

**The Alternatives of financing the Public deficit in the Islamic Economy
- Study about The waqf lands in Malaysia -
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Abstract :

This study is concerned with a statement of the deficit in the general budget of the state and the reason for its occurrence also touched upon the various methods of financing in the economy postural , And corresponding in Islamic economies, where several ways of public revenues in Islamic economics, but we will focus on the waqf lands and potential projects through the islamic instrument like sukuk al-muàwadhat , with pratically state of Malaysia .

Keywords : Financing of The Public Deficit, The Public Revenues , The Waqf Lands .

الملخص:

تعنى هذه الدراسة بحالة العجز الموازني وأسباب ظهوره بالإضافة إلى طرق تمويله في الاقتصاد الوضعي ونظيره الإسلامي حيث تتعدد وسائل الإيرادات العامة بالاقتصاد الإسلامي إلا أننا سنركز على الأراضي الوقفية والمشاريع الممكن تنفيذها بالأدوات الإسلامية مثل صكوك المعاوضات مع دراسة تطبيقية على حالة ماليزيا .

الكلمات الدالة : تمويل العجز الموازني ، الإيرادات العامة ، أراضي الوقف ،

Introduction:

The Deficit Budgetary is considered the sole solution for many developing countries with lack of capital and the development needs, but these countries must consider several methods to finance it.

1-Importance of the study:

The importance of the study is analyze the economic impacts of different ways to finance the deficit of the balance sheet in order to consolidate the positive effects and reduce the negative effects, also highlights the economic effects of financing deficit in Islamic economics to demonstrate its economic merit.

2-Objectives of the study:

- 1- Knowledge of the economic impacts of different ways to finance the deficit of the balance sheet .
- 2- Statement of the economic impacts of the Islamic Waqf .

3-Scope of the study :

This study examines the bodies Supervision of the Islamic Waqf in Islamic banks of Malaysia, where the Malaysian community has the long history of the establishment and these endowments and disbursement of its incarnations, and in this age, the Islamic banks took over management Waqf .

4- Methodology of the study :

The study is based on the analytical method that fits a statement the economic effects, both in the economy, positive or Islamic Economics .

The economic impact of the budget deficit in the economy both postural and Islamic :

The budget deficit is a general case of increasing the level of public spending on the level of public revenues , and this represents various negative values of the equation under the general budget as follows :

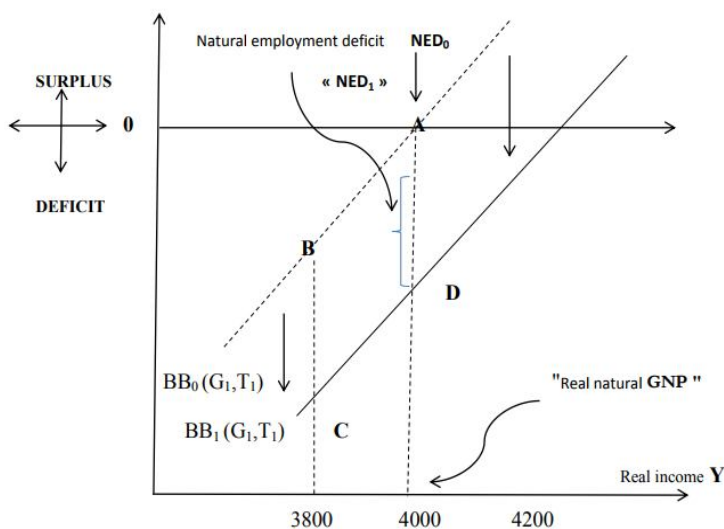
$$BS = T - G \longrightarrow BS = T_0 + tY - G$$

In generally the budget deficit is divided into two types :

- **The periodic type :** This is spontaneously without scheme intervention by the state, and according to the case of macroeconomic variables, and this is affected by two variables :

1. **Y “Income level “**: where the deficits increases in periods of recession as a result of the low level of income, unlike periods of boom .
2. **t “Tax rate according income “**: where the government changes of its value belong the cycle business prevailing in the economy, and has an inverse relationship with the budget deficit .
- **The Structural type** : represents finance policy adopted by the state to achieve certain goals, and this is affected by two variables :
 1. **T₀ “ The level of taxation independent of the income ”** : Determined by the state as an independent value of the income and has adverse affect on the level of deficit .
 2. **G “ Public spending “** : Determined by the state as an independent value of the income and has positive impact on the budget deficit .

