

## Perception towards planning of waqf, wasiyyah and faraid in Islamic wealth distribution: Malaysian perspective

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**Abstract:** Issue of increasing in frozen assets every year was very alarming. Generally, increasing of frozen assets associated with how people plan and manage their wealth. Therefore, the purpose of this paper is to investigate the perception pertaining to the planning of waqf, wasiyyah and faraid in Islamic wealth distribution among Muslims in Malaysia. The methodology of this paper is quantitative research through questionnaire. The general findings of this paper shows that majority of Malaysian Muslim have positive cognitive towards planning of waqf, wasiyyah and faraid.

**Key words:** Wealth distribution; Planning; *Waqf*; *Wasiyyah*; *Faraid*

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### 1. Introduction

Distribution plays a vital role in various scope such as marketing, information, communication and others including in wealth management. The distribution of wealth is one of an important element in Islamic wealth management cycle which is also being a part of Islamic financial planning market. Basically, wealth distribution can be defined as acts of passing on assets through Islamic will and trust which are not contradict with *Shariah* guidelines (Muhammad Ridhwan Ab. Aziz et al., 2014; Zurina Shafii et al., 2013). It has being a hot issue for debating among the economists pertaining on the matter of what kind of distribution should be made and adopted to prevent economies from the financial crunch and economic crises such as frozen assets (Sulaiman D. Muhammad et al., 2013).

Increasing in the issue of frozen assets every year was very alarming. It is estimated 60 billion assets turned into frozen assets caused by deceased itself as well as his or her heirs. Basically, frozen assets occur after the death of someone. When assets were declared as frozen assets, it will take a lot of procedures and take longer time to settle down unless when the deceased have already planned on how to distribute his or her estate. Factor of frozen assets may be caused by several reasons. The factor of frozen assets caused by deceased itself lay on the issues not leaving a will or do not have proper documentation in planning wealth distribution. While the issues of frozen assets caused by heirs is due to the attitude of the heirs which do not have time to manage estate, do not have knowledge in the process of administration and distribution of estate and many more. Thus, based the issues in increasing of frozen assets, many previous researchers have

conducted a study in this field. Majority of them found that the practice of planning assets still far behind since the rate in planning wealth was low (Shafinar et al., 2013; Almaamun, 2008).

Therefore, based on the issues in frozen assets, the purpose of this study is to investigate the relationship between perception of Malaysian Muslims towards planning of *waqf*, *wasiyyah* and *faraid* in wealth distribution. This paper is divided into four sections. This introduction is followed by the literature review and research methodology. Lastly this paper will be concluding with conclusion and recommendation section.

### 2. Literature Review

#### 2.1. Definition of Waqf, Wasiyyah and Faraid

*Waqf (Awqaf/wuquf)* literally means to stop, contain or to preserve. Technically, *waqf* means withholding one's property to eternally spend its revenue on fulfilling certain needs depending on the choice and conditions made by the *al-waqif* or the person who owns the property (Muhammad Ridhwan Ab. Aziz, 2012). While Ihsan and Ibrahim (2007) defined *waqf* as a donation and considered as an act of charity that can be characterized as *sadaqah jariyah* (ongoing charity).

The general idea of *waqf* properties is devoted to public and community use as socio-economic development since the property is not belong to specific individual but the ownership is belong to Allah (Kahf Monzer, 2003). While in other perspective, *waqf* also one of the mechanism that can be used to manage wealth distribution either using *waqf ahli* or *waqf khairi*.

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*Wasiyyah* is derived from the word '*wassa*' which means to order, advice, promise or give away property after the death. Literally, *wasiyyah* can be defined as a declaration of a person made during his life time with respect to his property or benefit thereof, to be carried out for the purpose of charity or for any other purposes permissible by Islamic law, after his death (Muhammad Ridhwan Ab. Aziz, 2012; Hassan, 2008). Every Muslims have an obligatory duty to planning *wasiyyah* as prescribed by Allah in Al-Quran (Surah Al-Baqarah: 180). However, these will be limited to only a one-third of property. The limitation in *wasiyyah* is based on Hadith narrated by Bukhari and Muslim: "Saad bin Abi Waqqas said: "The Messenger has come to see me while I was in Mecca. I said, O Allah's Apostle! I have much property and no heir except my single daughter. Shall I give two-thirds of my property in charity?" He said, "No." I said, "Half of it?" He said, "No." I said, "One-third of it?" He said, "You may do so through 1/3 is also too much, for it is better for you to leave your off-spring wealthy than to leave them poor, asking others for help."

*Wasiyyah* in Islam is not only seen as a part of *Ibadah*, but it is also been considered as a part of social responsibility because indirectly it contributes to socio-economic through *sadaqah jariyyah* (Zurina Shafii et al., 2013).

