

EXTERNAL RESTRUCTURING: CHALLENGES TO WAQF INSTITUTIONS IN MALAYSIA

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ABSTRACT

Waqf plays an important role in Muslim society. In Malaysia, waqf is placed under the jurisdiction of the state governments, which resulted in 14 sole trustees with different performance. Several studies propose external restructuring to improve waqf institution's performance, but most of the SIRC's still maintained the traditional structure. Our study attempts to examine the challenges and constraints faced by the SIRC's to implement external restructuring. In depth interviews were conducted involving 11 informants from seven waqf institutions. The findings indicate two (2) major challenges faced by the SIRC's if they want to proceed with the external restructuring, which are cost constraint and other stakeholder's constraint. Cost constraint consists of payroll, operational and development cost. Payroll cost will be huge as the new subsidiary will hire new team that only focus on managing waqf. Operational cost is the common cost to run the organization such as administration and overhead while development cost refers to the cost related to managing, maintaining, expanding and sustaining waqf property. Stakeholders' constraint refers to the approval on restructuring plan. External restructuring does not offer the solution over night. SIRC need to carefully plan their strategy, especially on financial before they can see the result.

Keywords: Waqf, Waqf Management, External Restructuring, Organization Structure

INTRODUCTION

Waqf institution plays a significant role in Muslim societies. It has grown steadily and benefitting people in various fields, such as education (Siti Mashitoh & Asmak, 2015); welfare (Razali & Rohayu, 2011); healthcare (Norsiah & Farahdina, 2009); sosio-economy (Pirasteh & Abdolmaleki, 2011); religion (Razali, 2015) and so on. This glorious institution had been summarized by Yediyildiz, a renowned Turkish writer and always quoted by researchers in this field;

"...a person would have been born into a waqf house, slept in a waqf cradle, eaten and drunk from waqf property, read waqf books, been taught in a waqf school, received his salary from a waqf administration, and when he died, placed in a waqf coffin and buried in a waqf cemetery (Razali, 2015)."

Despite its overwhelming achievements, the history of waqf is turbulent, which the system experienced dramatic ups and down. Cizakca (2011) reported that the greatest destruction of waqf took place in Turkey. Since then, the underdevelopment and backwardness of waqf system haunted the Muslim societies for such a long time (Cizakca, 2011). However, to this date, we can see the revival of waqf in various countries such as Saudi Arabia (Hydzulkifli & Asmak, 2013); Indonesia (Hari & Asmak, 2010) and Singapore (Shamsiah, 2011).

Mohd Fadzli, et al., (2017) reported that there are 31 hectar waqf land available in Malaysia. Former Chief Executive Officer of Yayasan Wakaf Malaysia (YWM) once mentioned that only around 10% of waqf land had been developed (Sudin, 2016). Great efforts had been done by various stakeholders to unlock the potential of waqf so it can benefit Malaysian community, especially Muslim. Last year, in his speech at Dewan Rakyat, Minister of Religious Affair had announced the commitment to established National Waqf Masterplan to ensure efficient waqf management. This masterplan will cover all aspect of waqf, including financing, management, and development of waqf assets. On 13th April 2021, our Prime Minister had launched Bulan Wakaf Kebangsaan 2021. Nowadays, we could see a lot of efforts been done to draw waqf as national agenda.

Towards unlocking the potential of waqf, we have to carefully examine the critical area need to be improved in State Islamic Religious Councils (SIRCs) the sole trustee of waqf in Malaysia. Previous researchers had discussed the issue of management such as lack of staff (Munerah et al., 2016), the needs of professionals (Ismail, 2015) and inappropriate structure (Mohd Afandi et al., 2014). External restructuring had been proposed by Nurul Azma, et al., (2017) to overcome the said issues. The proposed solution once mentioned by Nor Asiah (2015) and later supported by Ahmad Shazrin, et al., (2017). However, most of the SIRCs still maintained the traditional structure. Given this, our study attempts to examine the challenges and constraints faced by the SIRCs to implement external restructuring.

The rest of the paper is organized as follows. The next discussion provides the literature review, followed by the methodology used. The next section will discuss the finding and the last section concludes.