Figure shows the relationship between income levels and the general budget



المصدر : سامي خليل ، نظرية الاقتصاد الكلي ، مطابع الأهرام ، القاهرة ، سنة 1994 ، ترجمة الباحث ، ص 534 .

BB₀ : The primary line of general budget .

BB₁ : The New line of general budget resulting of Increase the spending government with other variables constant .

Explaining the curve :

We note that at each point of the original budget line BB_0 tends toward higher values for the budget deficit, “ or surplus for the budget bottom line “ in the new budget BB_1 a cause of increased public spending .

In order to cover the deficit we note from the figuresome ways : 1- Reduction of public spending to lift the budget line to the top . 2- Increasing income leads to the lifting of all points of the budget line to the higher point in the same line . 3- Raising the level of revenue have the opposite effect to increase public spending and reduce the deficit it .

1. The effects of methods deficit's financing in developing countries :

In this part we address various alternatives of raising the public revenues and its economic results in developing countries .

1.1 .The effects of tax's increasing on macroeconomic variables:

At first we must to point out that some economists do not consider that the increasing of tax's revenues is way of financing the deficit because it is one of ordinary revenues , so there is no deficit with possibility of increase tax collection , but this increase has decided only for covering the deficit and it is often difficult in developing countries for their political and social, but we will address limited to only the economic effects .

1.1.1 . Impact on monetary variables : Although the taxes is deducted money from the market when collecting it , so that some countries adopted it as policy to reduce inflation , but it is not always an effective policy, as when taxes is imposed on corporate profits , the corporates will raise the prices of their products and services to maintain the same amount of profits and therefore the workers in return have demanded elevated wages for equivalence amount of the increase in the prices of goods and services (inflation) , it means reducing the profit margins of private institutions , the same result will be existed if the increase in public spending will be financed through direct taxes on wages and salaries, the increasing in tax rates would lead to higher wages and this in turn leads to a reduction in profit rates(الفارس ، 1997 ، ص 156)

above of this , the deducted money from the market will return like prices of purchased products and services by the state from the local market , so we

can access the following summary : " finance public spending through the tax has no impact on the cash basis , and from the effects of deficit financing tax on monetary variables is as follows Notes: (خليل ، 1994 ، ص 1328)

influence at the cash basis .

Higher prices for goods and services .

Higher salaries and wages cash .

1.1.2. Impact on private spending: The effect of withholding tax is Decreasing private consumption in developing countries, whether related to tax salaries and wages or corporate profits because individuals propensity for consumption is high in developing countries, this means that individuals rising their tendency consumer to maintain the level of consumer despite the high level of prices or low wages and salaries.

In contrast, investment spending affecting negatively with each increase in the tax, as the tax lead to a decrease in profit private institutions and thus reduce investment opportunities geared to improve productivity, the profits decline is the first factor in reducing spending private investment, and the second factor is the asylum institutions to borrow for covering the cost of lower profits, leading to higher interest rates and therefore lower rates of private investment, and we conclude the following effects :

- A slight decline of private consumption spending.
- Rising interest rates.
- Low levels of private investment spending .

1.1.3. Impact on economic performance : The developing countries aim to increase the rate of economic growth and getting economic development, Therefore, the formation of a higher rate of capital is the main goal, indicating the importance of tax policy to research the economic surplus and charge it to serve the economic development and to redistribution of domestic income(، بوزيدة) ص66 ، 2006 / 2005, so the tax Achieves the economic and social goals in developing countries , some these goals are using of the tax proceeds as a kind of forced savings in the economic development process, so the taxes are imposed on incomes to invest part of them instead the consumption Excess(، بوزيدة) ص66 ، 2006 / 2005 .

