

# A PRELIMINARY STUDY ON CASH WAQF CONTRIBUTION AMONG PRIVATE EMPLOYEES IN MALAYSIA

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## ABSTRACT

Cash waqf is the confinement of an amount of money from the founder and dedication of its usufruct according to the founder's condition, in perpetuity to the welfare of the society. Globally, the issue of poverty and the high cost of living is discussed but this problem has not been successfully overcome. Therefore, cash waqf plays a crucial role in poverty alleviation by providing a sustainable and targeted source of funding for various charitable and humanitarian initiatives. This study aims to examine the determinants of motivation that influence private employees to contribute cash waqf. This quantitative study will use a questionnaire and will be distributed to private employees in Selangor. To measure the factors contributing to cash waqf contribution, this study uses four variables which are a sense of self-worth, face concern, perceived donor effectiveness, and moral obligation. The findings from this study are important for employers to get a clear picture of their employees' current financial situation. In addition, this study can provide information to the government and financial institutions regarding the high cost of living affecting private employees. In addition, the role of authorities such as the Department of Waqf, Zakat and Hajj (JAWHAR) as well as the zakat board in each state in Malaysia to curb the percentage of poverty in the community for prosperity in life.

**Keywords:** Cash Waqf, High-cost living, Poverty Alleviation

## 1. Introduction

### 1.1 Definition Cash waqf

According to Ahmed (2004), waqf is a type of voluntary donation that falls under the categories of *infaq* (spending to please God) and *sadaqah* (acts of kindness). Rizal and Amin (2017) stated that Islam promotes waqf as a means of divine giving for the benefit of the ummah (the entire society united by religion). Islam encourages Muslims to devote a particular percentage of their money to charitable causes, which further encourages contributions to waqf (Rizal and Amin, 2017). A significant institution established by Muslims to provide many services that are currently funded by the government, such as education, health care, food and shelter, and transit facilities, the waqf is also seen as an essential Islamic public finance mechanism (Mohsin, 2013).

Waqf was previously thought to solely apply to moveable property, such as mosques, mausoleums, and other buildings and land. So, the idea spread that waqf was primarily for the wealthy and those who owned land or buildings (Fuadi, 2013; Sholihah, 2017; and Tovianto, 2009). Then, the Islamic Fiqh Academy recently emphasised that the definition of waqf can be expanded to encompass funds/cash, services, and benefits from new financial instruments like shares and *sukuk* (Ahmed, 2019).

Charitable endowments created with cash capital are referred to as cash waqf (Çizakça, 2004). As mentioned by Mohsin (2009), cash waqf is the confinement of an amount of money from the founder and dedication of its usufruct according to the founder's condition, in perpetuity to the welfare of the society. Kahf and Mohamed (2017) also defined cash waqf as a perpetual or temporary holding of endowed cash to produce repeated benefits or usufructs for an objective of general or private righteousness according to the founder's stipulated conditions.

## 1.2 Impact of Cash Waqf Contribution to Socio-Economic Development

Globally, the issue of poverty and the high cost of living is discussed but this problem has not been successfully overcome. One of the obstacles to the advancement of human life is poverty; when the level of poverty rises quickly, thousands of people's lives are getting worse.

According to Pinkovski and Sala-i-Martin (2016), in comparison to other regions of the world, Muslim nations have been more severely impacted by poverty. The World Bank's most recent estimates indicate that 734 million people, or 10% of the world's population, lived on less than \$1.90 a day in 2015. Many Organisations of Islamic Countries (OIC) still have significant levels of poverty, according to a report from the Standing Committee for Economic and Commercial Cooperation of the Organisation of Islamic Cooperation (Saiti, Dembele, and Bulut, 2020).

