



# DEVELOPING THE HYBRID MODEL (WAQF & ZAKAT) FOR IMPROVING THE ZAKAT RECIPIENTS' HEALTHCARE IN SELANGOR

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## Abstract

The paper aims to develop a system that will strengthen zakat recipients' healthcare through coordination between waqf and zakat institutions. According to sources, Selangor has a lot of waqf and zakat reserves that are not being used. To resolve these issues and optimize the usage of barren and underused properties of Waqf and Zakat, a better management structure is needed. To accomplish the objective, this research employs a qualitative approach. It is found in the study that the Zakat and Waqf can be used for investment purposes; however, return from these investments should be used for the intended purpose and, i.e., to ensure social well-being, especially of the marginalized groups of society. The proposed model holds significance in improving the healthcare of zakat recipients and leading the society towards achieving social well-being and better living standards. This study's results may enhance the policymakers' understanding and contribute to better utilization of Zakat and Waqf assets. Besides, it will also enhance zakat collection and distribution and contribute to Waqf and Zakat funds' efficient management. There are certain limitations to the study in data availability, such as official data for waqf land in Selangor is available till December 31, 2016.

**Keywords:** Zakat, Waqf, Zakat Recipients, Healthcare, Selangor, Hybrid.

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## 1. Introduction

Waqf and Zakat are Islamic philanthropy instruments meant for the overall well-being of humans. The evidence of these instruments' existence can be found since the Prophet Muhammad's (PBUH) era and at different times in ancient Islamic history. These instruments have proven to be the most effective tool to eradicate poverty and promote people's social, mental, and physical well-being. As the third pillar of Islam, Zakat has a tradition of more than 1400 years that decreases inequality and distributes resources to those in need and the poor. The literal meaning of Zakat is purifying and increasing. Under Islamic law, Zakat is the redistribution of a specific part of a person's wealth to those who do not have sufficient means to survive. (Almaany, 2020).

The use of Waqf in the health sector can be traced to the times of Prophet Muhammad (PBUH). According to (Akrama Sabri, 2015), when the king of Egypt sent a doctor to the Prophet Muhammad (PBUH), he instructed the doctor to treat all patients without exception and free of charge and made sure that no one paid for the treatment and medications. Besides, Prophet Muhammad (PBUH) established a tent in the Prophet's mosque's courtyard for the ummah to get free treatment and medications. Many companions (sahabas) received health care from there and performed significant humanitarian tasks.

Waqf 'amm (public Waqf), waqf khass (private Waqf), waqf khayri (charitable Waqf), waqf dhurri (family Waqf), and waqf al-nuqud (cash waqf) are all forms of Waqf. In fact, awqaf evolved into the state's third arm over the ages. The Islamic world's education scheme was almost completely sponsored by awqaf. Awqaf also provided for health care, water provision, feeding the needy, mosque preservation, imam and mu'adhins' pensions, orphanages, and caravanserais maintenance, among other items. (Rashid, 2018).

According to (Al-Mutlaq, 2020) "there are multiple needs of the poor such as food, clothing, healthcare, marriage, education and job training. The cost of providing these services can be fulfilled from Zakat, imposed by the almighty Allah upon rich, for the benefit of poor, in line with the teachings of Islam". In addition to the eight *ashnaf* groups mentioned in the Qur'an, zakat assistance is allocated in Selangor, Malaysia based on six aspects of the *ashnaf*'s needs such as shelter, food, clothing, transportation, education, and health. In addition, Lembaga Zakat Selangor (LZS) allocated more than RM25 million in 2010 for financing the medical costs of the eligible *ashnaf*. This amount has been increasing continuously (Abdul Hamid, June 2011).

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Notwithstanding that, amid the country fighting against an invisible enemy called Covid-19, LZS has strengthened its image as a socially conscious organization. LZS has allocated approximately RM 15 million to help Selangor residents cope with the Movement Control Order (MCO). On top of that, 2000 personal protective equipment (PPE) was distributed to the Health Department of Selangor, and three ventilators and medical equipment were distributed to hospitals and health institutions around Selangor (Aminnuraliff, 2020). According to Lembaga Zakat Selangor (LZS) distribution division head Abdul Basith Hamid, the state distributed RM829.9 million last year, compared with RM616.5 million a year earlier (New Straits Times, 2019). It is also stated in the Malaysian National Health Accounts Health Expenditure Report 1997-2014; the total expenditure on healthcare increased from RM8.2 billion or 2.91 percent of GDP in 1997 to RM49.7 billion 4.49 percent of GDP in 2014. It indicates that spending on the health sector remains higher throughout the years (Ministry of Health Malaysia, 2016). This report shows how health is important and how Malaysia cares about the health of the nation. Therefore, more funds are required for healthcare to sustain itself.