On the other hand, it may result from the taxes worse distribution of income and wealth if they hit the poor more than the rich classes, and this is

(حشيش ، 1992 ، ص Manifested in indirect taxes most heavily on the poor
(173, so the problem of the choice between it or the direct taxes fair and low-yield .

1.2 . The effects of Inflationary financing on macroeconomic variables:

It is called the money' Printing way , it is like the Borrowing from the central bank which buy the government bonds from the public treasury, so the involvement of the government in the steps of creating the money is indirectly way to finance the government spending(1332 ص 1994، خليل). There are reservations about this method, especially with regard to inflation rates, which made it the worst methods of financing the deficit by many economists, but at the same time it is characterized by easily conducting and non-complex .

1.2.1 . Impact on monetary variables : The money' Printing is considered Increase the money supply is spent to buy goods and services from local market leading to inflation, even if the private sector is spender for this mass of cash it is just one of three hypotheses(128 ص 2003 ، قدي):

1- The production's device can creation goods and services equivalent to an increase of cash in short time , This is not compatible with the status of the device of developing countries that are not flexible nor effective .

2- The increase of cash remain in the hands of individuals without spending, and inflation does not happen, with the remain of this increase as a bomb timed to explode by disbursement on form of severe inflation, But developing countries ' individuals characterize in high tendency of consumption and the strength of demand for goods and services , and then the correct a every increase in cash will accrue smoothly to consumer spending and this means the inflation .

3- The increase of cash will accrue to the increased demand for goods and services this is the case closest to the case of developing countries, especially since the majority of its members do not engage in productive activities so shall be cash increase is much higher than the amount of production .

Inflation could rise if the deficit continued to be financed by printing money, "and the more inflation increased government spending faster than government revenues, prompting the government to issue more money and the reason for this is that government revenues are considered fixed in nominal terms in the short term , and then the real value decline in the face of

high inflation rates and at the same time, the government's obligations of the various aspects of public spending are often in real terms , which means that spending rises in nominal terms in conjunction with the increase in prices)

(الفارس ، 1997 ، ص 146).

The effect of printing money on monetary variables is as follows :

- 1- Increase the money supply.
- 2- Rise in the general level of prices .
- 3- The continuation of this situation leads to a crisis of inflation .

1.2.2. The impact on private spending : Increase the money supply in the market lead to increased demand among individuals for goods and services, this procedure could induce banks to expand in the granting of credit by lowering the interest rate, but when the central bank sees the persistence of the government to withdraw the cash savings it can raise the interest rate , This forces banks to raise interest rates to maintain the volume of money in the market and thus the value of the currency , this is situation of countries where governments borrow directly from the central bank, but in the some developing countries , the private sector buys the government bonds in interest rate prevailing in the market for selling it to central bank , with rising the demand for this bonds there prices are rising so the rate of interest will low leads to the rising of investment .

Thus we conclude the following effects :

- 1-The stability of consumer spending .
- 2- Rising interest rates and lower investment spending if the government's borrowing from the central bank is directly .
- 3- Low interest rates and high investment spending if the central bank from the private sector. financing for the government through the purchase of government bonds

1.2.3 . The impact on economic performance:These effects are as follows (زيتوني ، 2006 / 2007 ، ص 67) :

- 1- Currency depreciation and hence rise consumer tendency and low savings, leading to the use of foreign currency as a store of value instead of the local currency and reduces the investment .

2- Consequent inflation, the reluctance of the arrival of foreign capital and perhaps some local money out of fear of the possibility of deterioration in the value of the local currency .

3- Redirect investments into certain sectors, especially those producing consumer goods that are high profits due to the high prices of their products at the expense of the rest of the other productive sectors , thus resulting in the redistribution of income and wealth as unevenly form between social classes and often be in the interest of investors in the sectors benefiting from higher prices .

