

# Application of Cash Waqf in the Empowerment of Widows in Malaysia

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**Abstract**—Cash Waqf is a form of Islamic endowment that has enormous un-utilized potential for its application in fulfilling the unmet social needs of the community. One such need is for the establishment of more effective schemes to alleviate the struggles faced by widowed women such as poverty, unemployment, and lack of support. The objective of this paper is to examine how Cash Waqf can be channelled into various mediums, instruments, and projects that will assist in empowerment and improvement of needy widows and their dependent children. The research uses a qualitative approach to examine the applicability of Cash Waqf funds for this purpose and presents a case for innovative avenues through which Waqf funds can be effectively mobilized towards this end. The paper proposes strategies through which Cash Waqf can be used for the creation of resources and tools for empowerment of widowed women such as through educational funds, creation of employment opportunities, and provision of tools for entrepreneurial activities.

**Index Terms**—Malaysia, widow, poverty, unemployed, empowerment, cash waqf

## I. INTRODUCTION

The purpose and effective cause of waqf endowment is to reduce poverty in the community and enrich needy Muslims in order to be financially independent. Religious and charitable organizations are examined religiously, socially, and civically [1]. Religiously, all charitable activities are considered devotional actions provided it conforms to Islamic principles. Waqf can be defined as the appropriation of the ‘mal’ or property from private ownership and the dedication of its usufruct to charitable purposes. The concept of Cash Waqf can be defined as the allocation of an amount of money by the founder(s) (individuals or organizations) and the dedication of its usufruct in perpetuity to the welfare of the society [2].

The effective mobilization of Cash Waqf can be a very useful tool in developing effective schemes to alleviate the struggles faced by an under-represented group in society, i.e. widowed women. Although widows make up a significant proportion of the female population in need of assistance, there is little comprehensive research concerning their status.

The objective of this paper is to examine how cash waqf can be channelled into various instruments and projects that will assist in empowerment and

improvement of the lives of needy widows and their dependent children.

## II. LITERATURE REVIEW

### A. Factors that Lead to Poverty of Widows

There has been some research targeting the elderly who are also often widows. A few poverty alleviation programs have been directed at female-headed households. However, such works often overlook younger widows and widows who do not head households [3]. The lack of attention to this sub-group is also evident as the number of widows as a percentage of the female population is also often not statistically recorded. Thus, there is a knowledge gap in this regard. Several issues have been identified that make widows a notable group requiring attention. Widows often experience a loss of social status and reduced economic circumstances. The state of widowhood is often found to be exacerbated by conditions of poverty and a lack of access to services and resources [4].

A number of older widows, and widowed mothers and their children, face destitution and sometimes marginalization due to several reasons. In some cases, widows find themselves without financial support or completely dependent on the charity of relatives. The burden of childcare has been reported as a factor that impedes widows from participating in projects or working in the public domain. The poverty faced by widows can also be further exacerbated by issues such as illiteracy, lack of education or training, which renders them incapable of supporting themselves or their families. Furthermore, factors such as lack of ownership of land or other collateral, poor widows are unlikely to qualify to obtain credit. These circumstances prevent widows from being able to work their way out of poverty [5]. It has been reported that the poverty of widows’ is often directly related to a lack of access to economic resources, including credit, land ownership, and inheritance, a lack of access to education and support services, and their marginalization and exclusion from the decision-making process [5].

Thus, access to credit, employment, housing, and other means of livelihood can provide widows with the ability to become economically secure. Furthermore, widows are in need of appropriately designed and well-located

educational and training programs that will enable them to take on the role of breadwinner for the family.

### B. Conditions in Utilizing Cash Waqf

There are certain restrictions on the creation of cash waqf that need to be considered when examining how it can be applied in the context of providing assistance to widows. Muslim jurists agree that once a cash waqf is created, it is irrevocable, but it is permissible for the founder to benefit from its generated profit [6]. In addition, once created, the cash waqf must also be in a state of perpetuity, as there must be sustainable and continuous support from the revenue generated from the cash waqf [5]. Furthermore, the cash waqf must be inalienable, meaning that once money is created as waqf, no one can become the owner to alienate it. These conditions and restrictions will ensure sustainable and continuous cash generation towards helping widows not just in the present, but on a sustainable basis in the future [2].

