

## Influence of Cash Waqf on Economic Growth Evidence from Malaysia

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### Abstract

This paper proposes to look into the connection between Malaysian economic growth and cash waqf. This research makes use of time series data from the World Bank's development indicators covering the years 2013 to 2019. To analyse both the long-term as well as short-term relationships between Malaysia's cash waqf and the country's economic growth, this research used the Autoregressive Distributed Lag (ARDL) model for cointegration and the Error Correction Model (ECM). Furthermore, the data indicates that while cash waqf has a short-term negative impact on economic growth, it possesses a favourable long-term impact from 2013 to 2019. Cash waqf is gradually becoming a tool for improving social well-being, lowering poverty rates and assisting in economic growth in the long run. Hence, the results portray a strong government supporting the importance of strengthening the waqf distribution policy to improve economic growth by raising awareness among financial institutions about the importance of philanthropy in cash waqf management and distribution. The ARDL model for cointegration and the ECM are used to assess both short- and long-run relationships in this research to add to the body of knowledge with regard to economic growth and cash waqf in Malaysia.

**Keywords:** ARDL; cash waqf; economic growth; Financial institutions; Malaysia;

### INTRODUCTION

The Islamic world is currently undergoing unprecedented socioeconomic and cultural changes. These changes have resulted in a decline in the economy and a loss of moral and cultural values (Tanjung & Windiarso, 2021). This has been exacerbated by sociopolitical unrest, terrorism, and the rise to power of Islamic parties in some Islamic countries. For more than five decades, Islamic economic ideas have been realised. They have facilitated the establishment of financial activities and institutions in various Muslim states based on Islamic laws and regulations (*Shariah*) (Nurrachmi, 2012; Sri Wulandari, Rosida, Cakhyaneu, & Alindawati, 2016). Many nations, particularly those in Asia and the Middle East, including Malaysia, have adopted Islamic finance as a distinctive banking model and alternative form of funding (Saiti, Salad, & Bulut, 2019).

Islamic social finance has significantly increased in the modern era, particularly in the last few decades. Waqf (Islamic endowment) is simply understood in the context of Islam as retaining an asset but restricting its consumption in order to repeatedly extract its usufruct for the beneficiaries' benefit (Nour Aldeen, Ratih, & Sari Pertiwi, 2022; Vika Annisa Qurrata et al., 2021). Waqf has been the subject of research due to its capacity to contribute to socioeconomic growth. Waqf is a crucial Islamic social finance instrument for achieving a zero-waste economy acknowledged by (Rusydia, Hidayat, Widiastuti, & Rahayu, 2021; Tanjung & Windiarso, 2021). Besides, waqf also contributes to increasing intellectual capital in the community (Allah Pitchay, Mohd Thas Thaker, Mydin, Azhar, & Abdul Latiff, 2018).

Waqf is fundamentally an asset trust that produces income for the benefit of particular persons or entities. Waqf practices typically focus on land and/or buildings (Ahmed, 2019). Nevertheless, many donors lack the financial means to gift an entire asset to participate in waqf activities. Hence, donors with no fixed assets but movable assets, such as cash, gifts, and cash waqf (cash endowment), would be a significant choice. No matter how much money is involved, all social classes can participate in cash waqf-based sustainable philanthropic efforts as long as they do so voluntarily and to please Allah (SWT) (Mohd Thas Thaker, 2018). Contributions to the Waqf fund can be utilised for a variety of general economic and social needs. This includes the establishment of infrastructure, the welfare of the underprivileged, and initiatives encouraging sustainable entrepreneurship, in addition to religious uses like the construction of places of worship or the funding of war expenses.

The waqf fund could be a valuable source of assistance, provided that it is effectively collected, as most Muslim nations continue to struggle with poverty. As a result, well-managed waqf reduces poverty (Rusydia et al., 2021; Sanusi & Shafiq, 2015). Although Malaysia is one of the Muslim nations, compared to two conventional concepts, the view of cash is rather new; for instance, land waqf and *Shadaqah* (Berakon, Aji, & Hafizi, 2022). Additionally, a cash waqf solution may be transformed into a productive waqf. Likewise, cash waqf can enhance social welfare and reduce economic suffering if it is expertly designed and administered by an organisation (Merlinda et al., 2018).

