

The Role of Islamic Bank as Providers of Islamic Wealth Management in Enhancing the Potential of Waqf Funds

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Abstract

The purpose of this paper is to analyze the role of Islamic banks as providers of Islamic wealth management product in relation with the enhancement of waqf funds. The authors use qualitative research that refers to the meanings, concepts, definitions, characteristics, metaphors, symbols and descriptions of the matter under study by employs content and descriptive analysis in order to get finding of the study. The data collection is generated from Islamic sources: Qur'an, Sunnah and some Islamic literatures, and other sources such as books, journals, report documents, magazines and articles from internet. These sources will be put in to coding and analyzed to answer the research problem of study. The role of Islamic wealth management is not only focusing on worldly investment helping the clients' need, but also hereafter investment. One of the instruments of wealth distribution that can be used for hereafter investment is waqf that helps the clients' wealth to obtain blessing (barakah) of Allah. By waqf, Islamic wealth management instrument can accommodate all models of waqf funds from cash waqf, insurance waqf, corporate waqf, etc. There are three options to of putting their wealth in waqf funds, they are: (i) family waqf, (ii) public waqf, and (iii) combination of waqf. All benefits of these waqf can contribute the the development of ummah. This paper is one of the very few conceptual studies concerning the practice of Islamic banking in implementing the product of wealth management for social purposes which is enhancement of waqf funds for the benefit of ummah.

Keywords: Islamic banks, wealth management, waqf funds, social welfare

Introduction

 ncreasing number of Muslim High Net Worth Individual (HNWI) and Ultra High Net Worth Individual (UHNWI) in the world encourages Islamic financial institutions to cater their needs for Islamic wealth management services instead of the existing of conventional wealth management. In line with that the Muslim population is expected to increase by 26% to 2030 to approximately 2.2 billion, and currently have a 7.7% share of global GDP which is expected to grow to 8.7% by end 2016 (*Islamic Wealth Management Report 2012*, www.sarasin.ch). The potential assets of Muslim affluents must be managed effectively and efficiently confirmity with Shari'ah to attain their happiness here and the hereafter.

There many players in wealth management around the world such as private banks, family offices, universal banks. Currently, Islamic banking plays also provides financial products and services incorporating financial planning and comprehensive advisory to meet the needs of HNWIs. It serves all phases of Islamic wealth management, which includes the generation, the accumulation, the protection, purification and distribution of wealth to circulate it in the economy for the benefit of society in general. However, in the view of Al-Habshi (2013), wealth management is not confined to only the rich but is also for the poor, by not looking at the wealth creation and accumulation aspects only, but also distribution and the taking care of the poor.¹

Moreover, the *waqf* is one of the potential instruments has been made significant contribution to improve the welfare of Muslim society. Historically, the *waqf* has been propagated as a voluntary religious act for management of one's wealth to be used for society benefit. For instances, the companions of messenger of Allah such as Umar Ibn Khattab and Utsman Ibn Affan whose wealth most contribute to the developmet of waqf for the society benefit. Every one can donate his wealth in the form of waqf either from low, middle or high income person. However, affluent people will contribute big donation rather than low or middle income people. The potential of waqf funds can be achieved if we optimize the funds from affluent people to be managed to benefit of society or *ummah*. Therefore, the

¹www.thestar.com.my, accessed on December 12, 2015.

main objective of this paper is therefore to analyse the role of Islamic bank as provider Islamic wealth management service in enhancing potential of waqf funds for economy of *ummah*.

Islamic Wealth Management and Its Development

Definition of Islamic Wealth Management

Wealth management is compound words that consist of wealth and management. Literally meaning the word wealth comes from Middle English word (13th Century) '*welthe*', from *wele* weal that means welfare.² Terminologically, it is defined as the possession of a large amount of money, property, or other valuable things.³ In other words, it is goods or services having economic utility, or as money, riches, substance, affluence, belonging cash, etc. (Webster's New World Thesaurus, 1971: 281). Rasban (2006, in today's world the concept of wealth has been defined as something that is 'My Money'. All defined terms are influenced by the dominant of Conventional financial system in the world.⁴

Furthermore, word "*management*" identifies a special group of people whose job it is to direct the effort and activities of other people toward common objectives (Massie, 1987: 2). It can be defined as the process of coordinating work activities so that they are completed efficiently and effectively with and through other people (Robbins and Coulter, 1991: 2). The summary of that the management is the process of achieving the highest goal through group of people to other people.