## III. FINDINGS AND DISCUSSION

Many of these problems can be solved by utilization of cash waqf resources to enable them to overcome poverty and empower widowed women towards greater financial and social security.

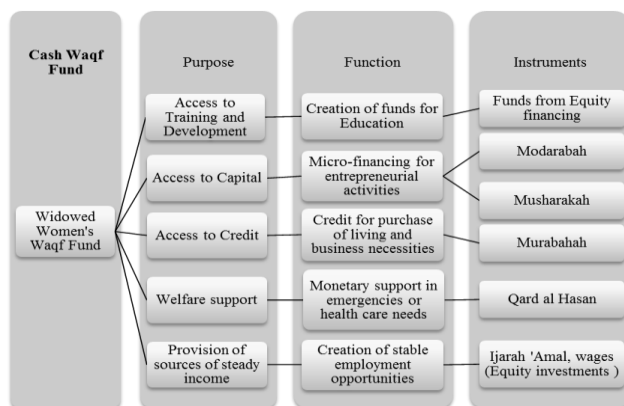


Figure 1. Cash Waqf model for empowering widows - purpose, functions and instruments for mobilization of Waqf fund.

Five categories of instruments will be utilized to perform the functions and objectives of the waqf fund (as illustrated in Fig. 1):

#### 1) Income Generating Instruments

A steady income can be generated for the waqf fund by investing a determined portion of its funds in an Islamic equity portfolio [6].

#### 2) Profit and Loss Sharing Instruments

The need for access to capital can be fulfilled through the use of mudarabah and musharakah, which can be utilized to provide micro-financing for setting up small businesses and encourage entrepreneurial activity among widows.

#### 3) Credit Instruments

Murabahah financing can be used for credit needs (without the requirement for collateral and a lower financing rate than banks).

#### 4) Equity Instruments

The issuance of equity shares (only the benefit/usufruct and not the ownership) in business centres built by the waqf fund, the proceeds of which can be used for commercial projects that will generate long-term income for the waqf fund for the purpose of re-investment of the revenue (after distribution of dividends) into welfare and micro-financing projects.

#### 5) Welfare Instruments

Qard al-Hasan can be used for short-term welfare needs and in the distribution of longer term development-funds such as scholarship funds, training, and development projects [5].

Within this proposed model, the practical application of these instruments in a manner that can fulfill the specific purposes or needs of widows (outlined in Fig. 1) are as follows:

#### A. Access to Capital through PLS Micro-Financing

Access to capital can be provided through micro-financing for small businesses by widows through profit and loss sharing (PLS) instruments such as mudarabah and musharakah [7].

Mudarabah financing will be used to provide capital to widowed women who desire to start a business venture to support themselves. mudarabah financing by the waqf fund will generally involve the contribution of capital by the waqf endowment acting as Rabbul Mal to the widow (as the mudarib) to set up and run a small business, with the intention of establishing financial security and independence for the widow. The profit will be shared on a pre-agreed ration between the waqf fund and the widow. The waqf fund will then gradually sell back its share in the partnership to the widow, until the waqf fund completely exits from the partnership, giving 100% ownership to the widow. The waqf fund will exit the partnership only after the fund has obtained a return on its capital investment and additional profit to ensure sustainability of the waqf fund, which will go towards helping other recipients of the widowed women's fund. To manage the risk of default, financing can be provided on the eligibility basis of a sound business plan and assessment of the capability of the recipient to successfully execute the business plan.

In cases where the women have a small amount of capital in their possession to contribute towards a business activity, but which is insufficient to start up a business, then a musharakah partnership can be established with the waqf funds, whereby the Waqf fund contributes a determined amount of capital towards the business and the widow contributes some capital to the partnership. The profit from the business venture will be then shared based on the ratio of capital contribution. In the instance that the women do not have cash capital but have in their possession equipment that can be utilized in a business such as cooking equipment, stoves, ovens, or cookers that can be contributed towards the setup of a small food business, then the woman's contribution towards the musharakah can be in the form of equipment whereas the waqf fund contributes the capital. The profit from the business will then be shared on the basis of

capital contribution and the value of the equipment contribution (after accounting for depreciation) [8].