1.3. The effects of Funding through the public debt on macroeconomic variables :

Governments resort to public borrowing to finance the deficit, whether by offering the bonds for public subscription or borrowing from international institutions, some economists based in the resort to borrowing to the theory of self-consumption loans, which means that the loans erase itself with the passage of time due to the fact that the real burden of the loan decreases as continuous because of the steady increase of the population and the size of national wealth and because of the deterioration of the value of money (قدي)

(، 2003 ، ص 223)

1.3.1 . Impact on monetary variables:

External borrowing adding represents the amount of cash into the market means that this leads to effects such as increased cash the money supply and rising prices, while domestic borrowing has its two kinds:

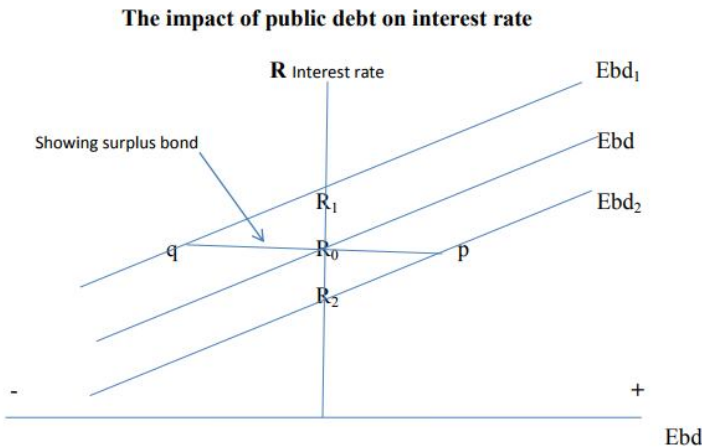
1- Borrowing from non-banking system : This method may be a part of strategic of reduce inflation because of money taken from the market and does not lead to increase production costs , As they do not relate only to funds allocated to the non-consumption and this initially reduces the rate of inflation, but that the money supply would respond to the market price for government purchases, and therefore does not impact on the way the cash basis(223 ص ، 1994 ، خليل) and not on the general level of prices .

2- Borrowing from the banking system : this kind has not negative impact on the aggregate demand if the banks have excess cash reserve , the domestic spending which financed by this method would have a similar

effect, such as an expansive spending financed by the central bank , but if the banks does not have ample excess cash reserve they can lent the government part instead the private sector , this will lead up to pressure erases the expansionary effect of the increase in government spending rather than reduce lending to the private sector the banks resort to the central bank to help them , so if the central bank loan banks the result will be as borrow's government from central bank (الفارس ، 1997 ، ص 134)

And thus conclude multiplicity the monetary effects of finance the deficit in a way the public debt as increase the money supply and rising prices in the cases of external borrowing and borrowing from the banking system lacking reserves cash or the lack of it in the case of borrowing from the banking system with reserves cash and borrowing from non-banking system.

1.3.2 . Impact on private spending : government's getting of the cash from abroad Can increase spending to become in place of private spending, But the contrast may employ government this borrowed money in order to raise the levels of private spending, but for borrowing the local the amount of public debt is usually measured by those bonds through which the government can put pressure on the interest rate and the economic activity as long as there is an inverse relationship between the price interest and bond price ، خليل) (2000 ، ص 267 - 269 .



المصدر : عباس كاضم جاسم الدعوي ، أثر السياسات النقدية والمالية في مؤشرات أداء سوق الأوراق المالية : دراسة تطبيقية في مصر والولايات المتحدة الأمريكية ، لمدة 1990-2006 ، أطروحة دكتوراه في العلوم الاقتصادية ، جامعة الكوفة ، سنة 2008 ، ص 61 .

Explaining the shape:

If the government sells its bonds to non-banking sector for financing the deficit the treasury must Issuing more government bonds for selling in the stock market this new bonds will Generate a surplus in the overall width of the bonds equivalent to the distance ($q R_0$), This means that the government policy of expansionary fiscal policy (spending exceeds revenue) taken by the public treasury by borrowing from individuals transfer curve excess demand for bonds to the top and to the left , about these changes can not erase surplus showing bonds unless the equilibrium interest rate has risen to the top (R_1) which there is a tie between aggregate demand and aggregate supply of bonds issued by the Treasury and other economic sectors(ص 61 ، 2008 ، الدعمي).