According to Islamic terminology, there are few definitions given to the *faraid*. Some scholar has defined *faraid* as a division that have been prescribed under Islamic terminology to the heirs. Besides that, *faraid* also refer as knowledge refers to the *fiqh* of inheritance where it allowed a person to know the proportion that he or she entitled from the estate of deceased. Thus, we can conclude that, *faraid* is the division of the estate after the death of a Muslim who has been prescribed under Islamic law on the legal heirs and entitled (as daughter, wife, husband, mother, father, etc.) (Wahbah Zuhaili, 1985; Mustapha Al-Khin, Mustapha Al-Bugha and Ali Al-Syarbaji, 2009).

## 2.2. Perception on planning wealth distribution

Perception is a study on pattern of recognition. Some of the scholar extent to which perception relies directly on the information present in the stimulus while some of them argued that perceptual process are not direct, but depend on the perceiver's expectations and previous knowledge as well as the information available in the stimulus itself (Saul McLeod, 2007).

Gregory (1970) argued that perception is a constructive process which relies on top-down processing. Top-down processing can be refers to the use of contextual information in pattern of recognition. For example, in order to understand and explained about planning in wealth distribution it is easier when someone have knowledge and experienced compared to the person who only know theoretically. Therefore, he concluded perception is a hypothesis which involves making inferences

about what we see and trying to make a best guess prior to the knowledge and past experience. While Gibson (1966) who has proposed a direct theory of perception which is a 'bottom-up' theory. Bottom-up theory also known as data-driven processing since the perception begins with the stimulus itself. Processing is carried out in one direction from the retina to the visual cortex, with each successive stage in the visual pathway carrying out ever more complex analysis of the input.

While pertaining with planning theory, Newell and Simon's (1972) claimed that problem-solving has often been interpreted as a theory of planning in which the sequence of operators is regarded as a plan of executable behaviors for carrying out a task. Perception of Malaysian Muslims towards planning wealth distribution also had an influential role in the issue of frozen assets nowadays. Pertaining to misunderstanding and misconception regarding this matter, it is because, Malaysian Muslims hold a perception that the function of Islamic estate planning only comes into play when there is an intention and planning to make a *wasiyyah* for the purpose of charity or for non-heirs (Ahmad and Peyman, 2008). It seems only those who are leaving the estates and those who probably receiving the inheritance aware the importance of Islamic estate planning (ZAR Perunding Pusaka, 2004a; ZAR Perunding Pusaka, 2004).

The wrong perception pertaining planning of wealth distribution goes deeper to the extent that they believe the *faraid* system is already provided to ensure the entitlement to the shares and it is obligatory in the sense that the provision in *faraid* should be strictly followed. Therefore, most of them thought the estate planning is not necessary for Muslims (ZAR Perunding Pusaka, 2004a; ZAR Perunding Pusaka, 2004c; Hassan and Yusop, 2006).

Apart from this, it is because most of Malaysian Muslims feel estate planning is not too important as they feel that estate planning is only for the wealthy and rich person (Hassan, 2005; Hassan and Yusop, 2006; Fatin, 2011). Majority of people have a perception estate is only refer to super-rich people. But in fact is, an estate can be a house and several thousand Ringgit Malaysia or car. Based on findings from Horkey (2009), who conducted a study in American country, many of Americans have a perception that estate planning is only for the wealthy.

## 3. Methodology

The research methodology used to carry out this study is quantitative method through the questionnaire. The questionnaires were obtained by distributing to a sample of 97 respondents in Malaysia. The sampling procedure adopted for this research was simple random sampling. Each respondent is required to answer a close-ended question which is to identify perception on planning of Islamic wealth distribution using *waqf*, *wasiyyah* and *faraid* concepts. We employ SPSS (Version 20) in

order to conduct frequency analysis, descriptive analysis and reliability analysis. Frequency analysis is used to extract the percentile of the respondent's demographics in terms of their gender, age, marital status, education level, job, income and total assets. Mean and standard deviation are computed for descriptive analysis. The reliability test is used to examine the internal consistency whether all the items are measuring the same underlying construct (Gliem JA and Gliem RR, 2003).