Wealth management is a type of financial service that combines personal investments, tax planning strategies, estate planning and legal counsel.⁵ To Ashiya (2007: 3), wealth management is a preferred delivery mode for providing financial advisory services to affluent customers.⁶ According to Farooq (2014),

²Webster's New Explorer Encyclopedic Dictionary (USA: Merriam-Webster, 2006), 2093.

³Collins Cobuild Advance Learner's English Dictionary (UK: Harper Collins Publishers, 2006), 645.

⁴Sadali Rasban, *Personal Wealth Management for Muslim* (PWMM) (Singapore: Kerjaya Printing Industries Pte Ltd, 2006), 2000.

⁵www.investorwords.com, accessed on December 12, 2015.

⁶Manish Ashiya, "Introduction to Wealth Management," In *Wealth Management: An Introduction*, ed. Manisha Ashiya (India: The Icfai University Press, 2007), 3.

Wealth management involves integrated financial services incorporating financial planning as well as portfolio management as part of comprehensive advisory and management of a client's wealth.⁷ In broader scope wealth management encompasses financial planning services like risk management, investment, retirement planning, working capital management, real estate planning, tax planning, inheritance planning and charitable giving.

To Shalleh (2012: 234) that wealth is defined by quantitative measurements of one's material possession, based on conventional wealth management or economic theories.⁸ Therefore, it is really needed to define the wealth management from Islamic perspective to give new insight to development of Islamic economics and finance. In Islam *mâl* (wealth) is derived from *mâla-yamilu-maylan*, which means inclining. To Ibn Fâris, it is called as wealth because of man tends to the wealth by his hearth.⁹ To al-Dimasqi (1977), it is name for small of and many of goods. A debate emerges between Muslim scholars in term of terminology that is divided into two schools.¹⁰ First, Hanafiyah says that the wealth is description about something able to save in abundance (*sa'ah*) and free (*ikhtiyar*) condition that has material value among human. Second, Shafiyyah, Malikiyyah and Hanabilah say that the wealth has intended value that is legally (*Shari'ah*) permissible in time of need (*hajah*) or necessity and it has material value among human (Hammad: 388). Hence, the main differences are in the amount and legal aspect of *Shari'ah*. However, the second definition is more appropriate to be used because the wealth should be managed or administrated in accordance to *Shari'ah* values.

Arief and Mohamad (2013) indicate that the wealth management in Islam is strictly guided by the dictates of Shariah (Quran and the Sunnah), and comprises the (i) process of wealth generation, (ii) accumulation, (iii) protection, (iv) purification and

⁷ Mohammad Omar Farooq, "Islamic Wealth Management and the Pursuit of Positive-Sum Solutions," *Islamic Economic Studies*, Vol. 22 No. 2, (2014), 100.

⁸ Muhammad Syukri Shalleh, "Rethinking Wealth Management: An Islamic Preliminary View," *International Journal of Business and Social Sciences*. Vol. 3 Issue. 13, (2012), 234.

⁹Nazih Hammad, *Mu'jam al-Mushthalahat al-Mâliyah wa al-Iqthishâd fi Lughatil Fuqâhâ* (Damaskus: Darul Qalam, 2008), 388.

¹⁰Abu Fadhl Ja'far Ibn 'Ali Al-Dimasqi, *Al-Isyârah ila Mahâsin al-Tijârah*. Tahqiq: Al-Basyri al-Syauzabahi (Kairo: Maktabah al-Kuliyyah al-Azhariyyah, 1977), 16.

(v) distribution (*Islamic Wealth Management and Issues in Waqf Management in Malaysia*, www.labuanibfc.com).¹¹ In the view of Mohamed (1996: 55), Islamic wealth management is also seen as a process of ownership (*al-tamalluk*), acquiring (*al-takasub*) and consuming of wealth (*al-istihlak*) in accordance with the rules of Islam.¹² Contemporary Islamic economists discuss wealth management related with accumulation of wealth and its redistribution within an Islamic framework. Then, Islamic wealth management can be defined as a financial service for helping the client to understand comprehensive meaning of wealth (*mâl*) and to manage the wealth (*mâl*) by incorporating the activity of *al-kasb* (earning) and *al-infâq* (spending) based on Islamic principles that are derived from Islamic sources.