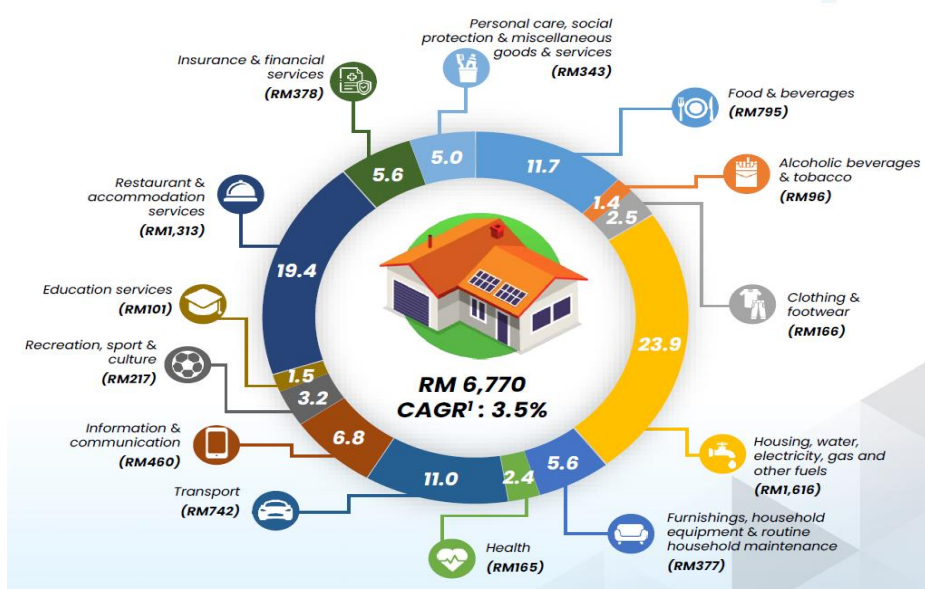


Figure 1: Composition of Mean Monthly Household Consumption Expenditure in 2022  
Source: Department of Statistics Malaysia, 2022

Moreover, low productivity and inequality have both contributed to low living standards. Due to their extreme and utter poverty, the majority of Muslims in Africa, Asia, and the Middle East are subsisting on less than \$2 per day (Amuda & Che Embi, 2013).

In the context of Malaysia is also no exception affected by the high cost of living. As reported in the Department of Statistics Malaysia (2022), the average monthly household consumption expenditure increased from RM6,099 in 2019 to RM6,770 in 2022 (Refer to Figure 1). Meanwhile, the median monthly household consumption expenditure increased from RM1,412 in 2019 to RM1,661 in 2022. Per capita consumption expenditure obtained by dividing the value of household expenditure by the number of Malaysian residents recorded an increase of 5.4 percent from RM1,809 in 2019 to RM2,089 in 2022.

Figure 1 depicts the total expenditure allocation to meet household needs in 2022. The highest consumption of RM1616 is shown for housing, water, electricity, gas, and other fuels which are the basic needs of every home. In addition, most of the total household income (48.8% in 2019 and 2022 respectively) is less than RM5000 (Refer to Figure 2).