1.3.3. Impact on economic performance: The effects of public debt on the national economy, according to multiple characteristics of these debts this means the multiplicity of the effects of public debt, according to sources :

1- The effect of borrowing from individuals and private institutions :

Because of this borrowing does not negatively affect private spending is does not detract from the volume of employment , even the state's ability to spend on goods and services derived from such leveraged encourages investments wanted that rises employment' level and improves productivity levels .

Unlike taxes the borrowing does not reduce the levels of consumption or investment and is thus maintains the incentives create projects , and also does not adversely affect the production costs for projects where does not limit the competitiveness of local projects to reverse the impact of taxes that the effects of raising projects prices of their products in order to maintain margin Profit , In contrast, the width of government bonds for the private sector to cover the enormity of the deficit will lead to the great lifting of market interest rates, so severely on the levels of investment and subsequent macroeconomic indicators such as employment and trade balance .

2- The effect of borrowing from the banking system : The banks do not lend money to the state, but the remainder of their surpluses arising from the difference between what they get from deposits and what lend to the private sector after excluding reserve ratios legal and necessary, despite all these deductions, the cash reserves remain a great size, especially in developing countries where demand has been minimal for the private sector to borrow from these banks , the state can be in place of private sector to cover This lack of borrowing without any adversely affect on the economy because these precautions originally intended to borrow even an indication of the proper functioning of the economy, in addition to this it does not result from borrowing from the banking system any pressure on

interest rates lead to lifting it, unlike is borrowing from the non-banking system, so there is no fear on the levels of investment .

1.4. The impact of external debt :

Note manifested the inevitability of asylum the developing countries to import from developed countries, where the developing countries in desperate need of hard currency obtained from the export of limited local resources or aid or foreign loans, this latter has negative effects on the national economy countries borrowing and of the necessity of the payment of debt service increase for the original amount of the loan.

Here, the inverse relationship between debt service and the ability of developing countries to import to meet the development needs , especially with the scarcity of hard currency, “ This relationship shows that with any reduction the debt service the import capacity of the country borrower is rising , while with any rise of the services of external debt this latest become an essential competitor against imports, thus the country become forced either by the external borrow or pressure on imports to maintain the same level of imports in order to avoid any possible deterioration of the various economic and social indicators because of reduced self-ability to import “ (رواج ، 2005 / 49 ص)

The negative impact of the foreign debt is not limited to import capacity, but extends to savings levels, escalating dependence on foreign aid, loans and the resulting decline in domestic saving levels, The negative impact of the foreign debt is not limited to import capacity, but extends to savings rates, escalating dependence on foreign aid, loans and the resulting decline in domestic saving rates, this is reflected in the modest rate of investment funded locally in developing countries, it is known that these percentages high rates of debt service (relative to GDP) represents a direct detracting from available local resources that could be directed to form savings and then to the rates of domestic investment(زكي ، 1989 ، ص 149).

As well as external borrowing have a negative impact on the trade balance, the follower of the evolution of the balance of trade in developing countries noted the sustainability of the deficit, despite its development programs pursued by these countries to get out of the vicious circle (borrowing, deficit, borrowing) , Deficit financing has become by external debt coupled pressures caused by external obligations for developing countries and manifestations of administrative corruption and capital flight(رواج ، 2005 / 2006 ، ص 58) .

Depending on the impact of foreign debt on the balance of trade also shown negative effects of capital flows from the debtor countries, where the size of

the debt is doubling every four and a half years even if it does not borrow the country again, for the first time took the annual payments for debt service (premium + interest) exceed the debt itself and reached a climax in 1982 when the debt was given to the third world 50 billion dollars, while it was 105 billion dollars to pay the debt as services (حسن ، 1992 ، ص 24).

This means that the external liabilities resulting from the debt became grab more financial resources obtained by the developing countries and has become a heavy burden on the balance of payments and even a essential element of a cause of the deficit of developing countries (رواج ، 2006/2005، ص58).