The Development of Islamic Wealth Management

The historical concept of Islamic wealth management can be traced from primary (Qur'an and Sunnah) and secondary source of Islam. Many verses in the Qur'an and texts in the hadits that express the idea of wealth management. Another side that support the development of Islamic wealth management is the existence of Islamic economics and finance. Islamic wealth management is getting greater attention recently, as new market in the development of Islamic finance. In the early stage, Islamic wealth management provides savings in the bank in 1960 up to 1990s. Second stage, Islamic wealth management via Islamic bank does not only provide the saving but also investment product such as equities and unit trust in 2000. Third stage, Islamic wealth management covers most needs of HNWIs over wealth cycle.

To develop Islamic wealth management industry, Islamic financial institutions should consider what is the prospects and challenges of Islamic wealth management industry in the world. At least, there are three determinant factors that can indicate the prospects of Islamic wealth management industry, they are: The growth of Islamic economic and financial industry, regulatory

¹¹Ariff, Mohamed and Mohamed, Shamser. *Islamic Wealth Management and Issues in Waqf Management in Malaysia*. 2013 from <http://labuanibfc.com/>, accessed on June 18, 2015.

¹²Shukeri Mohamad, "Maqasid al-Syariah Dalam Pengurusan Harta," *Monograf Syariah*, Vol. 44 (1996), 1-25.

framework and HNWI population and wealth.

Some Islamic bankings that operate Islamic wealth management product and service on global scale:¹³

1. HSBC, with its Amanah subsidiary, established in 1998, operates private client services in many countries, including Saudi Arabia, Singapore, Malaysia, Indonesia, the United Kingdom and the United States.
2. Citigroup, whose Islamic private banking origins go back to the 1980s.
3. Deutsche Bank, which has an Islamic banking window.
4. Standard Chartered operates Islamic private banking saadiq in 2007.
5. In Malaysia, there are several Islamic banks offer the product of Islamic wealth management such as Affin Islamic Bank, AmIslamic Bank, CIMB Islamic Bank, Hong Leong Islamic, Maybank Islamic, RHB Islamic Bank and Public Islamic Bank.

According to Monger and Rawashdeh (2008), there are more than 300 Islamic financial institutions (IFIs) serving 1.2 billion Muslims or one-fifth of the global population (Ahmed, 2013: 70).¹⁴ Products and services offered by IFIs can easily develop Islamic wealth management in the country. The significant development of IFIs can be seen in Islamic banking. Islamic wealth management involves a variety of financial institutions, including banks that are regulated by their central banks and asset and fund management companies that are regulated by institutions such as the Securities Commission of Malaysia or the Capital Market Authority of Saudi Arabia. The two main markets in which Islamic banks have flourished are the Middle East and Asia. In the Middle East, major Islamic finance players include the UAE, Kuwait, Qatar, Bahrain and Saudi Arabia, while in Asia are Malaysia Indonesia and Brunei Darussalam.¹⁵ At present, Singapore is quickly turning out to be an interesting proposition for Islamic finance in Asia.

¹³David Maude, *Global Private Banking and Wealth Management: The New Realities* (England: John Wiley & Sons Ltd, 2006), 91.

¹⁴Karent Hunt Ahmed, "Globalization and Islamic Finance: Flows and Consciousness." In Karent Hunt Ahmed *Contemporary Islamic Finance: Innovations, Applications, and Best Practices* (Canada: John Wiley & Sons, Inc, 2013), 70.

¹⁵Rodney Wilson, *Marketing and Promoting Islamic Wealth Management: The Role of Regulators, Islamic Financial Institutions and Financial Planner*. Retrieved on June 24, 2015 from <http://www.faa.org.my>, accessed on December 12, 2015.

Beside the Islamic financial institutions, Islamic philanthropy and estate institutions must be available in order to give comprehensive financial planning and advise pertaining the client's wealth. In the side of IFIs, the prospect to offer the products and service is completely ready, but some countries are not ready to offer Islamic state planning.

In term of regulatory framework Malaysia can easily develop Islamic wealth management very well compare with other South East Asean Countries. The product of wealth management are regulated both in Central Bank of Malaysia and Securities commission (SC) of Malaysia. In wealth accumulation, there are some products such as unit trust, bond and and stuructured product have been regulated by SC. Other products such as Islamic saving and deposit are regulated by central bank of Malaysia.

These combination can be traced to section 126 of banking and Financial Institutions Act 1989, Bank Negara Malaysia (BNM) and section 185 of the Securities Commission Action 1983 are jointly issuing the guidelines on investment bank. By this act, investment banks will also be allowed to undertake fund management and unit trust businesses in line with securities laws and guidelines issued by the SC. It is clear that the wealth management can be operasionalized under the act made jointly by BNM and SC. Another regulated activity (related but not exactly financial planning) is financial for insurance products that license issued by BNM called as Financial Adviser's License under the Insurance Act 1996.¹⁶ In term of estate planning, civil law regulates the procedures of estate administration and settlement which brings significant impacts on estate planning in Malaysia. In the figure 2 shows integrated institutions between Islamic financial institutions and Islamic estate institutions that are supported by Malaysian government law, which can ease local Islamic banks in Malaysia develop their own product and service rather than depending on international of Islamic wealth management industry.