Similar to the mudarabah financing, the waqf fund will also exit the musharakah arrangement gradually over time, by selling back its share in the partnership to the widow until 100% ownership is transferred to the widow, after the waqf fund has received a suitable return on its investment.

#### *B. Access to Credit*

Access to credit can be provided on the basis of need through murabahah financing for purchase of necessary items that may have a significantly bigger cost than can be afforded by the recipient. The waqf fund will provide access to credit through murabahah financing by purchasing the required item, and selling it to the widow on the basis of deferred payment. The profit margin added to the deferred payment will be lower than the financing rate quoted by Islamic banks. The lower profit margin is on the basis of charity to lower the burden of repayment on the widow and to distinguish it from the credit services provided by banks.

#### *C. Welfare*

A portion of the fund can also be reserved for Qard al-Hasan in cases where emergency funds are required for health care or sudden needs. This is necessary to provide a support system to widows who find themselves in unanticipated emergencies but lack the immediate cash required to fulfil their needs. The repayment of Qard al-Hasan will be equal to the principal amount and no extra service charges will be levied on the recipient of a Qard al-Hasan awarded from the waqf fund to avoid burden on the widow. However, the recipients may be encouraged to donate some amount within their capability to the waqf fund once they become financially secure in the future. Since Qard al-Hasan itself does not yield any positive returns on the loan, they can be financed from other income generating activities [9].

#### *D. Equity Investment*

To ensure sustainability and perpetuity of cash waqf funds, a certain portion of the waqf donations can be invested in an Islamic equity portfolio. However, to reduce investment risks that may be detrimental to the value of the fund, the portfolio needs to be well diversified to maximise the return and ensure minimal exposure to risk. The investment portfolio of the waqf fund can be diversified into several productive and promising Islamic investment instruments expected to generate positive returns [6].

Returns from equity investment in Islamic shares as well as profit revenue from capital investments in PLS financing projects can be invested into the development of a business centre where the group of widowed women can set up their own businesses using capital provided through the micro-financing arm of the waqf fund. They can also be provided with business management support to fledgling businesses via the support structures set up by the waqf institution. Employment opportunities can also be created at the business centre by employing

widows for administrative, management, and service positions at the centre for everyday business and administrative activities. The business centre could also offer childcare services to enable widowed women with young children the freedom to pursue business ventures and employment opportunities, while also creating new employment positions in the childcare centre for widows.

Part of the business centre can also be leased out to other private business owners so that the business centre earns monthly rental income. Rental income from leasing of retail space at the business centre can be used for payment of wages of those widows employed by the waqf fund for administrative positions [10].

#### *E. Equity Financing*

The sale of equity shares representing usufruct or beneficial interest in the business centre can be used to generate funds that can be channelled into financing large scale long-term investment in commercial projects that create sustainable revenue for the waqf fund. However, equity shares cannot represent ownership in waqf assets as there cannot be transfer of ownership of the waqf. Thus, the shares would only represent benefit/usufruct rather than ownership in assets.

#### *F. Training & Education Funds/Scholarship Fund*

Income generated from the waqf fund's income-generating activities such as financing and investment revenue can be pooled into scholarship and training funds that can be provided to the children of widowed women, as well as other skills training and development projects directed towards the women themselves.

#### *G. Short and Long-Term Goals of the Widow's Waqf Fund (Fig. 2):*

- 1) *Fulfilment of welfare, health care, and educational needs*
- 2) *Creation of income and employment opportunities*
- 3) *Continuous and sustainable fund generation*

#### *H. Allocation of Funds*

The allocation of the funds can be considered in terms of three different categories of activities and projects. The welfare component involves providing relief to the poorest widows for their immediate needs as well as providing health care, nutrition, and education of children through distribution of a welfare allowance.