2- The difficulty of choosing between methods of financing the deficit :

The variation in the effects of these methods shows that each type of these methods have negative effects and other positive, and should be on the financial policy of the state to choose between these methods in accordance with the priorities and objectives and the data that characterize the economy , but in developing countries is difficult to determine the market and economy indicators with the weakness of the statistical structure and limited the anticipative and planning bodies, as well as failure to respond to individuals, institutions and organizations of civil society and non-cooperation with the supervisory bodies to assemble and adjust data, this is due to the lack of a culture of community members, frustration and lack of conviction developmental schemes and estrangement that characterizes their relationship with policy makers and strategies, as well as the fraud policies pursued by the financial institutions, fearing of emergence of the economic and financial position, or attempt to shirk its duties towards the national economy .

Most economists criticize the method of printing money because it leads to inflation and reduces purchasing power, as well as high interest rates and low rates of investment, but an increase in the money supply reduces the value of the national currency against foreign currencies and thus increase competitiveness of their goods, as well as raising the interest rate works to bring in foreign capital, In both two positive impact on the balance of payments of both types the trade balance and the balance of capital, the latter which is reflected in the state to get an additional amount of hard currency that are essential for the import of investment goods necessary for the development process .

while printing money has good effect on the balance of payments, the borrowing from external sources affect negatively on it because of the consequences of debt repayment and services that are transforming the capital out of the country and is in dire need of it, which may authorizes the

government absorbs resources and national wealth to meet its obligations, as well as the negative impact on the monetary variables as caused by printing money, including the devaluation of the national currency, but the crowding out of private consumption is not very severe, It remains the intervention of the state in the borders of the areas that see the lack of negative impact heavily on private consumption, but it is possible that this method is less methods crowding out of consumption and private investment, but which significant investments in the private sector in developing countries feared from the public sector ?! .

The term effect of crowding out private spending leads researcher into the effects of the increase taxes, which, in spite of its impact little on consumer spending, but they are of a particularly severe impact on corporate profits - Analysis revolves around indirect taxes, a tax of expenditure and trading due to the large number of outcome compared to direct taxes - which raise the prices of goods and services thus users wages, and therefore there is no recourse these companies in difficult financial circumstances and conditions for borrowing, but to refrain from expansion of projects and killing many of the young projects .

This is the reason for the lack of production compared the money supply in the market, causing inflationary pressures and pushing individuals and institutions to import, and less demand for domestic goods, and capital leaking to the outside for fear of further deterioration of the value of the national currency, and that the expenses of the government, in spite of rationalization ' However, they will face higher prices do not fulfill their public revenues and worsen the deficit even the state to adopt a policy of more mature , the tax's capacity of the local economy can not be skipped in order not to increase the expenses of the collection it and became in the principle of tax kill the tax, in addition to that indirect impact of the tax is contrary to the equitable distribution of income .

May be the optional truncation of money from market, which is borrowing from individuals and institutions better than the deduction of compulsory, which is impose an increase tax because it does not affect the production costs and it does not increase the prices of goods and services thus does not break down the interests of the institutions, but this method leads to a display of government bonds as wide – because of the large deficit in the budget and the large disparity between him and the nominal price of the bond - and raise interest rates in order to attract the largest number of subscribers leads to raise the interest rate market and lower investment rates .

However, raising interest rates in developing countries reduces the rates of investment and does not attract individuals and institutions to subscribe because of the financial markets in developing countries are weak and lack the breadth and few dealers, if the central bank felt that the interest rate market is towards rising more it must to buy government bonds from the financial market to maintain interest rate and keep Treasury obligations within reasonable limits, As the purchases of the central bank is large from the government bonds, thus the issuance of cash would be great, and this will resemble the method of printing money with all the consequent economic results, and this means that the borrowing from the domestic market non-banking in developing countries will tend inevitably to wardprinting money from the Central Bank, the following table shows the most important side effects of different methods of deficit financing in developing countries : **Schedule illustrates several effects of financing the deficit budgetary**

Method of Financin the deficit Economic indicator	Tax increase	Printing Money	Borrowing from individuals and institutions	External Borrowing
The volume of money	No effect	Increase	Increase	Increase
The general level of prices	High	High	High	High
The real wages	No effect	Reduction	Reduction	Reduction
Consumption spending	Slightly lower	High	High	High
Interest rate	High	High	High	No effect
The level of investment	Reduction	Reduction	Reduction	Reduction
Employment	Reduction	Reduction	Reduction	Reduction
Currency value	Reduction	Reduction	Reduction	Reduction
Balance of Payments	Deficit	Surplus	Surplus	Deficit

Source: prepared by the researcher, based on several sources .