Moreover, several Awqaf-based hospitals in the Islamic world today, including Malaysia, such as the KPJ flagship Klinik Waqaf An-Nur (KWAN) project, have more than twelve clinics and hospitals that treat more than 660,907 patients (Jcorp, 2014). The group of clinics reaches the patients through its CSR services, while its KWAN charitable clinics provide quality care for the vulnerable people in society at the lowest cost. (Heng, 2018)

As stated in the InFocus WIEF Foundation (Lokman, 2017), Executive Director, Hospital Beyond Boundaries, Malaysia, said increasing costs are a significant issue in the healthcare sector; he believed that healthcare is a vital concern for all people, rich or poor.

Unfortunately, when it comes to health concerning Waqf, it is the lowest-cared sector along with the education sector, where 90 percent of waqf funds are in the mosque account today, and the rest are not being reached (Lokman, 2017). Another problem in waqf healthcare is the lack of an accountability mechanism. (Che Zuina Ismail, 2015) have stated that having much bureaucracy and lack of transparency in waqf administration has prevented ideas from contributing to Malaysia's waqf growth.

As evident from the discussion above, although there are some waqf clinics in operation currently in Malaysia. However, keeping in mind the potential of waqf land and assets, the contribution of Waqf in the health sector is negligible. Similarly, in the case of Zakat, although the contribution is significantly higher than Waqf still its impact is lower than its potential. Thus, this paper proposes a model whereby maximum utilization of waqf and zakat funds can be achieved to fulfill human beings' dire need related to healthcare, particularly zakat recipients. This model can also benefit the Zakat and Waqf Institution of Selangor, Malaysia, as it is a model based on investment.

## **2.0 Literature Review**

### **2.1 Health Sector of Selangor**

Malaysia is a federation of 13 states and two territories, with 70% of its population, approximately twenty-eight million living in urban areas. Public services consist of government-run public health clinics and hospitals, while private care services are mainly provided by private or general health clinics and hospitals. The Ministry of Health administers public health services through its local, state, and district health offices (Safurah Jaafar, 2013). The public health program is funded primarily by general revenue and tax received by the federal government. Thus, patients only have to pay small fees to access quality healthcare from clinics and hospitals. The private health care system, on the other hand, is funded either by the patients themselves or by private health insurance (Safurah Jaafar, 2013).

The Selangor State Department of Health (JKNS) is the Malaysian Ministry of Health's headquarters for healthcare services in Selangor, and it is in charge of medical and health services at the state level. The Director of State Health heads JKNS and is assisted by six (6) Deputy State Health Directors in charge of their respective divisions. Every division is responsible for the activities conducted in their respective programs. The division of administration, the division of public health, the division of pharmacy, the division of dental treatment, the division of medicinal services, and the division of food protection and quality are the six (6) divisions that propel JKNS. Besides, there are 32 primary Centers of Responsibility (PTJ), including twelve (12) hospitals, eleven (11) District Health Offices, nine (9) District Dental Health Offices, and two (2) Health Offices under JKNS (Jabatan Kesihatan Negeri Selangor, 2020)

Based on World meter elaboration of the latest United Nations data, Malaysia's current population is 32,387,111 as of Tuesday, July 21, 2020, which is equivalent to 0.42% of the total world population. In 2019, National Health and Morbidity Survey reported about the percentage of the insured and non-insured Malaysians. According to the survey, 22% of the total population thinks that personal health insurance is necessary, and they have insured themselves, while 36% of the population are not insured as they claim it as an unnecessary expenditure. On the other hand, 43% population is not able to afford the expense of insurance. Also, the poorest only get the opportunity of the existing tax-funded health care allowing by the government. They do not have any additional economic source which can help them cover medical treatment other than the government coverage. (CodeBlue, 2020).

