that will be used to cover their operating expenses. However, most Tahfiz institutions in Malaysia charge a minimum fee and it is not enough to cover all their monthly expenses.

Thus, waqf is seen as one of the alternatives to ensure the financial sustainability of Tahfiz institutions. Waqf is a form of Islamic philanthropy in which individuals or organizations donate property, assets, or cash to be used for a specific purpose, such as supporting educational institutions. Tahfiz institutions may benefit from waqfs that provide a sustainable source of income for their activities. Therefore, this study is necessary to highlight the role of waqf as a financial alternative to private Tahfiz institutions. By focusing on Waqf-based Social Business, this study aims to combine waqf and business as one of the best solutions for private Tahfiz

institution's sustainability. This is important to ensure the private Tahfiz can provide basic facilities and a better environment for their student which in turn will improve the quality of their education and performance.

2. Overview of Waqf Education in Malaysia

Waqf also has an important role in improving the development of religious schools. Waqf educational institutions are organizations that are developed by using waqf in the form of cash, land, or buildings for religious education (Latif, Ramli, Ismail, Sulaiman, & Daud, 2008). The history of waqf education in Malaysia began with *Sekolah Pondok* which involved the establishment of Madrasah and later changed to religious schools. Basically, in Malaysia, three types of waqf schools differ in the type of ownership and management. The first type of religious school is registered as a private school under waqf ownership, and management is under the responsibility of teachers or the community. However, this school is funded by the federal or state government and MAIN. Another type of waqf school is the State Religious School (SAN) and Community Religious School (SAR). Both schools are under the responsibility of MAIN as the sole trustee and are fully funded by the state government (Salleh & Rahman, 2014).

Despite the development of waqf in other sectors, Malaysia aims to have waqf-based universities or higher education. Thus, in line with the government's policy under the Higher Education National Strategic Plan to transform higher education that emphasizes on own income for development and management purposes (Muhammad, Rahman & Ahamd, 2016), waqf is seen as a solution for financial issues in education (Hilmiyah, Mohd Shafiai, Ahmad, Ramzi, & Che Hariff, 2013). In addition, the increase in development costs also affects the cost of education significantly.

Although Malaysia does not yet have a fully waqf-based university, some higher education institutions have started a waqf university or a waqf-based university concept that focuses on the collection of cash waqf (Ali & Wahid, 2014). There are six public universities and one private university in Malaysia that have established waqf programs in their institutions.

Initially, the International Islamic University of Malaysia (UIAM) introduced the International Islamic University of Malaysia Endowment Fund (IIUMEF) in 1999. In 2002, Universiti Putra Malaysia (UPM) introduced the "Knowledge Endowment" scheme while Universiti Kebangsaan Malaysia (UKM) with "Dana Waqf" and their UKM Infaq. Universiti Malaysia Sabah (UMS), Universiti Teknologi Malaysia (UTM), and Universiti Malaysia Pahang (UMP) respectively introduced the Scholarship Trust Fund, the UTM Endowment Fund, and the Endowment Trust Fund. While Kolej Universiti Bestari (UCB) has used the concept of selling and endowment (Che Yaacob & Muhamad Don, 2013; Salleh & Rahman, 2014). The university management has sold the entire UCB land and donated it for RM30 per 0.01 square meter. This concept has been successful and UCB managed to collect up to RM6 million from the endowment. Most of these university waqfs will donate cash waqf by purchasing the scheme or making monthly salary deductions. Most of the recipients of these waqf funds are students to finance their education and help reduce their financial burden (Ali & Wahid, 2014; Ismail, Rosele, & Anuar, 2015; Latif et al., 2008; M. Sulaiman et al., 2009). For example, IIUMEF has successfully helped 4000 students by providing scholarships at IIUM.

3. Development of Private Tahfiz Institutions in Malaysia

During the early establishment of the government-run Tahfiz institution, this institution only recruited high-level students (SPM graduates above), and they must also have excellent academic achievement. This is due to limited financial resources in offering scholarships to prospective *Huffaz* by the government. This situation has provided an opportunity for the private sector through private individuals and organizations to set up Tahfiz institutions as an alternative to those who wish to become *Hafiz* but do not achieve the qualifications required by the government. Private Tahfiz institutions have also offered the opportunity to learn Tahfiz in the early stages of education.

The historical context holds that the first private Tahfiz institution in Malaysia was Maahad Tahfiz wal Qiraat in Jeram Selangor in 1981. It was followed by the Madrasatul Quran Kubang Bujuk Terengganu in 1982 (Ismail, 2018; Nawi, Yusuff, Yaacob, & Salleh, 2014). The initial stages of the establishment and ownership of private

Tahfiz institutions are individual. Most are pioneered by individuals involved in the activities of *Jama'ah Tabligh*. This is because many of the *Jama'ah Tabligh* members have traveled abroad especially to India and Pakistan to carry out their preaching activities. They found out the model and method of memorization used by the other country were interesting and could be implemented in Malaysia as well. Thus, many of them have established private Tahfiz institutions to deliver knowledge of memorization that they have learned from other countries. (Ismail, 2018).