The cash allocated towards welfare activities might constitute 30% of the fund, which will go towards periodic charitable cash distribution in the form of the welfare allowance as well as for benevolent loans in the form of Qard al-Hasan. Empowerment projects constitutes the second category which consists of all activities targeted at empowering widowed women by encouraging entrepreneurial ventures, employment, training, and development projects that will create financial security and self-earning capacity for the women. 50% of the funds may be allocated towards this category, which will go towards micro-financing and credit facility. The remaining portion of the funds (20%) will be invested in income-generating activities, including

commercial activities, which will ensure sustainability of the waqf funds for continuous assistance to widows without depletion of funds (see Table I).

TABLE I. BREAKDOWN OF ALLOCATION OF FUNDS

Allocation of Funds		
Welfare	Empowerment Projects	Income generation activities
30%	50%	20%

### I. Process for Establishment of the Widow's Cash Waqf Model

The functional structure of the cash waqf model is illustrated in Fig. 3. The gradual implementation of this model (with effective short and long term structures) can be carried out in stages:

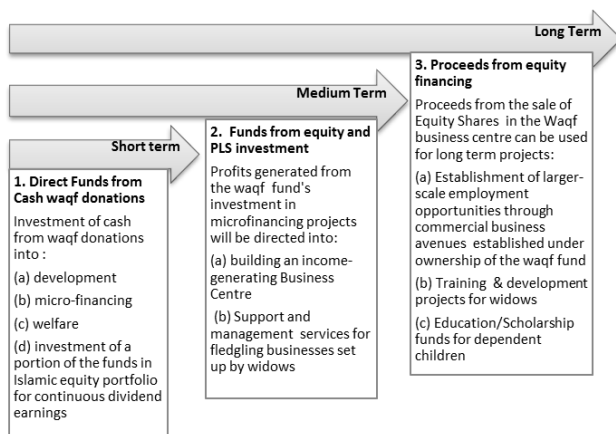


Figure 2. Short-term and long-term Goals of the widow's Waqf fund.

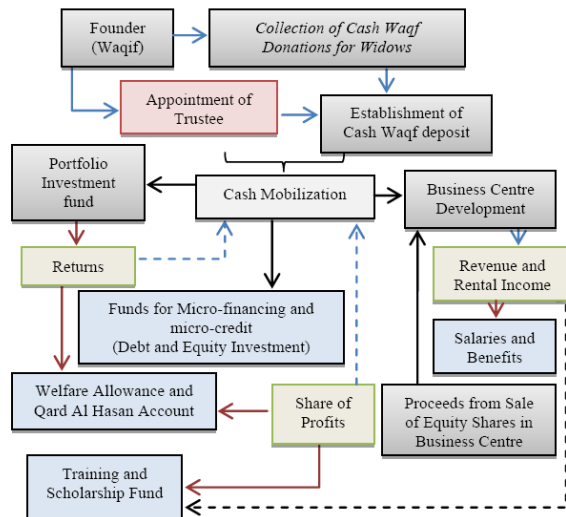


Figure 3. Structure of cash waqf fund for empowerment of widows.

- *Phase 1:* Establishment of the cash waqf and collection of donations into cash waqf deposit account.
- *Phase 2:* Appointment of trustee by the waqf funds manager.
- *Phase 3:* Fund mobilization and investment of a portion of the funds in Islamic equity portfolio.

- *Phase 4:* Investment of the funds in debt and equity (PLS) micro-finance investments (modarabah, musharakah, and murabahah financing for widows).
- *Phase 5:* Profit generated from investment channelled into Qard al-Hasan account and the building of a business centre.
- *Phase 6:* Creation of employment positions in the business centre and lease of retail space for further rental income. Rental income channelled into Salaries and benefits account.
- *Phase 7:* Issue of equity shares for the usufruct of the business centre for commercial development of the business centre. The profits and revenues generated channelled into an education and scholarship fund [11].

## IV. CONCLUSION

It can be concluded that many widows are facing financial constraint due to their low income and financial difficulties. Therefore, cash waqf can be used to transform many less privilege widows across Malaysia financially, socially, and religiously. The stated instruments and models can be applied to empower needy widows in Malaysia in order to reduce their financial challenges and constraints.

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