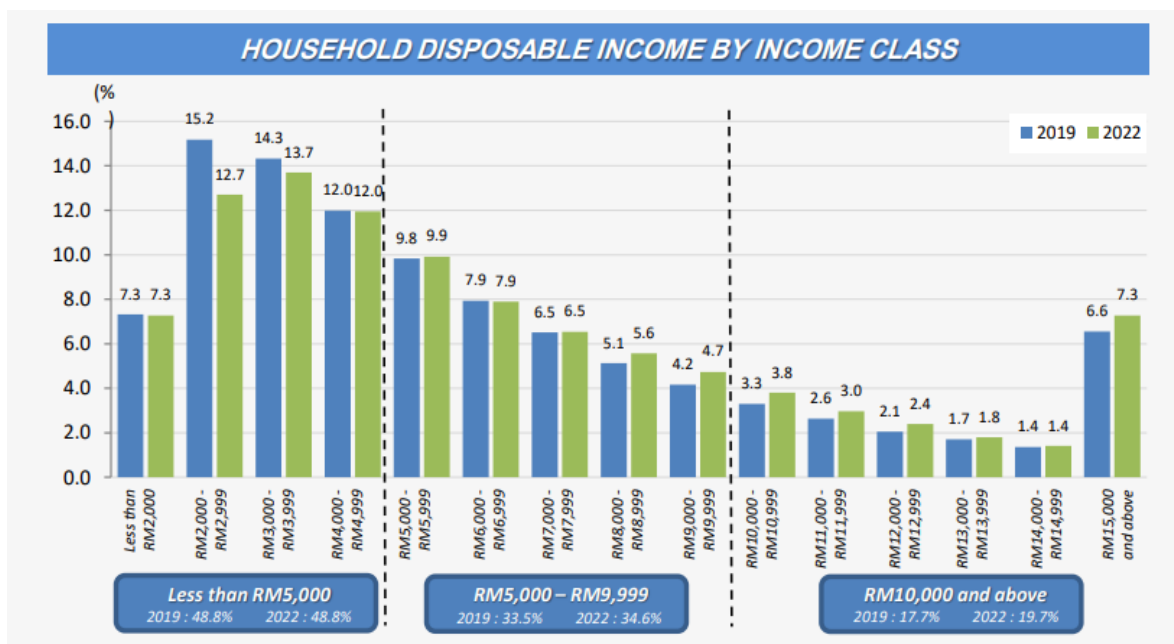


Figure 2: Household Disposable Income by Income Class  
Source: Household Income Survey Report, Department of Statistics Malaysia, 2022

Figure 2 indicates the household disposable income by income class. Most household income is less than RM5000, followed by RM5000-RM9999 is 33.5% in 2019 and 34.6% in 2022. This may have an impact on the financial burden, which also has negative implications for socio-economic development.

In order to reduce poverty problem, Aziz et al. (2013) suggested creating an Islamic waqf bank using the cash-waqf idea to fund education in order to address the issue of subsidising impoverished students. They demonstrated that there is a significant need among students and a strong public desire to support the creation of an Islamic waqf bank. Moreover, Hamber and Haneef (2017) recommended the creation of a waqf-based social micro-venture fund that supports inclusive financial development for micro-entrepreneurs in order to address the poverty issues facing the ethnic Malay community in Singapore. Shahimi et al. (2013) also

proposed the cash-waqf as an alternative strategy for eradicating poverty by applying the system dynamics approach and by examining the function of the cash-waqf and its possible impact on the Malaysian economy.

Therefore, cash waqf plays a crucial role in poverty alleviation by providing a sustainable and targeted source of funding for various charitable and humanitarian initiatives. Cash waqf can be used to provide interest-free loans to individuals and small businesses, enabling them to start or expand their enterprises. This economic empowerment can help lift people out of poverty by creating sustainable income-generating opportunities.

Furthermore, cash waqf can be used to establish educational institutions, scholarship programs, and vocational training centers. By investing in education and skills development, cash waqf can help individuals acquire the knowledge and skills they need to improve their economic prospects and escape poverty. In terms of healthcare services, cash waqf can support the construction and operation of healthcare facilities, making healthcare services more accessible to low-income individuals and families. The implications of cash waqf as shown in the Figure-3.