### **2.2 Perbadanan Waqf Selangor (PWS)**

The historic establishment of Waqf in Selangor began on October 30, 2009. Perbadanan Waqf Selangor (PWS) has been formed to manage the state's overall aspect of waqf administration. PWS aims to foster and promote a systematic and effective waqf distribution through various waqf products, which ensure the ongoing benefits of contributing individuals. From the legal aspect, Majlis Agama Islam Selangor (MAIS) Waqf Management Committee Meeting No. 1/2010, convened on February 8, 2010, decided to establish a PWS according to the order of the Sultan of Selangor and Religion Administration

of Islam Enactment under enactment 2003 and amendment 2008. It is covering sections 89 to 95. In addition, the related waqf matters were also under the endowment enactment (Selangor) number 7, 1999, and the order of establishment of the Perbadanan Waqf Selangor 2011 (Perbadanan Wakaf Selangor, 2020).

### 2.2.1 Waqf Property of Selangor

The waqf lands in Selangor are classified based on their locality (Daerah), and their uses are generally associated with cemetery lands, the construction of mosques, and Islamic religious schools, as in other states in Malaysia. According to reports until December 2016, out of 1372.67 acres of waqf lands, 896.20 acres are allocated for mosques, 173.53 acres for schools, 126.58 acres for Surau, and 18.83 acres for cemeteries. (Perbadanan Wakaf Selangor, 2020).

**Table 1** below depicts the size of waqf land according to the above categorization as of December 2016.

No.	Use of Waqf Land	Size (acres)	Percentage of Total Waqf Land
1.	Mosques	896.20	63.32%
2.	Surau	126.58	9.22%
3.	Cemeteries	18.83	1.37%
4.	Schools	173.53	12.64%
5.	Charities/Orphanages	49.43	3.60%
<b>Total</b>			<b>90.15%</b>

[1] The remaining 9.85% are waqf lands for general *Manfa'ah*/MAIS

Based on Table 1, It can be seen that waqf land for religious purposes accounts for more than 70% of all waqf lands, while waqf land for humanitarian causes accounts for the tiniest fraction.

### 2.3 Overview of LZS and Zakat Allocation

In Malaysia, Zakat institutions are entrusted with the effective management of the collection and distribution of Zakat funds. Lembaga Zakat Selangor (LZS), or the Selangor Zakat Board, is one of Malaysia's leading zakat collection agencies and is serving the State of Selangor in particular. It first started operating as an independent and privately owned company under the name MAIS Zakat Sendirian Berhad (MAIS Zakat Pte. Ltd) in 1994, which was owned by Majlis Agama Islam Selangor or the Selangor State Islamic Council (MAIS). MAIS Zakat was renamed Pusat Zakat Selangor (Selangor Zakat Centre) in 1996, and it was given the mandate to collect all forms of Zakat, including zakat fitrah, in the following year. – “a type of zakat that is obligatory to all Muslims and is specifically collected during the fasting month of Ramadhan” – on top of its existing zakat collection functionality. The Center has recently changed its status from a privately owned company to an incorporated entity under the Trustee (Incorporation) Act 1952 and was again renamed as LZS (Selangor Zakat Board) (Ahmad, I. & Ma'in, 2014).

However, the rise in medical costs has become a significant concern for Malaysia and almost all countries worldwide. As far as Malaysia is concerned, medical costs have increased dramatically and have affected the government and people, especially in the private health sector. According to (Kefeli, Z., Johari, et al., 2017), Malaysia's per capita out-of-pocket health spending was measured at US\$41.47 in 1995 and rose to US\$160.9 in 2017. The poor have been most affected by this situation, and they face difficulties in obtaining adequate medical care, particularly those suffering from chronic illnesses or diseases. The eligible *asnaf* will receive optimal funding for the medical needs since the medical costs for different diseases have increased. For instance, in Selangor, Lembaga Zakat Selangor (LZS) allocated more than RM25 million in 2010 to finance the eligible *asnaf*'s medical costs. This figure rose from RM15.78 million in 2008 to RM23.17 million in 2009. The amount allocated for health care from the zakat fund increases with increasing medical costs (Kefeli, Z., Johari, et al., 2017).