In 2020, Malaysia's cash potential waqf reached 2.3 million, a decrease compared to 2019 (2.4 million) (Yayasan Waqaf Malaysia, 2020). This is decreasing slowly due to the COVID-19 pandemic. This is a negligible amount than the zakat's increase. Because of a lack of knowledge about waqf, especially in regard to cash waqf compared to land and other charity, the level of acceptance of cash waqf relative to other charitable donations is low (Shukor, Anwar, Sabri, Aziz, & Ariffin, 2016).

In Malaysia, the cash waqf has significantly contributed to the development of the whole economic system, which could also impact economic growth (Iqmal, Kamaruddin, Masruki, & Hanefah, 2018; Mokhtar, 2016). The goal of the research is to look into how the growth of cash waqfs has affected the Malaysian economy. From 2013 to 2019, seven years are studied (Yayasan Waqaf Malaysia, 2020). Given the availability of accurate information for cash waqf, this time period was selected. The research also looks at the short- and long-term implications of waqf on economic growth and addresses the eradication of poverty through sustainable instruments (Saiti et al., 2019; Sarker, 2019). This study intends to add to the current literature by contributing dynamic empirical evidence on the relationship between the development of cash waqfs and economic growth (Tanjung & Windiarso, 2021).

Additionally, identifying the channels through which cash waqf instruments affect Malaysian economic growth fills a gap in the literature and differentiates it from earlier studies (Hendriarto, 2021). The effect of waqf development on economic expansion is still under investigation. Prior empirical research on the relationship relied on the waqf model as an alternative, assuming that each economic sector responds similarly to financial development. However, there is insufficient evidence demonstrating the contribution of cash waqf to economic growth in Malaysia (Ab Shatar, Hanaysha, & Tahir, 2021; Md. Shahedur Rahaman Chowdhury, 2011; Merlinda et al., 2018).

The remains of the article are structured as follows: Section B explains the approach employed. At the same time, results and analysis are demonstrated in Sections C and D, and the final Section E offers findings and policy consequences.

## **METHOD**

### **Data and Methodology**

The World Bank's Malaysian development indicators served as the source of information for this analysis. Using the Error Correction Model (ECM) and the Autoregressive Distributed Lag (ARDL) model for cointegration, this research examines the short- and long-term relationships between Malaysian economic growth and cash waqf from 2013 to 2019. Economic growth is the study's dependent variable, and cash waqf is its independent variable. The macroeconomic factors are labour, human capital, inflation, capital, as well as Initial Real Gross Domestic Product (IRGDP) used to support the independent variable in the study. Pesaran & Pesaran (1997) pioneered the ARDL technique used in this work. The ARDL has numerous advantages: For starters, it can be employed regardless of the variables' stationary qualities. Hence, it is relevant regardless of whether the series is  $I(0)$ ,  $I(1)$ , or fractionally integrated (Pesaran and Pesaran, 1997; Bahmani-Oskooee and Ng, 2002). Finally, and perhaps crucially, the ARDL technique yields robust

findings for cointegration analysis with a small sample size (Gujarati, 2006; Thaddeus et al., 2021). There is an even greater motivation for the research to employ this strategy since the sample size is small.

## RESULT

To evaluate the relationship between economic growth and cash waqf in Malaysia, we carefully applied the theoretical framework derived and modified from the works of (Thaddeus et al., 2021; Adjasi and Biekpe, 2006; Adefeso et al., 2013; Beck and Levine, 2004; Levine and Zervos, 1996).

Their research was based on the neoclassical model of economic growth, which emphasises capital, labour, and technological progress as the primary causes of economic growth. A production function that represents the relationship between these variables and economic growth is described as follows:

$$Y = f(K, L, T), \quad (3.1)$$

in which Y denotes the total output level, T resembles the total factor productivity, as well as K and L symbolise the capital stock and labour, accordingly.

Furthermore, Levine and Renelt (1992) discovered two variables: the initial level of Gross Domestic Product (GDP) per capita and a proxy for human capital that are reliable predictors of growth. Several scholars have utilised average years of schooling data as a stand-in for human capital, including Barro and Lee (2010), Cohen and Soto (2007), Krueger and Lindahl (2001), as well as Benhabib and Spiegel (1994). Inflation is among the elements that affect economic growth, according to studies by Barro (1995), Piazzolo and Bank (1995), Bruno and Easterly (1996), Andres and Hernando (1999), and Kowalski (2000). Inflation has an impact on production efficiency in addition to growth and investment. Thus, these variables are incorporated into Equation (3.1), and the result is as Equation (3.2):

$$Y = f(IGDP, G_K, G_L, HUMAN, INF), \quad (3.2)$$

in which IGDP resembles GDP per capita's initial level, HUMAN indicates proxy for human capital, INF denotes inflation, and other variables are as defined before.

