



A preliminary study on WAQF for hypermarkets: a new dimension for the WAQF fund

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Abstract

The development of retail business in Malaysia has evolved year by year. It is due to many factors including the types and business rules, the goods sold, business locations, the external structure (building) and interior decoration. The country's strong economic growth, political stability and the purchasing power of incomes and a growing population have greatly contributed to the development of retail business activities in our country. In addition to the local grocery store, there are also foreign retailers who are keen to invest here due to the factors described above, including retailers that create business concept hypermarkets. This paper explores the potentials of utilizing a waqf fund in a high impact business in particular the hypermarket which can steer and boost the Ummah's economy. As the authorized body for Waqf affairs in Malaysia, it is proposed that the Islamic religious council, as well as other parties, be involved in this effort.

Keywords: *Waqf; Hypermarket; Islamic Endowment Retail Business in Malaysia.*

1. Introduction

Waqf, which literally means "religious endowment", is recognised by the Islamic law as religious, pious or charitable donation. Waqf fund could be channelled to build mosques, madrasah, educational institutions, libraries, travellers' lodges, and inns. The usage of Waqf's benefits are not restricted to the Muslim community alone but goes beyond religious, cultural, racial and sectarian boundaries.

As to strengthen Muslim's entrepreneur sector, this study proposes Waqf Hypermarket whereby the money could be used to build a hypermarket for the beneficial of Muslims' economy, enrich Muslim's ownership properties and so forth.

There are many hypermarkets which are established in Malaysia. Malaysians are familiar with the big names such as Giant, Tesco, AEON, Carrefour and also the local Bumiputra owned hypermarket; Mydin. There are also other hypermarkets owned by Malaysian Chinese like Eonsave, Billion, Pacific and many more.

The large capital needed for the establishment of a hypermarket resulted in low involvement from Muslim companies in the retail market business. According to the Ministry of Domestic Trade, Cooperative and Consumerism of Malaysia, the minimum capital for the establishment of a hypermarket is not less than RM 50 million. Moreover, foreign hypermarkets are required to include about 30 percent of local shares in their companies.

The issue to be highlighted and discussed in this paper is the involvement of local companies in running hypermarkets. A study commissioned by the Co-Operative Council of Malaysia established a two concerns. Firstly, there was only 4.2 percent market penetration by Bumiputra entrepreneurs in the hypermarket business. This number is lower than the government's aspiration which is to have at least 30% of Bumiputera companies running

the hypermarkets. Secondly, the study also found that 81 percent of hypermarket products are from the food based sectors.

Based on the current local hypermarket scenario, the opportunities for local Muslim companies are very limited. Therefore, more opportunities, platforms and initiatives should be created for Muslim entrepreneurs to spread and grow their business. One of the alternative efforts that can be made is through the Waqf fund which has been well proven to be a great mechanism to develop wealth of the Muslims.

2. Literature review

There are several studies on Waqf for various purposes like education, health, property business and many others. However, a specific Waqf for the purpose of running a hypermarket does not exist yet. Obviously, the concept underlying the Waqf hypermarket would resemble other Waqf projects as mentioned earlier, that is, the waqf as a mechanism for economic development as proven over the centuries.

According to Murat Cizakca (1998), Turkey is a country with the distinction of having a well-developed Waqf that is a legacy from the Ottoman Empire. During that era, the waqf fund contributed to one third of the Ottoman income (Murat Cizakca, 2014).

In another study, Razali Othman (2005) highlighted the success of the endowment fund in the Western communities and academic institutions like Oxford and Cambridge. Both institutions owned endowment funds worth USD 3.2 billion respectively in 2003. Another study mentioned the need for a good governance of Waqf with adequate legalities (Syed Mohd Ghazali Wafa Syed Adwam Wafa, 2010).

It is vital to highlight the important role of Waqf in the country's economic growth and development considering some of the business projects involved a large amount of capital. The utilization of Waqf will be comparable in terms of the benefits for the Muslim

people not just as a part of their worship to Allah, but also in their economic activities, education, wellness and others. Relying on the government's initiatives solely will result in delays in the efforts to achieve goals due to the government's constraints and priorities. According to one Muslim scholar like Muhammad 'Abdullah al-Ansari, he views the permissibility to channel Waqf funds for any kind of business or investment and the return shall be benefited for Muslims in the form of charity (Sadakah).

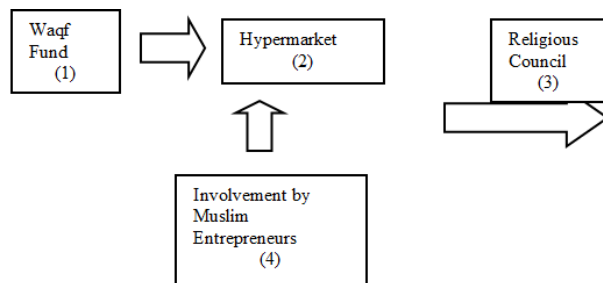
Other than money, food can also be accepted as Waqf whereby any profit generated from its sale can be invested in the business activities and also channelled to be used to maintain the wellbeing of the community (Asmak Ab Rahman, 2009).