¹⁶Zurina Shafii, Mohd. Yusoff Zahinah and Md. Noh Shahizan, *Islamic Financial Planning and Wealth Management* (Kuala Lumpur: IBFIM, 2013), 155.

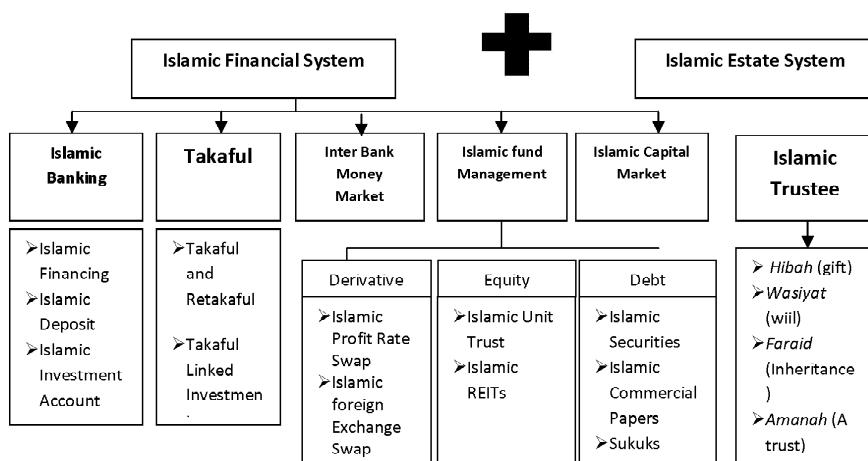


Figure 2: The Products of Islamic Wealth Management

In some Middle East and North Africa (MENA) countries have been still facing the challenges to offer the products and services of Islamic wealth management by local Islamic wealth management industries. One of the problems is government law that is still confining the development of wealth management industry. Table 2.3 provides an assessment of the development of a local (national) wealth management industry.

Table 2.3: Prospect of Wealth Management Industry in MENA Countries

Country	Prospects for wealth management industries based on existing legal provisions
Algeria	Poor: the government should amend the banking law to better guarantee the right of local and foreign firm to enter wealth management sector. Better protection for engaging in domestic and international securities transactions required.
Egypt	Average: government should encourage entry in the banking sector and define the terms under which securities dealers may transact at home and abroad.
Jordan	Good: bank and securities law looks similar to Western best practice.
Marocco	Average: tangier represents one of the few financial zona francas in the region. The ability to solicit business and manage funds outside the zone remains uncertain.
Oman	Poor: current law gives few legally dependable rights to domestic and international financial institutions. Significant revisions in banking and securities legislation require.
Saudi Arabia	Good: law provides a stable framework for encouraging long-term investment by wealth management providers.
Turkey	Good: law appears to provide a sound basis for long term banking and securities investment.

Country	Prospects for wealth management industries based on existing legal provisions
United Emirate Arab	Average: the financial free zone, while themselves representing a liberal regulatory framework which encourage wealth management investments, can be changed or revoked. The zona francas should be incorporated into national law to provide the long-term predictability needed to expand the UAE's current status.

Source: Bryane Michael from www.mei.edu (*The Wealth Management Industry in the Middle East: Boon or Bust?*)

Indeed, the funds from HNWIs of Muslim countries can be provided by Islamic wealth management industry. The data shows that HNWIs in Muslim countries have been grown significantly either in population and wealth. Middle East countries one of the regions represents the Muslim majority has HNWI population 0.61 million and HNWI wealth US \$ 2.28 trillion.¹⁷ In fact, most Islamic finance assets today are based in the Middle East and North Africa, followed by Southeast Asia (primarily Malaysia).¹⁸ In Asia-Pasific, HNWI population is 4.65 million and HNWI wealth is US \$ 15.82 trillion where Indonesia and Malaysia are included in that region.¹⁹ Indonesia HNWI population grew by 7.5 % in 2013 to reach 40000 population in 2014, while HNWI wealth also grew by 7.5 % in 2013 to reach US \$ 134 billion.²⁰ These prospects should be taken into consideration to facilitate affluent Muslims putting their assets into Shari'ah compliance product and service of wealth management.