3. The Islamic Waqf in Malaysia :

The Islamic Waqf is one of systems of Islamic finance, which aims to strengthen the social ties between members of the community, where it included the effects of all aspects of life, in the early period of the islamic state the Islamic Waqf was representing an important pillar in the economy where held a significant economic burden , when the wealthy muslim and the owners of the money were employing their money in the construction of schools, mosques, roads, wells, etc., and its Allocation endowments to ensure its continuity and its giving and maintenance, but the situation has changed after the colonization of the Muslim world and corrupting people's perceptions, where he became the community obliged the government

Responsibility for managing all the facilities associated with the interests of the people and nurtured . There are many faces of waqf like the waqflands ,At the moment, it is estimated that over 35,727 hectares of waqf land all over Malaysia , and a research done by JAKIM in 2000 recorded that there are 20,735.61 acres of identified waqf lands. Below is the statistic of the identified waqf lands for the whole states in Malaysia (Zulkifli ,P1 , 2):

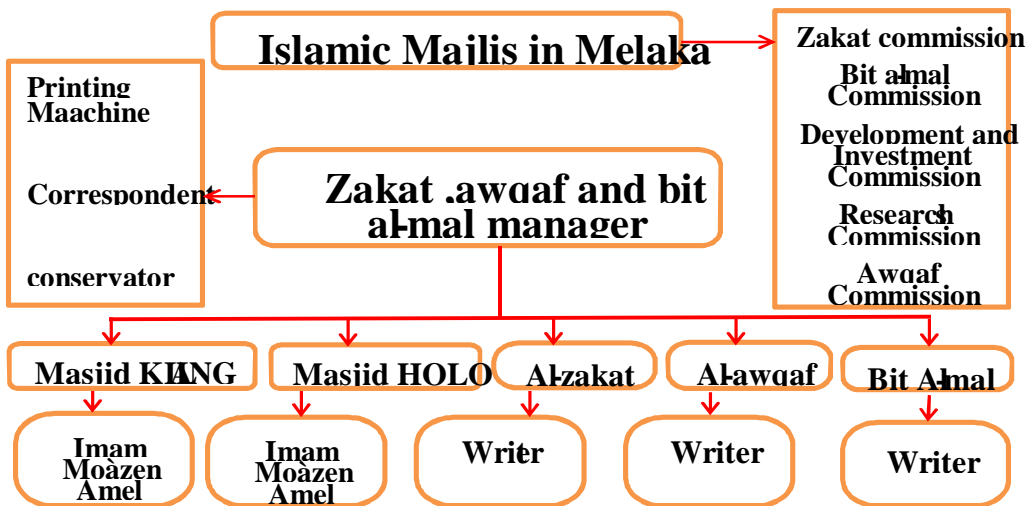
No.	State	Specific waqf (acres)	General waqf (acres)	Total (acres)
1	Kelantan	171.54	133.12	304.66
2	Federal Territories	5.47	22.07	27.54
3	Terengganu	204.43	43.01	247.44
4	Sarawak	236.929	---	236.929
5	Panang	3985	---	3985
6	Sabah	4.178	25.42	29.598
7	Johor	1951	3976	5928
8	Perlis	218.69	8.75	227.44
9	Melaka	773.39	69.97	843.34
10	Kedah	420	423.34	843.34
11	Negeri Sembilan	1727.35	61.25	1788.60
12	Selangor	621.10	442.15	1063.25
13	Perak	4474	647	5122
14	Pulau Pinang	22.21	67.05	89.26
	Total	14,815.787	5919.83	20,735.61