According to Lembaga Zakat Selangor's annual report, medical problem-solving expenditure in 2015 was RM52 million and increased by RM69 million in 2016. It has shown that Zakat Selangor has put health aid as one of the highly emphasized elements in providing the *asnaf* with sufficient and adequate treatment. (Danila, R., Saat, et al., December 2020)

### 2.4 Application of Blockchain in Zakat

The digital world's influence has positively impacted all aspects of human life, such as the economy, culture, and society. The complexity of the old economic, social and cultural structures has shifted towards more technologically

advanced structures. In the financial sector, the role of technology in the form of the internet and social media has grown into a modern, profitable market for businessmen (Ulya, 2018). Considering such technical elements, it is essential to fuse the technology with Zakat to ensure that classical approaches in the zakat administration are upgraded to society's Urf or customary practices. Furthermore, research to incorporate Blockchain technology into Zakat is ongoing. Dr. Ziyaad Mahomed, Associate Dean of executive education and e-learning at the International Centre for Education in Islamic Finance (INCEIF), and his team created an Islamic Social Financing app using blockchain technology, according to sources. Dr. Ziyaad summed up the modus operandi of this app as follows according to the edge markets (2018); "How the app works, is straightforward. When users turn it on, they are presented with two options: sadaqat (charity) or Zakat. If they choose Zakat, the app prompts them to select the school of thought they follow — Shafie, Maliki, Hambali, or Hanafi — as there are differences of opinion. The app then asks a few questions, such as where they would like to see their money go. It provides them with a choice of projects such as water irrigation, sanitation, poverty eradication, and education. After choosing the project, they complete their payment using a secure gateway. Specific projects are listed. Then, once the zakat payment has been made, it is registered on a node in the blockchain. Payers will receive confirmation of acceptance. Now, the project has its money. When the money has been fully utilized, the payers will be notified via the app. Thanks to the transparency provided by the blockchain, there is more confidence among payers that their Zakat has reached the intended recipients" (Noordin, 2018). Therefore, this model uses blockchain technology to uphold all the relevant records and to ensure transparency.

## 2.5 Shariah perspective on investment of Zakat and Waqf assets

### 2.5.1 Zakat

The debate on whether the Zakat funds should be invested or not is a recent development since earlier Zakat used to be simply collected and distributed among the *asnafs* (zakat recipients). But, since countries like Malaysia and Indonesia, which have central Zakat authorities that are responsible for collecting and distributing Zakat, have started investing zakat funds, many of the Islamic scholars such as *Wahbah al-Zuhaily*, *Abdullah Nasih Ulwan*, *Muhammad Ata al-Sayyid*, *Syeikh Muhammad Taqi Uthmani* have opposed this idea based on specific arguments that are as follows: (Shamsiah Mohamad, 2012)

- a) The scholars argued that any investment by *mudharib* (manager of investment) makes him liable to pay a certain amount of profit to the investors (in this case, collectors), and if that is the case, this investment is not allowed. The reduction of zakat money happens when the essence of the investment has shifted into a loan feature with the promise of profit utilization or because administrative expenses arise.
- b) Secondly, they say investing zakat funds may delay distributing zakat funds to the *asnafs* who need those funds, while Zakat should be paid immediately to the *asnafs*.
- c) Scholars also argued that if zakat funds are invested into high-risk investment portfolios for a greater profit, there will be a significant risk of loss, and if the loss occurs, then there will be no money to be given out to the zakat recipients.
- d) Lastly, they argue that zakat funds cannot be invested because zakat collectors are not the owners of zakat funds.

However, many known Islamic scholars have a counterargument in favor of investment of zakat funds, and they have supported their arguments by referencing verses of the Quran and from the hadith of Prophet Muhammad (SAW). These scholars consist of Yusuf al-Qaradawi, Syeikh Mustafa az-Zarqa, Syeikh Abd Fatah Abu Ghuddah, and Abd Aziz al-Khiyyat. (Ali et.al, 2016).