Wealth Distribution and Waqf

Wealth Distribution

The distribution of wealth is important because the wellbeing of individuals/household is affected by their wealth independently of their income.²¹ There are many terms related the wealth distribution. When it is related to production factor called as factor distribution of wealth, but when it is related to wealth between

¹⁷www.worldwealthreport.com, accessed on January 4, 2016.

¹⁸Emmy Abdul Alim, *Islamic Finance: Industry Milestones and Reflections* (Wiley: Singapore, 2014), 22.

¹⁹Ibid.

²⁰Ibid.

²¹Michael Schneider, *The Distribution of Wealth* (UK: Edwar Elgar Publishing, Inc, 2004), 5.

generations called as intertemporal distribution of wealth, and lastly it can be categorized as personal distribution of wealth that is related to household.²²

In regard to wealth management, it is related to last category of wealth distribution that discusses on household. In Islam, wealth distribution is also related to activity of *infâq* (spending) in the sake of Allah such as *infâq*, *sadaqah*, *zakah*, *hibah* and *waqf*. The tools for wealth distribution in Islam can be divided into two categories i.e obligatory and non-obligatory. The former are *zakat*, *khums*, *kharaj* and *jizyah*. Whereas the latter consist of *waqf*, *wasiyah*, *sadaqa* and *qard hassan*. These are basically voluntary giving to get the consent of Allah s.w.t .²³

There is scale of priority in spending of our wealth in the way of Allah as mentioned in Surah Al-Baqarah, 215: "They ask you, (O Muhammad), what they should spend. Say, "Whatever you spend of good is (to be) for parents and relatives and orphans, and the needy and the traveler. And whatever you do of good indeed, Allah is Knowing of it." So, *infâq* (spending) in the sake of Allah should be from the nearest and to the fairest one. Wealth distribution associates with term estate transfer that should be planned while live and upon death.

Islamic wealth distribution has three, namely: individual, family and society purposes. Firstly, the individual purposes are such as sustaining the life on earth, improving knowledge, and strengthening the faith. Secondly, the family purposes are such as fulfilling the needs of family, spending the wealth for education and saving for expected events. Thirdly, the society purposes are such as promoting growth, providing social activities, and reducing inequality of income distribution. These three are to be done to achieve happiness and welfare by His blessing (*barakah*) in here and the hereafter.

Waqf

Literally, *waqf* means *habs* (prevention or confinement) to dispose (Zuhaili, 2007: 153).²⁴ There are three meanings of *waqf*

²²Ibid, 4.

²³Farooq Azis, Muhammad Mahmud and Emad ul Karim, 'The Nature of Infaq and Its Effects on Distribution of Wealth.' *KASBIT Business Journal*, Vol. 1 Issue 1 (2008), 44-48.

²⁴Wahbah Zuhaili, *Al-Fiqhul Al-Islami wa Adillatuhu*. Juz VIII (Damaskus: Darul fikri, 2007), <https://www.worldwealthreport.com>, accessed on June 20, 2015.

from Islamic jurisprudence schools, they are: Hanifiyyah, Al-Jumhur (Shafiyyah & Hanabilah), and Malikiyyah.²⁵ Hanafiyyah defines *waqf* as the confinement of a property under authority of founder ownership by giving benefit to the public. On the other hands, Al-Jumhur define *waqf* as the confinement of wealth that may be utilized with perpetuity of its property which is no more under authority of founder ownership, but belongs to Allah. Maliki defines *waqf* as the confinement of property that legal interest remains in the *wâqif* (endower) while the beneficial interest lies on the *mawquf* beneficiaries.

Historically, *waqf* begins in the time of Islam with the beginning of Prophet Muhammad period in Madina that was build *Masjid* of Quba known as *waqf dîni*.²⁶ Moreover, the *waqf* is not only the spiritual and religious aspects but also an important aspects such as economic, education, etc. *Waqf* is divided into three types, *waqf khayri* (public *waqf*), *al-waqf al-ahli* (family *waqf*) and *al-waqf al-mushtarak* (combined public and family *waqf*).