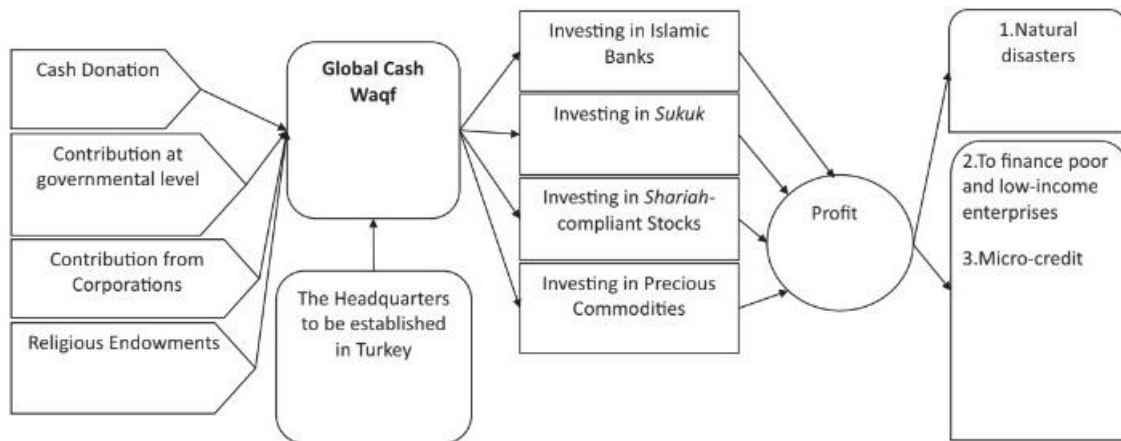


Figure 3: Global cash waqf model  
 Source: Saiti, Demebele & Bulut (2020)

Figure 3 indicates cash waqf funds will channel the fund to the potential investment, and then profit from that investment will be distributed to the beneficiaries. This paper is the first attempt to discover the factors that influence private employees contribute to cash waqf fund in Malaysia. The structure of this paper is as follows. The following section provides a literature review and hypotheses development. While Section 3 explains the methodology. Finally, the last section offers some conclusions and recommendations.

## 2. Literature Review and Hypotheses Development

### 2.1 Self-determination Theory (SDT)

Self-Determination Theory (SDT) offers a comprehensive framework for the investigation of personality and human motivation. Self-determination is described as a norm of human functioning that involves the perception of choice (Deci and Ryan, 1985). It is the capacity for original thought and judgment (Vasconcelos et al., 2020). The SDT encourages people to reach their individual objectives. According to this idea, individuals will seek to identify the kind of

person they want to be, the abilities and knowledge required for success, and then work towards those objectives (Toste et al., 2020).

## **2.2 Sense of Self-Worth**

The inward feeling of deserving empathy and belonging from others is known as self-worth. As stated by Bock et al., (2005), a sense of self-worth refers to individuals with a strong sense of self-worth who see themselves as valuable members of society. Willer et al. (2015) discovered that a person's sense of self-worth had a favorable impact on their traditional philanthropic giving. According to the SDT model, cash waqf donations are a beneficial way for people to demonstrate their sense of self-worth (Pitchay, Sukmana, Ratnasari & Abd Jalil, 2022).

## **2.3 Perceived Donor Effectiveness**

Perceived donation effectiveness is the degree to which a donor believes that a charitable gift will make a difference in the cause that the individual is supporting (Carroll & Kachersky, 2019). Meijboom and Brom (2012) identified perceived consumer effectiveness as another key influencer of behaviour intention in a sustainable environment. According to van der Linden et al.'s (2017) research, perceived effectiveness in an e-commerce setting significantly predicts future intent. The SDT concurs that contributors' perceived effectiveness influences extrinsic motivators, which impacts millennials' inclinations to donate.

## **2.4 Moral Obligation**

A moral obligation is the requirement to pursue what we believe is right and act accordingly. According to Haines et al. (2008), moral obligation is sometimes described as a decision-making sub-process that occurs after an individual makes a moral judgment, but before establishing a moral intention. Bekkers and Wiepking (2011) assert that a person's sense of moral obligation affects their motivation to give to charity. As mentioned by Perez y Perez and Egea (2019), Spain's contribution intentions are significantly influenced by its moral obligation to support rural sustainable development projects.

Overall, the hypotheses are presented in the paper that states:

*H1: Private employees who have a strong sense of self-worth are more likely to contribute cash waqf.*

*H2: Face concern has a positive effect on the motivation of private employees to contribute cash waqf.*

*H3: Perceived donor effectiveness influences the motivation of private employees to contribute cash waqf.*

*H4: Moral obligation has a positive effect on the motivation of private employees to contribute cash waqf.*

## **3. Research methodology**

This quantitative study will use a questionnaire and will be distributed to private employees in Selangor. This is based on a report from the Department of Statistics Malaysia (2022) which stated that the incidence of absolute poverty in the state of Selangor in 2019 increased to 1.2

percent from 0.8 percent in 2016. During the same period, the incidence of absolute poverty in the city also recorded an increase of 0.4 percentage points to 1.1 percent in 2019 compared to 2016. Therefore, this study will provide a clear picture of the factors that influence private employees to make cash waqf contributions to ease the financial burden on fellow communities.