Waqf is still not fully implemented in Malaysia due to legal constraints. Obviously, there is no legal standardization and sound management pertaining to Waqf among states in Malaysia (Nik Mustafa Nik Hassan, 1999).

However, efforts for improvements are gradually undertaken through a sound Waqf management.

Based on previous literature, there is a lack of empirical studies on Hypermarket Waqf for the continuous benefits of the Muslim communities.

3. Theoretical framework



The diagram presents the theoretical framework that is used to show the potential of Waqf in the hypermarket business

- 1) The pool of Waqf fund is owned by the state religious council.
- 2) This pool of fund will be used later on in funding the Hypermarket to benefit the Muslim entrepreneurs and together increase the Muslim wealth in properties.
- 3) The Religious Council will benefit from the rental generated from each unit let out to the leasee.
- 4) Business opportunities will be made available to a large number of Muslim's entrepreneurs.

4. Prospects for hypermarket business in Malaysia

The acceptance of Malaysians towards hypermarkets is very impressive. This is due to the sellable products in the hypermarkets which include groceries and basic necessities. As recorded in 2013, grocery retailing in Malaysia outgrew non-grocery retailing (Euromonitor International, 2014).

The airconditioning and privileged style of modern retail shops attracted the majority of Malaysians to shop in hypermarket.

More opportunities are also made available to local small and medium entrepreneurs to market their products and services through the hypermarket outlets as sub-retailers.

Generally, hypermarkets are opened in locations with high population and therefore most hypermarkets are established in the central of Malaysia. In Klang Valley, Kuala Lumpur has 66 shopping malls and Selangor has 58 (Pemandu, (2010)). The total retail space in these two territories is estimated at 3.37 million square metres. However, the sustainability of the Malaysian political and economic situation has encouraged the hypermarket retailers to open their outlets outside the central area of Malaysia such as in

Northern and Eastern areas. The major factor for the expansion of retail hypermarkets in Malaysia is the purchasing power of Malaysian households whereby Malaysia's middle-income households represent three-quarter of the country's population in 2009. This is more than that of Thailand, Vietnam, the Philippines or Indonesia, but falls behind Singapore. (HKTDC, 2014).

5. WAQF management for hypermarket projects

Waqf management has immense potential in the hypermarket projects. Basically, the Waqf founder determines the type of waqf management of his/her waqf. The waqaf manager is called al-Mutawalli, Nazir or sometimes wasy and his/her responsibility is to administer the waqf property to maximize its revenues /benefits of the beneficiaries (Monzer Kahf, 2003).

In Malaysia, the State Islamic Religious Council (SIRC) is the supreme body to manage and conduct Waqf affairs including the Waqf properties. In addition, each State Islamic Religious Council (SIRC) in Malaysia has their own regulations and also make their own decisions. Different states have different jurisdictions on Waqf affairs. In terms of Waqf properties, different methods are applied by each state in managing Waqf properties and projects. This means each state has their own organizational structure compared to other equivalent Councils (Abdulhadi Mohammed Tahir, 2015). In recent years, the Islamic religious councils in all Malaysian states seem to have become more open to developing Waqf property commercially (Abdulhadi Mohammed Tahir, 2015). With the approval from the relevant Islamic religious council, an incorporated company, a registered society or a registered trustee may also undertake Waqf (Abdulhadi Mohammed Tahir, 2015). An example for the management of Waqf property in Malaysia is the success of a private company named JCorp. As a successful private corporation, JCorp plays important roles in Waqf properties development in Malaysia. Among its successful projects is the Waqf An-Nur clinic (Waqf an Nur Berhad). It is the first hospital ever to be based on a Waqf fund and was successfully established by JCorp in 2006. As the project improved and its management becomes more efficient, similar projects of Waqf An-Nur hospital then expanded to other states in Borneo. One clinic was established in Kuching, Sarawak with the co-operation of Baitulmal Sarawak in 2007. The main important factor for the success of the Waqf An-nur project is the implementation of Cash Waqf schemes in their corporate shares of Waqf Corporation, whereby, JCorp pledges to dedicate 25% of annual dividends payout from shares to be transferred as Waqf. By doing so, Muslims and non-Muslims would be able to benefit from organized activities and also benefit from religious and charitable activities done by JCorp or other parties (Abdulhadi Mohammed Tahir, 2015).

Persuant to this discussion, there will be two options for the management of Waqf for hypermarkets. Firstly, it can be managed under the State Islamic Religious Council (SIRC). Secondly, it can be managed under a company approved by the SIRC to conduct the management of Waqf. However, based on the previous experience, it is more preferable to set up a special task company to manage the Waqf hypermarket project such as JCorp due to their expertise and experience in such projects.

6. Conclusion

The strategic economic plan to develop the wealth of the Muslim population is a long term goal for Malaysia. One way to achieve this goal is to increase the Muslims' involvement in the retail market business. This paper hopes to create an opportunity to start an arena for various parties like Islamic religious councils, Muslim entrepreneurs and factory owners to discuss the potential of Waqf in the hypermarket business. However, more effort and

collaborations are needed from the said parties to develop a sound and sustainable system.

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