Moreover, *waqf* is divided into three categories, namely: *waqf khairi* or *waqf public* and *waqf ahli* or *family*, and *waqf mushtarak*. The first kind of *waqf* is made by the founder to support the general good and welfare of the poor and the needy in society. In this case the founders create this type of *waqf* in the form of immovable such as building mosques, schools, hospitals, orphanages houses, and guest houses, or immovable such as books, weapons, crops, money etc.²⁷

The second type of *waqf* is used for immediate family members that include children, grandchildren and etc. This type of *waqf* was approved by the Prophet (pbuh) as he encouraged his companions to make endowments to their nearest relatives.²⁸ Moreover, the Prophet (pbuh) declared that the most pious offering is to one's family in providing for their wants, which is more pious than giving alms to beggars.²⁹ The last *waqf* created by founder to

²⁵Ibid, 153-155.

²⁶Monzer Kafh, *Al-Waqf Al-Islami: Thatawvaruhu, Idâratuhu, Tanmiyatuhu* (Beirut: Darul Fikri al-Mu'âshir, 2000), 19.

²⁷Magda Ismail Abdul Mohsin, "Family Waqf: Its Origin, Law Prospects." In *Waqf Laws and Management: With Special reference to Malaysia* , ed. Syed Khalid Rashid & Arif Hasan (India: Institute of Objective Studies, 2012), 172.

²⁸Muhammad Ridhwan Abd Azis, *Introduction to Islamic Institutions in Economic and Finance* (Usim Publisher: Malaysia, 2012), 221.

²⁹Ibid, 172.

support both the public and his family, i.e. the founder dedicates a part of his property to his family and another part to the public. This type of waqf had been recommended by the Prophet (pbuh) and created by his wives and companions.

Strategy of Enhancing the Potential of Waqf Funds

Waqf is one of the Islamic wealth management tools that can be used efficiently and effectively to help *ummah* economy by increasing the value of assets given by the *waqif* (setlor). The waqf fund can become another source of funding for society welfare by supporting the health and the educational sectors, supplying the basic infrastructures, providing jobs, enhancing commercial and business activities, and providing basic needs to a needy.

At present, there are many ways to enhance the potential of waqf funds. Dahlia and Haslindar propose corporate *waqf* as one of mechanisms in generating income for the benefits of most society in the form of cash *waqf*, *waqf share* and other assets investment methods (Ibrahim & Ibrahim, 2013).³⁰ Actually, it is derivation of *cash waqf* or *waqf shares* is now becoming popular mechanism in enhancing potential of waqf funds in many Muslim countries such as Malaysia, Indonesia, Syria, Turkey, South Africa, Singapore, Kuwait, Pakistan and Egypt. On the other hands, Johari and Alias (2013) propose many mechanisms in enhancing the potential of *waqf* funds besides *cash waqf* or *waqf shares* such as *waqf financing* in education, *waqf financing* in microfinance, *waqf* as social bank, *waqf* and mudharabah investment, and *waqf* and sukuk investment.³¹

Hashim (2007) suggest *waqf* insurance that can be an alternative of *waqf* funds, which is the only insurance company in Malaysia that has introduced, and is currently managing, a "Takaful Waqf Plan", is Syarikat Takaful Malaysia Berhad (referred to

³⁰Dahlia Binti Ibrahim & Halindar Binti Ibrahim, "Revitalization of Islamic Trust Institutions through Corporate Waqf". *Paper proceeding of 4th International Conference on Business and Economic Research*. Golden Flower Hotel, Bandung Indonesia, March 4-5 (2013).

³¹Fuada Johari & Mohammad Haji Alias. "Potential of Waqf Funds and Instruments in Contemporary Economic System." *Paper Proceeding of the 5th Islamic Economics System Conference (iECONS 2013)*, "Sustainable Development Through The Islamic Economics System", Organized By Faculty Economics And Muamalat, Universiti Sains Islam Malaysia, Berjaya Times Square Hotel, Kuala Lumpur, 4-5th September 2013.

hereafter as Takaful Malaysia).³² Commonly, there are three main models of *waqf*, i.e. (i) real estate *waqf*, (ii) cash *waqf* and (iii) corporate *waqf* (which has been pioneered by JCorp).³³

Finding: Waqf Fund Enhancement through Islamic Wealth Management Advisory in Islamic Banks

A Muslim needs to practice of Islamic wealth management because each individual Muslim is reminded that they are trustee and Allah is The real Owner of wealth. In managing wealth, Muslim people should not only focus on wealth accumulation that is used for only worldly matter, but also focus one wealth distribution which aims to attain happiness the hereafter.

One of the instruments of wealth distribution that can give benefit to the society is *waqf*. In addition, is a wealth sharing mechanism with the other persons either family or society. To make *waqf* effectively used is needed such institutions that have credibility to manage the funds. Islamic wealth management industry can play a role in enhancing the potential of *waqf* funds.