- a) They cited a hadith of Prophet Muhammad (SAW) narrated by Anas Ibn Malik (May Allah be satisfied with him) that states, "When a man of the Ansar went to Prophet Muhammad (SAW) and pleaded from Him, He asked if he had nothing in his home, to which he responded that he has a piece of fabric, which he uses for both wearing and spreading on the ground, and a wooden bowl which he uses to drink water. Prophet Muhammad (SAW) asked him to bring these things to him, and when he did, He took them in his hand and asked the people around him who will buy these? When a man gave a dirham, he doubled or tripled his bid. Who would give more than a dirham? he asked, and he turned them over to a man who had given two dirhams. Buy food with one of them and hand it to your kin, and buy an axe with the other and deliver it to me, he said, handing the two dirhams to the Ansar. Go collect firewood and sell it, and do not let me see you for a fortnight, Allah's Messenger (SAW) said as the man gave the axe to Prophet (SAW). The man went off to find firewood and trade it. He went to the Prophet (SAW) when he had ten dirhams and purchased a robe with some of them and food with others. It is easier for you than begging, Allah's Messenger (SAW) said, and it will show as a spot on your face on the Day of Resurrection. This hadith reveals that the Prophet (SAW) urged people to invest money, even though it was just a small sum, to improve their living conditions instead of begging. Similar hadith and verses of Quran that encourage a man to work hard and earn a living and invest it have also been pointed out by many scholars which tell us that investing funds is a good practice which is encouraged in Islam as being poor can be a hindrance in the worship of Allah (SWT).
- b) If the investment is made with the intention of benefitting the final recipients of Zakat (*asnafs*), then it is allowed based on the rule "for the sake of Allah (*fi sabilillah*)."
- c) If the zakat funds are invested in business activities that are not highly risky and Shariah-compliant, there should be no issue investing zakat funds.
- d) Taking into account the sum of orphans' income, as the Prophet (SAW) claimed, that guardians are allowed to spend orphans' money. Zakat money is neither more necessary nor less prohibited than orphans' money. The sense

of this provision is that a zakat entity should handle money for a specific number of zakat recipients without granting them the freedom to sell the asset and distribute it.

- e) Categories of people eligible to receive Zakat are mentioned in the Quran, but how it should be distributed is not mentioned. Therefore, the argument should be that the zakat money should reach the people who need it rather than debating on the method.
- f) *Shafites'* opinion regarding this is that zakat money is meant to uplift the poor and make them self-reliant and self-sufficient. As a result, governments can use zakat money to invest in factories, industrial organizations, business institutes, and other facilities to address the needs of the poor or a group of the poor, and thereby establish Waqf for them (hence they profit from the taxes but are not permitted to sell the properties). (Taha et al., 2017).

After going through both types of arguments, i.e., in favor and against the idea of investing the zakat funds, we would like to leave it to the readers' judgment to decide if it is okay to invest the zakat funds or not; however, because this research is based on the idea of investing zakat funds for the welfare of humanity, which is the fundamental purpose of Zakat's existence. It would be right to say that if zakat funds are invested with transparency and precaution, such as in Shariah-compliant, low risk-bearing investment portfolios or businesses, and the return goes to the recipients who deserve it the most. Then there should not be an issue in the investment of zakat funds. Furthermore, from the hadith mentioned above of Prophet Muhammad (PBUH), this also becomes clear that if the money is limited, it is better to invest and make it grow to increase its beneficial potential rather than utilizing it all and then having nothing at hand to fulfill the basic needs.

Also, some points should be kept in mind regarding the investment of the zakat fund, such as it should be invested with the intention to benefit the eligible zakat recipients and not for any personal gains. Secondly, zakat funds should only be invested in halal or Shariah-compliant businesses or stocks, and the risk of investment should be reasonable; and finally, all the gains from the investment are meant only for the zakat recipients, and it must be channeled appropriately to them.

One such example of zakat funds' investment is the Pondok Modern Zakat Kedah (PMZK), founded by Sheikh Zakaria bin Othman (Chief Executive Officer of Lembaga Zakat Negeri Kedah). It is an institution that provides modern as well as religious education. However, the focus is on religious education to produce competent scholars in modern and religious knowledge. This move was welcomed by *Sahibus Samahah* Dato 'Mufti of Kedah, Sheikh Fadhil Awang, and he also participated in the effort to achieve the goal of establishing PMZK. It started operating in early March 2018, and the admissions are fully funded by the Kedah state Zakat board (LZNK).