**4. Empirical results**

**4.1. Respondent's profile**

As presented in Table 1, most respondents are male, which represent 72.2 percent while female represent only 27.8 percent. Out of 97 respondents, 33.0 percent representing age from 47-57 years old followed by 32.0 percent for 25-35 years old while the lowest responses was 4.1 from below 25 years old. Next, most respondents are married with 82.5 percent and 17.5 percent are single. Further, this

study found that 61.9 percent of the respondents were diploma or degree holders and the least respondents are Masters/PhD (15.5). Based on the job, majority of the respondents work at private sector with 48.5 percent while government sector was 14.4 percent and least percentage was from unemployed with 5.2 percent. Next, 30.9 percent of the respondents earned highest monthly income (>RM 5000) followed by 30.9 percent (RM 1001-RM 2999). While the least amount earned by the respondents was 15.5 percent (< RM 1000). Lastly for total assets earned by the respondent, 32.0 percent was the highest percentage for total assets owned by the respondents (< RM 50, 000). Besides that, from the results obtained for amount of total assets, there are two items sharing same percentage which are RM 300,001- RM 600, 000 and >RM 600, 000 with 20.6 percent. While the lowest percentage for total assets was 8.2 which are represent RM 50, 001- RM 100, 000.

**Table 1:** Respondent's profile

		Frequency	Percent
Gender	Male	70	72.2
	Female	27	27.8
Age	< 25 years	4	4.1
	25-35 years	31	32.0
	36-46 years	15	15.5
	47-57 years	32	33.0
	>57 years	15	15.5
Marital Status	Single	17	17.5
	Married	80	82.5
Education	No formal education	0	0
	Primary school	0	0
	SRP/ PMR/ SPM/ Vocational	22	22.7
	Diploma/ Bachelor	60	61.9
	Masters/PhD	15	15.5
Job	Unemployed	5	5.2
	Housewife	6	6.2
	Self-employed/ businessman	14	14.4
	Government sector	14	14.4
	Private sector	47	48.5
	Retired	11	11.3
Monthly Income	< RM 1000	15	15.5
	RM 1001-RM 2999	36	37.1
	RM 3000-RM 4999	16	16.5
	>RM 5000	30	30.9
Total Assets	< RM 50, 000	31	32.0
	RM 50, 001- RM 100, 000	8	8.2
	RM 100, 001- RM 300, 000	17	17.5
	RM 300,001- RM 600, 000	20	20.6
	>RM 600, 000	20	20.6

**4.2. Reliability analysis**

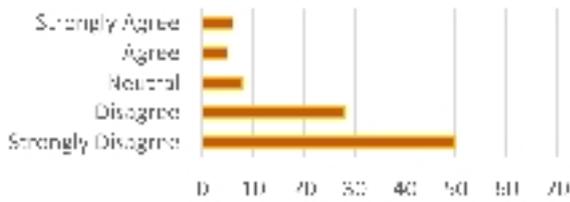
Table 2 demonstrates the result of the reliability test, whereby the Cronbach's alpha reliability coefficient is obtained. The variable of perception towards planning *waqf*, *wasiyyah* and *faraid* is 0.770

and it is considered acceptable to measure for this study. The reliability of the measure indicates the internal consistency of the instruments and to measure the confidence level of the data collected.

**Table 2:** Reliability analysis

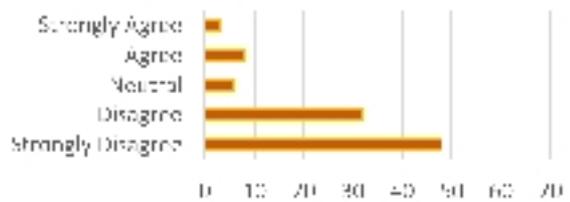
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items
0.770	0.742

**Descriptive Analysis**



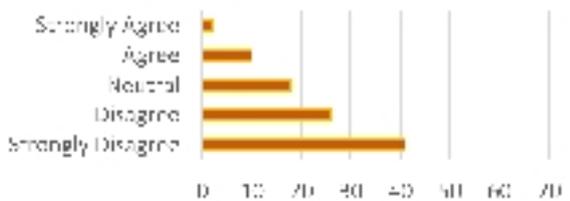
**Fig. 1:** Perception towards planning is only for rich and established people

Fig. 1 shows the results of pilot study pertaining perception towards planning *waqf, wasiyyah* and *faraid*. For the statement of 'planning wealth distribution is only for rich and established people', majority of the respondents have given strongly disagree (50 respondents) followed by disagree (28 respondents) as a feedback. However there are six respondents who have perception that planning of wealth distribution is only for rich and established people.



**Fig. 2:** Perception towards age to distribute wealth (old people)

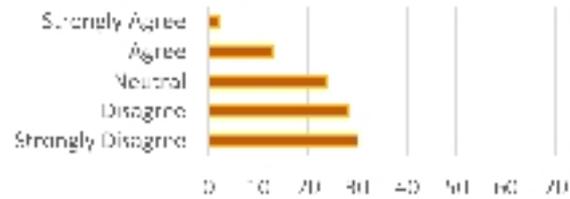
Fig. 2 shows the analysis of the response from the respondents in questionnaire regarding to the statement 'planning wealth distribution is only relevant for old people'. This Fig. shows that more than 48 respondents given strongly disagree response on the perception that planning of wealth distribution is only for old people followed by 32 of them disagree with the statement. While out of 97 respondents, 11 of them shows opposite responses with 8 of them were agree with the statement while the rest were strongly agree.