LITERATURE REVIEW

Waqf is charitable act and also known as Islamic endowment. From syari'ah point of view, waqf can be defined as retaining certain property with the intention of using the benefits for philanthropy act, where there is prohibition of waqf assets usage outside of its righteous purpose (al-Zuhaili, 2010). Waqf assets cannot be sold or disposed in any form. The perpetuity principle of waqf means that waqf assets only liable to increase from its domain since it illegal to left them idle by any action of neglect or transgression (Kahf, 1998).

In Malaysia, there are 14 SIRCs that act as the sole trustee in managing waqf. Other than the SIRCs, Jabatan Wakaf, Haji dan Zakat (JAWHAR) and Yayasan Wakaf Malaysia (YWM) had been established at the federal level. Both JAWHAR and YWM's objective is to strengthen waqf management in Malaysia. With the involvement of JAWHAR and YWM, the development of properties had been included in the national development agenda. The importance of waqf is reflected in the growing volume of research on waqf in various fields such as finance, law, education and management done by academicians.

Several research had focused on the issues lingering SIRCs in managing waqf (Kamarudin, 1992; Mohamad Zaim et al., 2013; Mohd Saharudin et al., 2003). Other reseachers proposed few solutions to improve performance of waqf institutions. Among the ideas discussed was to hire more professionals to manage waqf (Ismail, 2015) and improve organizational structure (Hassan Hapizi & Mohamad Idris, 2010).

Chandler (1962) defined organizational structure as the design of an organization through which the enterprise is being administered. Robbins (1990) explained that structure is the fundamental of the organizations. Through organization structure, the activities and tasks in such organizations are coordinated and delegated (Mintzberg, 1979) so that every member can cooperate to achieve the organizations' goal. Drucker (1999) emphasized the importance of organization structure as follows;

“The right organization structure is the necessary foundation; without it the best performance in all other area of management will be ineffectual and frustrated (pg. 223).”

As stated by previous researchers, structure is an important element in an organization. However, even a good structure does not produce good performance by itself, but a poor structure makes good performance impossible (Drucker, 1999). Unfortunately, there are limited studies on organization structure in waqf management.

A study by Hassan Hapizi & Mohamad Idris (2010) had focused on the organization structure of Baitulmal. They had proposed that Baitulmal should have a few departments for better management. However, the responsibilities of Baitulmal include managing zakah and other properties owned by the SIRC. Hence, this study did not specifically focus on waqf management.

Mohd Afandi, et al., (2014) discussed two options could be implemented by the SIRC; 1) Revamps and re-arrange the structure based on total area of waqf property and workload by the officers (internal restructuring); 2) Establish new entity focusing on waqf and baitulmal only (external restructuring). The research conducted by Nurul Azma and Muhammad Nasri (2015) regarding organization structure and performance only focused on reviewing the literature. Meanwhile, in discussing the administration of waqf land and the challenges from legal purview, Nor Asiah (2015) mentioned that the external restructuring might be an alternative for SIRC to focus and improve their performance on land development. Similarly, Anan (2015) also stated that having waqf corporation in each state as one of the agenda can be implementing to strengthen waqf sector in Malaysia, supported by Ahmad Shazrin, et al., (2017).

The study conducted and discussed above mentioned the potential of external restructuring by SIRC in order to rejuvenate their performance. However, to this date, there are still few SIRC maintain their waqf management under traditional structure. This paper aimed to explore the constraints and challenges faced by SIRC with regards of external restructuring. The methodology employed will be explained in the next section.

METHODOLOGY

This research applies a qualitative design approach, using in-depth interview to explore the challenges faced by the SIRC in implementing external restructuring. There are 14 SIRC as sole trustee of waqf in Malaysia. In this research, two (2) states had established new subsidiary to manage waqf while another four (4) states represented the rest of SIRC that have division or sub-unit to manage waqf in their organization. To strengthen our findings, we had interviewed representatives from YWM, the federal agencies under Prime Minister Department that work closely with the SIRC regarding waqf. Overall, 11 informants from six (6) states and YWM were interviewed. Interviews recorded with the permission of informants. Due to sensitivity and ethical consideration, the actual states and informants involved were disguised and subsequently coded as in the following table 1;

Organization	Position	Informant Code
A	Head Unit	RA-1
A	Head Unit	RA-2
B	Head Unit	RB-3
B	Head Unit	RB-4
C	Head Unit	RC-5
D	Head Unit	RD-6
E	Executive	RE-7
F	Head Department	RF-8
F	Board Of Director	RF-9
G	Executive	RG-10
G	Executive	RG-11

By using ATLAS.ti., the relevant codes and themes identified and extracted from the data. The findings will be discussed in the following section.