For instance in Middle East countries, there are many Islamic wealth management industries have been playing to cater the client needs to manage *waqf* assets such as Al-Khabeer Capital which is becoming the first Capital Market Authority-licensed entity in Saudi Arabia to be advising on this segment. Alkhabeer Capital, a leading asset management and investment firm based in Saudi Arabia, announced the launch of its "Waqf" (endowment) program, intended to provide advisory services for structuring *Waqf* entities and managing its assets.³⁴ In Malaysia, there are many institutions of Islamic estate planning provide management of *waqf* assets such as Amanah Raya Berhad and As-Shalihin Berhad.

Islamic banks also play role in enhancing the *waqf* funds such as Bank Muamalat Malaysia Berhad (BMMB) that has cooperated

³²ABM Hashim, "The Collection of Waqf through Insurance Companies: A Critical Analysis on the Malaysian Experience," *Rev. Islamic Econ.*, Vol 11 Issue 1 (2007), 62-74.

³³Hajah Mustafa Hanefah, Abdullaah Mohd, Jalil and Ramli Mohd. Asharaf, *Waqf Models in Iskandar Malaysia: An Analysis*. *4th Islamic Banking, Accounting and Finance Seminar*. Gombak: International Islamic University Malaysia, 2010.

³⁴AlKhabeer Capital launches its "Waqf" Program: A new business line for structuring *Waqf* entities. May 11, 2015. Retrieved 25 June, 2015 from <http://www.alkhabeer.com/press-releases/alkhabeer-capital-launches-its-waqf-program>

with state-owned *waqf* management institution named as Perbadanan Wakaf Selangor Berhad (PWS). In Indonesia, Islamic banks as agent has collaborated with Indonesia Waqf Board to collect the *waqf* funds. In Bahrain, a cash *waqf* was established in 2006 by Central Bank of Bahrain where cash contribution from several banks were placed in a common pool and subsequently invested in Islamic financial products. Moreover, it would be potential contribution to *waqf* funds using Islamic wealth management industry via Islamic banks that provide integrated financial service and consultancy for helping clients manage their wealth.

Wealth management industry via Islamic banking can enhance the potential of *waqf* funds with some reasons. Firstly, the *waqf* funds are managed by professional teams whose qualifications licenced by financial accreditation authority. Secondly, diversification of products and services offered can facilitate the clients to put their assets in the form of investment and wealth distribution especially in *waqf*. Thirdly, profile of clients are categorized as affluent, high net worth (HNW), very HNW and Ultra NNW, which will be potential if some of their wealth allocated in *waqf*.

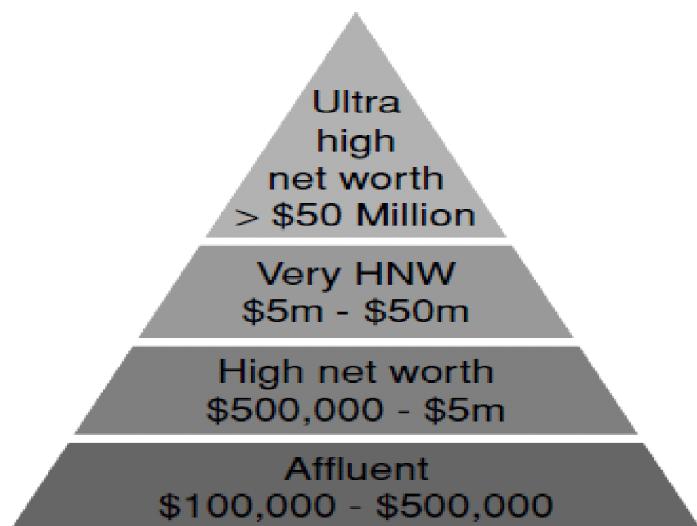


Figure 3: The Wealth Management Pyramid

Source: Maude (2006) reproduced by permission from Price water house Coopers (2005), 'Global Wealth Management Survey.'

In figure 4 indicates how the waqf funds will be managed by Islamic bank in various products.