### 2.5.2 Waqf

Several arguments have been raised in the past years regarding the use of waqf property for society's welfare by investing it in activities that will benefit society and governments in controlling its debt. In this respect, (Siddiqi, 1995) argues that, first and foremost, it is the Prophet's practice to support society by Waqf, as demonstrated by the Prophet's (PBUH) use of fruits from orchards left by the Mukhayriq to fund artillery. Second, for decades, the Ottomans effectively introduced Waqf into their financial structure and catered to their public expenses. Third, in Islamic culture, Waqf has financed humanitarian needs and cultural organizations for decades, and some awqaf have also survived over the generations. These three aspects make strong arguments for achieving sustainability by employing Waqf. Studies done by (Çizakça, November 1998) and (Mohd, S., Sahihda, et al, 2012) indicate that Waqf reduces public expenditures also caters to the social needs of a country. (Ambrose, A., et al, 2015). This had brought Abdul, Muhammad, and Hakimi (2013) to conclude that Waqf, among other philanthropy tools in Islam, has the ability to create a welfare economy. The researchers explain that unlike conventional tax exemption motivation, the Islamic concept of philanthropy has spiritual and social justice as its motivating factors. These Islamic motivations, when encouraged, can assist a country in becoming a welfare economy. Therefore, investment of waqf property from the perspective of Shariah is permissible and encouraged because deduction or negligence of Awqaf is prohibited. Therefore, Awqaf can be used for investment purposes, but the motive behind such investment should be society's welfare rather than profit-making. However, when it comes to the dividend of investment being shared with Waqf institution, it is allowed under the condition, if the profit is used for the purpose for which Waqf is donated, with strict shariah compliance. (Ambrose, A., et al, 2015).

### 2.6 Research Gap

Recently, increased interest is noticed in reviving the Waqf and Zakat institutions. Several works have been done about Waqf and Zakat's contribution and its categorization in social welfare like poverty alleviation and the health sector. For instance, (Sharofiddin, A., Othman, et al., 2019) concluded that the zakat distribution had no statistically significant long-run relationship with healthcare in Selangor, and the current zakat distribution system does not adequately achieve social welfare. Likewise, the study done by (Nor, N. & Mohammed, 2009) about the allocation of Waqf and its management in the case of Selangor proves that almost 80% of the waqf properties are used for religious purposes like Mosque, Surau, etc. However, it can be seen from Wakaf Selangor data (Perbandanan Wakaf Selangor, 2020) that the waqf lands for religious purposes constitute more than 70% of the total waqf lands as of 2016, while Waqf made for charity purposes constitute the least, and there is no such data about healthcare. From the above discussion, it is seen that there are literature and debates about the contribution of Waqf and Zakat in social welfare, but there is no such literature found which combines both Zakat and Waqf to Improve the Zakat Recipient's Healthcare in Selangor. However, the model proposed can be easily applied in any region, as long as it has state Waqf and Zakat authorities.

### 3.0 Methodology

This paper uses the qualitative research method containing content analysis to satisfy the need for data collection and processing required for this research. The content analysis includes analysis of data collected from journals, reports, and websites such as Perbandanan Wakaf Selangor for data related to Waqf assets in Selangor, available until December 31, 2016. Similarly, Zakat data has been obtained from the LZS (Lembaga Zakat Selangor) website, where collection and distribution data for the year 2019 have been used for this study. This paper attempts to propose a model based on Zakat and Waqf's combined concept but, it is not explored empirically.

#### 4.0 Finding and Discussions

After analyzing the Waqf and zakat fund's current situation in Selangor, Malaysia, the authors found that both zakat and waqf assets have not been utilized potentially. Also, inaccessibility to the health services by poor and needy people of the mentioned society was another motivation for authors to develop this model. Hence, by applying this model, the barren land and unutilized zakat fund will benefit society, and both the institutions will grow and achieve their real purpose in society.

#### 4.1 Proposed Hybrid (Waqf & Zakat) Model for Improving the Zakat Recipient's Healthcare in Selangor, Malaysia.

The model presented below is the cooperation of numerous institutions, i.e., waqf institution, zakat fund "Lembaga," and insurance or takaful companies in Selangor, Malaysia. Moreover, the model aims to invest the zakat fund and utilize the Waqf land to benefit the zakat fund, recipients, and waqf institution. Also, it will achieve one of the SDG's goals, namely health as well.