Based on the distribution of private Tahfiz Institutions in Malaysia (refer to Table 1), Selangor has the highest number of registered Tahfiz with 385 institutions followed by Johor and Perak. While Sarawak has the fewest registered Tahfiz institutions. The large gap between the number of registered Tahfiz is due to the different regulations imposed by each state.

Table 1: Total Number of Private Tahfiz in Malaysia

No	State	2020	2021
1.	Johor	122	152
2.	Kedah	62	91
3.	Kelantan	55	56
4.	Wilayah Persekutuan	24	32
5.	Melaka	42	61
6.	Negeri Sembilan	46	54
7.	Pahang	61	82
8.	Perak	79	111
9.	Perlis	14	17
10.	Pulau Pinang	35	46
11.	Sabah	39	48
12.	Sarawak	17	31
13.	Selangor	334	385
14.	Terengganu	50	71
	Total	980	1237

Since Tahfiz institutions in Malaysia are under the management and responsibility of SIRC's in each state, the operating procedure of this Tahfiz is different according to each state. This has caused significant differences in the aspects of school registration, control, reporting, and recruitment of teachers and students. This has also caused Tahfiz institutions, especially private Tahfiz in Malaysia, to have an inconsistent Tahfiz curriculum. Generally, there are two categories of curriculum offered which are traditional and modern. The traditional curriculum only focuses on techniques and memorization related to the Al-Quran. Whereas modern Tahfiz combines the Tahfiz syllabus with the current education curriculum. The combination of learning measures has the potential to help students memorize the Quran and excel in academic aspects and this has become a new attraction in Malaysia (Ismail, 2018). Indirectly, it also opens more opportunities for Tahfiz students to continue their studies at government institutions. However, the combined syllabus is used by Tahfiz under the state or federal government while most private institutions still use the old syllabus.

To empower Tahfiz institutions, the government has introduced the National Tahfiz Education Policy (DPTN). The main objective of DPTN is to ensure that Tahfiz institutions produce students who are involved in professional services. There are four main curriculum modules under DPTN which are Tahfiz Turath, Tahfiz Sains, Tahfiz Dini, and Tahfiz Vocational. In addition, Darul Quran collaboration and institutions of higher learning offer the Diploma of Tahfiz Al-Quran Wal Qiraat which is also a program created by the government to help Tahfiz students to continue their studies at institutions of higher learning. Currently, this program is running in 10 universities and colleges such as Universiti Tenaga Nasional (UNITEN), Universiti Teknikal Malaysia Melaka (UTeM), Johor College of Islamic Studies (MARSAH), Universiti Melaka (UniMel) and Universiti Kuala Lumpur (UNIKL). DPTN is the first step of the Malaysian government towards the uniformity of private Tahfiz institutions.

Financial Constraint of Private Tahfiz Institutions

Tahfiz institutions in Malaysia depend on various sources of funds to support their operations to provide quality education to students. First, student fees as their basic fund. Tahfiz institutions will charge fees from students to cover their operating expenses. These fees may vary depending on the institution, its facilities, and the level of support provided to the student. However, most Tahfiz institutions in Malaysia charge a minimum fee and it is not enough to cover all monthly expenses because the fees that cannot be collected are from poor and poor students (Rohayu et al, 2020).

The next source of funding is Zakat. Zakat is a form of charity that is obligatory in Islam. In Malaysia, the collection and distribution of zakat is managed by MAIN in each state. Tahfiz institutions may receive zakat funds to support their operations and provide financial assistance for qualified students. In some cases, Tahfiz institutions have been appointed as Amil to collect Zakat from people and get a certain amount as agreed as their share. For example, the Perak Negeri Al-Quran Education Foundation has been appointed as Amil by MAIN Perak and receives 50% of the total Zakat collection. Thus, this Foundation has distributed financial assistance to all Tahfiz institutions under its management. However, the amount is not enough to cover operational expenses such as their staff salaries. This is because the recipients of Zakat funds are limited to the specified categories only. Zakat funds cannot be used to finance other expenses. Hence, the issue of lack of financial funds is still happening.

In addition, donations and waqf are another source of funds for Tahfiz institutions. Tahfiz institutions often rely on donations from individuals, organizations, and the public. Generous individuals or businesses will contribute funds, assets, or scholarships to support the institution's financial needs and improve the institution's facilities and infrastructure. Waqf is a form of Islamic philanthropy in which individuals or organizations donate property, assets, or funds to be used for a specific purpose, such as supporting educational institutions. Tahfiz institutions may benefit from waqf which can provide a sustainable source of income for their operations. However, the most popular type of waqf given to Tahfiz institutions is the traditional waqf in the form of assets such as land or buildings to build the school. Therefore, no income generation can be made from the given asset as it is not used commercially.