3-1 The Administration of Waqfin Malaysia :

In Malaysia, *waqf* affairs are the responsibility of the Islamic Religious Council of each state, the Islamic Religious Council following the government of Malaysia has formed a department for *zakat*, *waqf* and *hajj* under the Prime Minister's Department on the 27th March 2004 with the aim of making the administration systematic and effective. This department however does not have an authority to administer and manage *waqf* properties but rather plays a role as a planning coordinator and observes the *waqf* matter (Zulkifli ,P1 , 2):

Generally, the number of *waqf* lands is according with number of them managers, and in the most of states the worker who concerned with *waqf* matters is the secretary of the Islamic Religious Council helped by a penman and writer , but they have not the qualifications in investment scope or administration of projects nay some administrative knowledge except situation of state of Penang and Melaka that more better than other and formed as follow: (الحبشي ، 2003 ، ص 115)

The administrative framework of zakat and waqf department in state of Melaka



3-2 Malaysia's Approach in Developing WaqfLand :

In Johor, government has allocated RM60 millions in Ninth Malaysian Plans (RMK-9) to build five hotels based on Islamic concept on a few

identified waqf land., also that Johor owned the largest waqf land amounted to approximately 28,000 hectares .

It is expected that Malaysia will introduce an Islamic capital market product of securitization of waqf property through sukuk instrument as stated in the Capital Market Master Plan issued by the Securities Commission. Additionally, some states have initiated a scheme of waqf shares. Waqf share is a scheme where individual or organization purchase a few units of shares with the minimum value for example of RM10.00 per unit offered by the Majlis , Waqf shares in form of certificate with the necessary value will be offered to the general public. The purchased waqf shares will be dedicated in perpetuity for the purpose of charity and hence the purchaser will not be given any dividend or profit , It is reported that the scheme has contributed to several economic and educational developments in Johor such as Building of Johor Waqf Shares at cost of RM4 million, plantation project of 3800 acres land and purchase of six storey hostels at Cairo, Egypt for students' accommodation (Zulkifli P 5)

Penang , Selangor and Federal Territories are the states that implemented the information communication technology system in their waqf administration , Information system of Waqf land of the Islamic Religious Council of Pulau Pinang for example consists of four main applications namely waqf information management system, comprehensive building information system , information system based on geographic information system (GIS) and Penang Geographic Information System. The implementation of ICT in waqf administration provides an effective management and planning. Such information system offers various benefits in term of data, record, figures and enables efficient waqf property's management and administration (Zulkifli P 6) .

3-3 Waqf Financing :

It could not be denied that some of *waqf* institutions faced a problem of lack of capital to develop community projects. This problem could be solved through subscribing Islamic financing facilities either in debt or equity financing(Mohammad 2006 , P 12. 14) .

Debt-based financing refers to a contract of exchange or *al-Mua'wadh* such as *murabahah*, *ijarah*, *ijarah waiqtina*, *salam*, and *istithna'* and its supporting contract such as *hiwalah* and *wakalah* . *Hiwalah* and *wakalah* are considered as a supporting contract because they exist side by side with another contract . On the other hand, equity-based financing refers

to *mudharabah*, *musyarakah* and shares of joint stock companies (combination of *musharakah* and *mudharabah* term of financing. Both of these modes are able to provide financial needs to the community especially to the entrepreneur (Zulkifli , P 12) .

Conclusion and Recommendation:

The last discussion confined at state of Islamic countries because they are within developing countries and have economic alternative to finance the deficit namely the waqf lands where several negative effects of various methods of the financing in the postural economy and lack capital .

The several of operators economic in state leads to different effects rely on them as a source for financing public revenues , and the ways of financing vary from one to another because of various the negative and positive effects on economic and monetary variables and on investment levels .

The state can rely on the waqf lands to build commercial or charity projects funded by islamic instrument like sukuk Al-musharakah , Al-ijarah , silm ... ext, this allows the transfer of the burden of funding from the state to the people without any negative impact on the purchase power of their .

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