**Fig. 3:** Perception towards total assets with planning

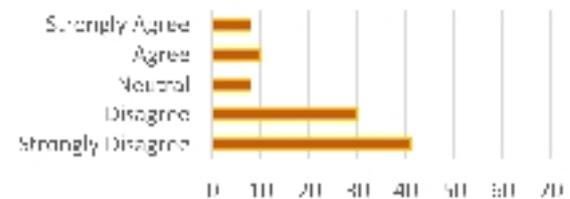
The result shown in Fig. 3 is based on the analysis of response from respondents regarding the statement 'I don't have large amount of wealth, so it's not necessary to plan my assets'. Based on the

results, 41 from 97 respondents given strongly disagree responses towards the statements followed with 26 respondents disagree. While 18 of them given neutral responses and 12 respondents give opposite feedback with 10 of them agree and 2 respondents are strongly agree with the statement.



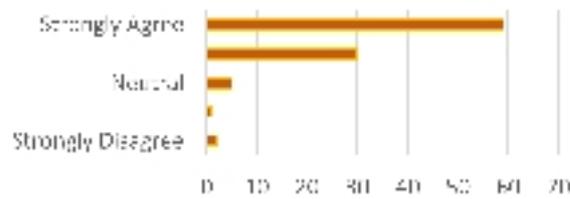
**Fig. 4:** Cost towards planning

Fig. 4 is a result obtained from analysis question in the questionnaire using Likert scale regarding the statement 'Cost for planning wealth distribution is very expensive'. Based on Fig. above, 58 from 97 respondents not agree with the sentence with 30 of the strongly disagree while the rest is disagree. 15 from 97 respondent's shows difference responses with 8 of them strongly agree with the rest agree with the sentence. While 24 respondent give neutral responses.



**Fig. 5:** Perception towards planning and marital status

Another question using Likert scale from the questionnaire was about the statement 'Planning wealth distribution is only relevant for those who are married, having family and not for a single person'. Majority of the respondents have given strongly disagree (41respondents) followed by disagree (30 respondents) as a feedback. 8 respondents were strongly agreed with the sentence and 10 of them shows agree respondents. While the rest shows neutral responses.



**Fig. 6:** Important of planning

The result shown in Fig. 6 is based on the analysis of response from respondents regarding the statement 'Estate planning is very important and Muslim ought to plan their assets'. 89 respondents give positive responses towards the sentence with 59 of them strongly agreed estate planning in wealth distribution is important while the rest are agreed.

However, 3 of the responses were giving opposite responses with 2 of them are strongly disagreed while 1 respondents show disagree response. 5 of the respondents give neutral as responses to the sentence.

**Table 3:** Descriptive analysis

	Mean	Std. Deviation
Planning wealth distribution is only for rich and established people.	1.86	1.164
Only relevant for old people	1.82	1.071
Not necessary to plan if don't have large assets	2.27	1.104
Cost for planning is very expensive	2.27	1.104
Only relevant for those who are married	2.11	1.290
Estate planning is very important and Muslim ought to plan their assets	4.47	.818

Table 2 illustrates the descriptive analysis results. Among the items on perception towards planning of *waqf*, *wasiyyah* and *faraid* in wealth distribution, statement of 'Estate planning is very important and Muslim ought to plan their assets' score the highest mean 4.47; meaning that it is the most influence factor for variable perception towards planning. The standard deviation of 0.818 shows how much variation or dispersion exists from its mean. Second highest score was 'Cost for planning is very expensive' with the score of mean is 2.27 with standard deviation is 1.104. While perception pertaining to planning of wealth distribution is only relevant for old people shows lowest mean with 1.82 with the standard deviation is 1.071.

## 5. Conclusion

Based on the results obtained, it can be concluded that Malaysian Muslims have positive perception towards planning of *waqf*, *wasiyyah* and *faraid*. Majority of them have a perception planning of wealth distribution is not only for rich, established people, married person and old people. Besides that, most of them also have a perception that it is important to plan wealth distribution for benefits of heirs as well as *ummah*. However, when the authors refer the findings in this study with the findings obtained by previous researcher which practice of planning is still low there is contradiction of the results. Basically when Muslim's community have positive perception it should also give an impact to the increasing in planning of wealth distribution. Perception without an action in planning will not bring any importance in planning wealth distribution industry. Therefore, in order to reduce the issues of frozen assets to lowest level, every Muslims should perceive a good perception in planning of *waqf*, *wasiyyah* and *faraid* and then followed up with an action to have proper documenting in planning wealth distribution.

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