(Authors,2020).

**1<sup>st</sup> step:** Zakat institute "Lembaga" will approach the waqf institute "PWS" for acquiring the land to build a hospital in Selangor, Malaysia.

**2<sup>nd</sup> step:** If Waqf institute agrees with the zakat authority's proposed model and provides the land, then they have to sign a contract of partnership, after that the documentation and other legal aspects have to be done following the Malaysian law, i.e., transfer of the right to the usufruct of waqf land, etc.

**3<sup>rd</sup> step:** Once the Zakat authority gets the waqf land right, they will proceed with the hospital's infrastructure through the fund they possess. In case they lack the funds, they can raise funds by issuing Sukuk.

**4<sup>th</sup> step:** After completion of infrastructure, the hospital will start to render its services to the following groups:

- Zakat Recipients (e.g., poor and needy):** This group's data will be taken from the zakat authority in the mentioned province, and the hospital services will be free of charge to them as they are the poor and destitute people in the society. Such people's data will also be made available online through a blockchain service managed by the hospital's management. It will keep the transparency throughout the whole process.
- Customers Covered by Insurance/Takaful:** the hospital management then has to sign a contract with insurance/takaful companies to enlist them as their partner hospitals'. Thus, those covered could be treated in the hospital and charged for the services provided to them, which they can claim from their insurance company.
- Clients Without Insurance/Takaful Cover:** the statistics above show that a large chunk of the Malaysian population does not have insurance or takaful due to different reasons; meanwhile, they need health services. Therefore, to attract these people, health services will be provided at a lower price than other hospitals.

**5<sup>th</sup> step:** once this business is established, waqf and zakat institutions' profit will be from the hospital's services by charging clients' categories mentioned above. After deduction of all the operational costs, the remaining will be profit for the hospital management owned by waqf and zakat institutions. If they have issued Sukuk, then the dividends must be considered (Authors,2020).

#### 4.2 Possible Issues in the Implementation of the Proposed Model

The only issue that could arise in this model is the investment of the Zakat fund. Although, known scholars such as Yousuf Al-Qardawi and Zarqa have permitted the investment of Zakat in such projects. On the other hand, as this model is

not yet implemented anywhere else, it may pose some challenges regarding its application due to unfamiliarity using a model consisting of combined Islamic philanthropy instruments of Waqf and Zakat.

#### 4.3 Advantages of this Model

1. Zakat and Waqf are the two most prominent Islamic philanthropy instruments, and this project will bring both the instruments together to work for the betterment of society, especially the poor and needy, who cannot afford medical expenses or do not have any medical or health insurance or takaful.
2. As it is known that a lot of the Waqf land keeps lying barren and unutilized, this project will use that land to build a hospital, which will also fulfill the ultimate goal of Waqf, which is human welfare.
3. From the discussion above, it is concluded that there is no real issue in investing the zakat funds, as advocated by many Islamic jurists such as Yusuf al-Qaradhawi, Syeikh Mustafa az-Zarqa, and others. Investing zakat funds in halal investment portfolios will make the funds grow, and when these funds are legitimately allocated for their original purpose, it will benefit the recipients.
4. Implementation of this model conforms to the principles of Shari'ah and fulfills the Sustainable Development Goal (SDG) of Good health and well-being.
5. It will generate more employment opportunities in the health sector and other related sectors, such as medical and health supplies, construction, manufacturing, etc.

#### 5.0 Conclusion

The mismanagement of zakat and waqf funds led the Islamic world to suffer from various difficulties in different aspects of life, such as; economically and socially. Since there is enough Waqf land and zakat fund in the Selangor state of Malaysia, it can be said that the application of the described model benefits zakat recipients especially needy and poor people, as well as zakat fund and waqf property, will grow shortly through applying this concept. Nonetheless, the SDG's goal of the health sector that tends to provide a healthy life and promote well-being will be achieved. Projects like these will generate more employment opportunities in the health sector and other related sectors, such as medical and health supplies, construction, manufacturing, etc. Hence, good management and administration are needed to co-ordinate activities among mentioned sectors to exempt poor and needy people of a society out of poverty and other problems while maintaining sustainability and well-being.

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