A survey form was created using Google Forms and the Google Form link was shared with all respondents via email, WhatsApp, and Facebook. In addition, this link provides a general description of the objectives of the study.

In order to measure the factors contributing to cash waqf contribution, this study uses four variables which are a sense of self-worth, face concern, perceived donor effectiveness, and moral obligation.

To obtain research data, the research instrument (Table 1) was adopted by Wang et al (2019), Ab Shatar et al (2021), and Pitchay et al (2022). This survey form is divided into two parts, namely demographic information and determining factors (sense of self-worth, face concern, perceived donor effectiveness, and moral obligation). For all questions asked, respondents will be asked to rate their answers from strongly disagree (1) to strongly agree (5). The questionnaire uses two language mediums namely Malay and English which can provide a better understanding.

No	Variables	References
1	Sense of self-worth	Wang et al (2019), Pitchay et al (2022)
2	Face concern	Wang et al (2019), Pitchay et al (2022)
3	Perceived donor effectiveness	Wang et al (2019), Pitchay et al (2022)
4	Moral obligation	Wang et al (2019), Pitchay et al (2022)
5	Cash waqf contribution	Ab Shatar et al (2021), Pitchay et al (2022)

Table 1: Items of Measurement

#### 4. Results and Findings

The reliability test is to determine the consistency of internal reliability data. It indicates how well the item are positively correlated to one another. The range of Cronbach Alpha is from 0 to 1 may be applied to identify the reliability of factor which derived from multi-point formatted questionnaire or scales. Therefore, the closer Cronbach's alpha to 1.0, the higher the internal consistency reliability (Sekaran and Bougie, 2019).

Coefficient Range	Strength of Association
<0.60	Poor
0.60 to < 0.70	Moderate
0.70 to < 0.80	Good
0.80 to < 0.90	Very good
> 0.90	Excellent

Table 2 : Rules of Thumb Cronbach's Alpha Coefficient Size

Reliability test was conducted to determine the internal consistency reliability of the data. The closer Cronbach's alpha to 1.0, the higher the internal consistency reliability (Sekaran and Bougie, 2019). In this research, the reliability test for all items of variables are shown as below:

Variables	Cronbach's alpha	N of items
Sense of self-worth	0.918	3
Face concern	0.905	4
Perceived donor effectiveness	0.938	4
Moral obligation	0.666	3
Cash Waqf Contribution	0.889	4

Table 3 : Value of Cronbach's Alpha Coefficient  
Sources : SPSS output

Table 3 indicates the value of Cronbach's Alpha coefficients for all variables used in this study. The value of Cronbach's Alpha for almost all items are reliable where the value of Cronbach's Alpha for sense of worth is 0.918, face concern is 0.905, perceived is 0.61 donor effectiveness 0.938, moral obligation is 0.666 and cash waqf contribution is 0.889. Based on reliability analysis principle, if value of Cronbach's Alpha lower than 0.6 indicated that items that measure the variable were less reliable however if the value is more than 0.60 the variable were reliable.

According to Sekaran (2019), stated that if the value of Cronbach's Alpha is less than 0.60 are consider to be poor, in the range of 0.70 acceptable and above 0.80 are consider good. The result showed that the score and it indicated that measure of the items were acceptable and preferable.

## 5. Conclusion

This study aims to present a preliminary survey on the factors that influence cash waqf contributions in Malaysia, especially in the state of Selangor. The findings from this study are important for employers to get a clear picture of their employees' current financial situation. In addition, this study can provide information to the government and financial institutions regarding the high cost of living affecting private employees. In addition, the role of authorities such as the Department of Waqf, Zakat and Hajj (JAWHAR) as well as the zakat board in each state in Malaysia to curb the percentage of poverty in the community for prosperity in life.

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