RESEARCH FINDINGS

From the interviews, this research identified two (2) major challenges faced by the SIRC's if they want to proceed with the external restructuring, which are cost constraint and other stakeholder's constraint;

Cost Constraint

Under this theme, three (3) factors were identified which are payroll, operational and development cost;

Payroll

Based on the interviews conducted, payroll is the main concern in implementing external restructuring. Establishing new subsidiary to manage waqf means that the SIRC's need to hire a group of people to get the job done. RF-9 shared their experience as per statement below;

"..we have a very minimum allocation, which only for salary..(RF-9)"

RF-9, represent the subsidiary structure, explained that they only received the allocation for salary from their SIRC. A number of staff had been set in their early establishment to make sure that the subsidiary work within the stated manpower and allocation. This statement was confirmed with RF-8 from the same organization. Meanwhile, RD-6 from SIRC structure shared his concern about the rumors on external restructuring lingered in his organization;

"..we have heard the rumors or hearsay about proposed external restructuring, but if they want to proceed with that idea, they must first look into SIRC's financial position..(RD-6)."

RD-6 explained that currently both waqf and zakat operate under one roof. If waqf were about to be manage separately, they have to plan very well, especially in term of financial. This was also supported with RG-10 from federal;

"..from my observation, SIRC's are understaffed and have a limited financial resources..(RG-10)."

Both RD-6 and RG-10 described current position of SIRC's. Suffering an understaffed with limited financial resources, they are aware that the external restructuring did not provide the solution overnight. Financial projection needs to be lay out before the subsidiary can stand on their own.

Operational

Apart from payroll, operational cost was the other cost mentioned mostly by the informants from subsidiary structure as they had experienced the issue;

"..the allocation was limited, so in term of operational, overhead, training etc., we have to manage it on our own.(RF-8)."

“..we have a very limited resources. We do marketing activities on our own budget. They didn't even allocate for board members' allowance. (RF-9).”

Among the cost being mentioned were office rental, overhead, Board of Directors (BOD) allowances and remunerations, training and marketing.

Development Cost

On the previous discussion, payroll and operation are recurring cost related to the common operation of any organization. In this paper, development cost refers to the cost related to managing, maintaining, expanding and sustaining waqf property.

“We developed policy and we follow. Our properties should not be liability to us. It needs maintenance, hence we must have tenant. And same goes to our (waqf) land. (RF-9)”

RF-9 explained that, since the only received allocation for payroll from their parent SIRC, they need to have a strategy in managing their waqf property. Certain percentage of building occupancy rate being set and maintain to make sure the properties brought in positive cash flow. In this case, 90% occupancy rate set as their target.

Apart from that, other informant from traditional structure mentioned about the difference in managing waqf and zakat;

“..when we look into Perbadanan Wakaf Selangor's (PWS) progress, they took few years to be as they are today. Therefore, there's significant challenges in managing waqf compared to zakat..(RB-4).”

RB-4 discussed about his observation towards Perbadanan Wakaf Selangor, a subsidiary of Majlis Agama Islam Selangor (MAIS). RB-4 mentioned that managing waqf is more challenging than managing zakat. While zakat is all about collection and distribution, managing waqf require the sole trustee to be know-how in property management, project development and project financing. In most cases, SIRC, hold numbers of properties, especially land, but lack in capital to proceed with the development. However, it is worth to mentioned that both zakat and waqf institution have fair share in managing contributor's and stakeholder's perspective.

“If a person contributed RM10 cash waqf through online banking, the bank will charge us on that transaction. We won't get RM10 in our account. Based on fatwa, we still have to make sure the waqf is RM10. Hence, we need a plan to cover the transaction cost..(RF-9)”

RF-9 mentioned about the cost being charge by the bank on every online transaction made by cash waqf contributors. We include this cost under development cost because normally the purpose of cash waqf collection was for the certain project, such as mosque development.