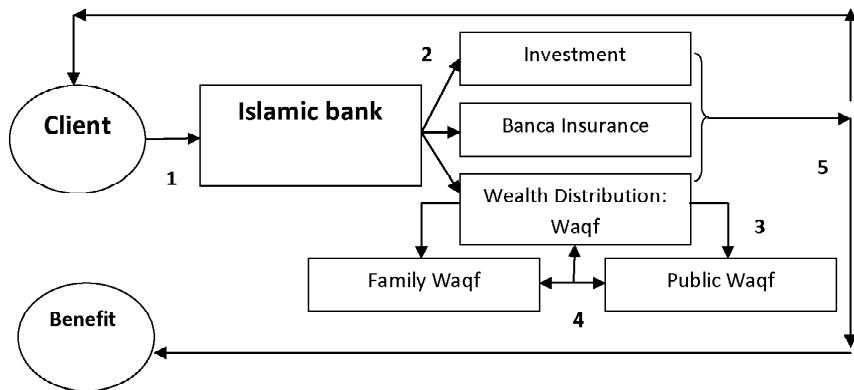


Figure 4: Waqf Enhancement in Islamic Wealth Management

The explanation of above figure (4) are:

1. The clients come to Islamic bank to get best solution of financial product and service of their assets.
2. Islamic banks as providers wealth management products and service should understand client needs and aspirations. Relation manager will analyze the best investment solutions for each clients, based on his needs and risk/reward profile. Furthermore. The relation manager as chief financial officer will provide certain produts and services such as investment, trust and estate, tax planning, cash-flow management, accounting report and legal advice. However, common products and services offered in Islamic bank are divided into three: investement, banca-insurance and wealth distribution. In investment, there are certain products offered such as cash in Islamic deposit, fix income in sukuk, equities, commodities, real estate, foreign exchange, etc. Banca Insurance covers building, housing payment, life and health of the clients. However, the product offered in Islamic wealth distribution such as estate admisnistration and planning, hibah, trust and *waqf*.
3. A good relation or wealth manager in Islamic bank should not only focus to offer investment and insurance product (worldy matters) that increase the value of wealth, but also advice the

clients to invest their wealth in *akhirah* investment which generate reward. In case *waqf* is one of the most instruments in wealth distributions that can give sustainable reward to the clients as encouraged by provision of the Prophet: "When a child of Adam dies, his/her deed comes to an end except for three things: a running sadaqah, knowledge that benefits (others) and a righteous child who prays for him/her" (*Hadith* reported by Muslim, Tarmidhi, Abu Dawud, Nasa'i and Ibn Majah). There are kinds of *waqf* that can be provided by Islamic bank, they are family and public *waqf* or combination of both *waqf*.

4. After the clients choosed the type of *waqf*, the wealth manager will advise various forms that can be placed in investment, Islamic insurance, and financing in education. For those who choose family *waqf*, the purpose is for sustainable of family wealth trough generation. On the other hands, public *waqf* is to support welfare in society.
5. The clients will get a return from their investement materially and get reward from Allah by their investment trough *waqf*. The benefit of family *waqf* covers family empowerment, education, health and business finance activities, while public *waqf* is used for benefit of society such as poverty eradication, sanitation, scholarship program for a needy student, economic empowerment, etc.

Islamic banks as the providers of wealth management can give holistic approach in managing the clients' wealth. A holistic approach of Islamic wealth management should provide aspect of *dunya* (world) and *akhirah* (hereafter) in order to gain *falah*. *Wafq* as one of instruments in Islamic wealth management can really contribute to the development of *ummah* if the wealthy Muslim people are aware that wealth owned is a trust from Allah should be managed in accordance with Islamic teaching. Therefore, they should spend or invest some wealth in the way of Allah (*fi sabilillah*) which is one of the trusts that Allah command to man as khalifatullah.

Conclusion

There are many ways to enhance the potential of *waqf* funds. At present, There several models of *waqf*, i.e. (i) real estate *waqf*, (ii) cash *waqf*, (iii) corporate *waqf*, and (iv) sukuk *waqf*, etc. There

is one of the ways to enhance the potential *waqf* which is using Islamic wealth management industry where Islamic banks can play this role. The trend of Muslim HNWIs and UHNWIs' wealth tends to increase significantly in the world. This prospect can contribute to the development of *ummah* if their wealth (Muslim HNWIs and UHNWIs) are properly managed based on Shari'ah.

The role of Islamic wealth management is not only focusing on worldly investment helping the clients' need, but also hereafter investment. Islamic wealth management industry should determine *waqf* as an instrument helping the clients' wealth to obtain blessing (*barâkah*) of Allah. By *waqf*, Islamic wealth management instrument can accommodate all models of *waqf funds* from cash *waqf*, insurance *waqf*, corporate *waqf*, etc. There are three options of putting their wealth in *waqf* funds, they are: (i) family *waqf*, (ii) public *waqf*, and (iii) combination of *waqf*. All benefits of these *waqf* can contribute to the development of *ummah*.

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