In a nutshell, financial issues are among the main constraints that plague private Tahfiz institutions in Malaysia. Although the federal and state governments have provided various financial assistance, it cannot cover the monthly operating costs required by a Tahfiz institution. Therefore, a sustainable financial mechanism needs to be established to help Tahfiz institutions continue to operate smoothly so that the main objective of its establishment can be achieved. Therefore, as a result, waqf is viewed as beneficial in accomplishing that goal.

4. Proposed Financial Alternative: Waqf-Based Social Business

Waqf is part of Islamic philanthropy that can provide a strong financial structure in understanding the high potential social context such as business and social entrepreneurship. This activity is important to preserve the quality of life and well-being of the community (Lewis, DiGiacomo, Lockett, Davidson, & Currow, 2012). The role of waqf as a financial source in improving business and entrepreneurship needs to be implemented properly (Kahf, 2013). Previous studies have also agreed that waqf has the potential to be part of business or entrepreneurial funds among Muslims (Ahmed, 2015).

From the perspective of legal provisions, waqf property has been allowed to be invested in commercial activities to generate continuous interest. In Johor, Section 25, Islamic Administration Enactment 1978 allows the waqf committee to invest in waqf property in compliance with the conditions approved by Islamic law. Apart from that, Section 7 (2) (c) (Act 505) authorizes the Council and other agencies or individuals to carry out activities following the meaning implied by the relevant Section (Mahamood, 2007).

In Malaysia, most previous studies focus more on the preservation of business waqf and entrepreneurship, implementing social entrepreneurship through corporate waqf (Zainol et al., 2014), creating waqf entrepreneurs (R. Ali et al., 2015), suggestions for developing a waqf business model (Ali, Rahman, Ahmad, & Mahdzan, 2015) and empowering education using waqf funding (Mahamood & Ab Rahman, 2015; Harun et al., 2014). Most waqf models that have been developed in the country are mainly focused on single-factor waqf

models (that is, legal models, management models, and financing models); there is little, or no research has been developed on waqf business or comprehensive entrepreneur models (Ali et al., 2015).

Apart from Malaysia, Hariadi, (n.d.) mentioned the latest development of waqf in Indonesia. This study found that the practice of business waqf and entrepreneurship is very helpful in meeting the development needs of the community. This is considered through the implementation of various activities to mobilize waqf resources. Hasan (2011) also developed a waqf-based model to be used for Muslim small and medium enterprises (SMEs) in Singapore. This study confirms that, the need to establish a business model and entrepreneurship based on waqf funds. This model is proven by the establishment of two cooperatives under the auspices of the Singapore Climbing Foundation. However, due to the lack of experience in the operation of Islamic financial instruments, the cooperative has failed. This proves that the implementation of waqf funds in entrepreneurship and business requires deep planning.

Although it is proven that waqf funds have a high potential to be developed, Salarzahi, Armesh, & Nikbin, (2010) explained that waqf is one of the entrepreneurial patterns that require the use of business skills and entrepreneurial innovation. This is important to facilitate the use of profits to eliminate poverty and achieve social welfare strata. Apart from skills and planning, the most important thing in synthesizing the concept of waqf into business and social entrepreneurship is adherence to Sharia principles (Nawi & Daud, 2016).

Social businesses differ from traditional businesses that aim to maximize profits and non-profit organizations that rely on charitable donations. The main objective of social business is to address social problems or issues by using business strategies. This involves developing and selling products or services. Social businesses have a specific business structure that distinguishes them from other types of social initiatives. This means that the focus of social business is not to generate profits or distribute dividends to shareholders, but to achieve social objectives.

Therefore, developing a Waqf-Based Social Business is seen to be able to solve the financial problems faced by most private Tahfiz institutions in this country. A Waqf-Based Social Business model needs to be created to help Tahfiz institutions understand more clearly the implementation method of the model and further help to reduce the financial problems they face.

5. Conclusion

Tahfiz institutions are getting more and more attention among the community in this country. The development potential of this institution can be seen with the increase in the number of Tahfiz institutions, especially private Tahfiz. However, financial issues are among the main issues that plague most of these institutions. Therefore, a financial mechanism needs to be developed to help alleviate the problem. Hence, a Waqf-based Social Business model needs to be created to help Tahfiz operators understand the business concept and further help them overcome the financial problems they have encountered. Thus, this study provides specific insight into waqf education, the development of private Tahfiz in Malaysia, and the financial constraints faced by these institutions. This paper is only limited to the literature review discussion and proposed model. However, the suggested model is still new in the context of private Tahfiz in Malaysia. Future studies shall be conducted on empirical aspects of the impact of Waqf-based Social Business among private Tahfiz.

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