Overcoming Cost Constraint

In previous discussion, informants from subsidiary and traditional structure had described about the challenges and constrain in term of cost, if SIRC implementing external restructuring. Since the allocation received only for payroll, the informants from subsidiary shared their

strategy in overcoming the cost constraint. Other than setting the occupancy rate for the building as mentioned before, they also established certain rules in managing their rental income.

“..15% management fee will be set out from every rental income.(RF-8).”

RF-8 further explained that, the management fee will be used as maintenance cost for those particular premises. Each premise or building will have its own budget for repair and maintenance. They also go for outright purchase to increase their number of assets, so that their rental income increases over time.

In term of project, RF-9 explained that they plan the projects by phase. Certain project must be complete first before the other projects take off. Hence, they could plan on the cash in flow, out flow and return on the investment earn. RF-8 further added that, undeveloped land will be rent, for example, to locals for short-term period and purpose (*i.e.*, cash crop). Even it is for short term, they make sure all transactions have agreements, to avoid any dispute when the land need to be developed in near future.

For promotion, especially on cash waqf, the subsidiary arranged joint venture with various parties which consisted of bank and government agencies. In some arrangements, they didn't have to spent for marketing expenses, which all be covered by their strategic partners. They also targeted for massive but low-cost marketing strategy, so the info of cash waqf reached every level of community, even outside Malaysia.

Overall, it can be seen that due financial constraint set out by their SIRCs, this subsidiary had no option but to be strategic in managing their waqf operation. Their performance also acknowledged by informants from other SIRCs.

Other Stakeholders' Constraint

Apart from cost constraint, other stakeholders' constraint being mentioned by the informants. SIRCs need to get approval from their stakeholders if they would want to proceed with external restructuring plan. However, each state has different circumstances on this matter. RA-1 commented on this issue, as below;

“..we requested for contract scheme. We gathered data from each division, tabled to management meeting, then to State level. We've got rejected. Then we make amendment and got rejected again. It took us four (4) years to get approval. So, if you want to talk about restructuring, this is the process. (RA-1).”

RA-1 explained about their proposal to hire contract staff that takes too long. Even if the contract staff scheme paid by the SIRCs, they still need to get the approval from State Government. He further mentioned that the external restructuring will have to follow the same process and procedure. RC-5 and RB-3, from other SIRC share similar responses on this issue;

“..they may consider to corporatize certain divisions. However, to establish a corporat entity, there's a lot need to be done. We need to convince and win various stakeholders. (RC-5).”

“..We're heavily influenced by the politicians. They can make a difference, but they don't want to. They show their concern but they hope we solve it on our own.. (RB-3).”

In RB-3 case, he echoed his frustration towards the politicians that stay as Board of Directors (BOD) in his SIRC. They once proceed with the external restructuring few years ago but due to this constraint, the plan had failed.

As per mentioned before, the stakeholders for each SIRC might be different. It depends on who stay as their BOD members, the roles play by the BOD members and the involvement of State Government.

CONCLUSION

The management of waqf is an important issue to be resolved in Malaysia. There have been a lot of ideas suggested to the SIRC to improve and achieve the desired performance. Among the idea was external restructuring. This study explores what are the challenges faced by the SIRC if they would want to proceed with the external restructuring. Seven (7) waqf institutions were involved in this study. Six (6) were the waqf institutions from state level and one from the federal level. From the state level, two (2) states have already established their subsidiary while another four (4) remain with traditional structure, which maintained the waqf management as division or unit under SIRC.

The study reveals two (2) major challenges if the SIRC would want to implement external restructuring, which are cost constraint and other stakeholders' constraint. Cost constraint consists of payroll, operational and development cost. Payroll and operational cost were recurring expenses, normally allocate by the SIRC in the early age of the subsidiary. Development cost, which required developing waqf property, will fall under subsidiary responsibility. External restructuring does not offer the solution over night. SIRC need to carefully plan their strategy, especially on financial before they can see the result.

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