It is useful to mention that while we implement the model above, our focus is limited to the cash waqf indicator. Furthermore, this research's empirical analysis was predicated on the framework's proven neoclassical model of economic growth. Consequently, Equation (3.3) can be used to define the updated model for our research.

$$Y = f(IGDP, G_K, G_L, HUMAN, INF, CW), \quad (3.3)$$

where CW is cash waqf, and all other variables are as stated previously.

The model and variables for GDP growth are obtained from Equation (3.4) by incorporating the error term:

$$Y_t = \beta_0 + \beta_1 IGDP_{t-1} + \beta_2 G_{K_{t-1}} + \beta_3 G_{L_{t-1}} + \beta_4 HUMAN_{t-1} - \beta_5 INF_t + \beta_6 CW_{t-1} + \varepsilon_t, \quad (3.4)$$

where the subscript t refers to the time period, and  $\beta_0$  is the intercept term of the panel.

The Autoregressive Distributed Lag (ARDL) model with the Ordinary Least Squares (OLS) estimator was used by Pesaran, Shin, and Smith (2001) to test whether the hypothesised variables were related in a cointegration fashion. The short-run relationship between the cointegrated variables was then examined using the Error Correction Model (ECM). The model stability is next examined by utilising the cumulative sum of squares (CUSUMsq) of recursive residuals and the cumulative sum of recursive residuals (CUSUM).

Pertaining to this research, the estimated ARDL bounds equation for GDP growth is provided in Equation (3.5).

$$\begin{aligned} \Delta Y_t = & \alpha_0 + \sum_{i=0}^p \beta_i \Delta Y_{t-i} + \sum_{i=0}^p \delta_i \Delta CW_{t-i} + \sum_{i=0}^p \mu_i \Delta G_{K_{t-i}} + \sum_{i=0}^p \gamma_i \Delta IGDP_{t-i} + \\ & \sum_{i=0}^p \delta_i \Delta G_{L_{t-i}} + \sum_{i=0}^p \theta_i \Delta HUMAN_{t-i} + \sum_{i=0}^p \pi_i \Delta INF_{t-i} + \sigma_1 CW_{t-1} + \sigma_2 Y_{t-1} + \\ & \sigma_3 G_{K_{t-1}} + \sigma_4 IGDP_{t-1} + \sigma_5 G_{L_{t-1}} + \sigma_6 HUMAN_{t-1} + \sigma_7 INF_{t-1} + \\ & \varepsilon_t, \end{aligned} \quad (3.5)$$

in which  $CW_{t-i}$  stands for cash waqf,  $G_{K_{t-i}}$  capital growth, and  $G_{L_{t-i}}$  labour growth. Initial GDP is  $IGDP_{t-i}$ , human capital is  $HUMAN_{t-i}$ , and inflation is  $INF_{t-i}$ . The best lag length is  $p$ , and the initial difference of variables is  $\Delta$ . The short-run is denoted by the first portion of Equation (3.5) with  $\pi$ ,  $\theta$ ,  $\delta$ ,  $\gamma$ ,  $\mu$ ,  $\delta$ , and  $\beta$ . The remaining parameters with  $\sigma_k$  are intended for the long-run parameters.

The hypotheses for determining if the variables included in this research have any long-term cointegration are  $H_0: \sigma_1 = \sigma_2 = \sigma_3 = \sigma_4 = \sigma_5 = \sigma_6 = \sigma_7 = 0$  and  $H_1$ : at least one of  $\sigma_i$  is not equal to zero. Subsequently, this is the joint null hypothesis of the absence of cointegration versus the existence of a real relationship between the explanatory regressors and GDP growth. The F-statistic value is expressed by  $F(Y_t | CW_t, G_{K_t}, G_{L_t}, HUMAN_t, IGDP_t, INF_t)$  in the new OLS output.

Equation (3.6) shows the cointegration equation's model for GDP growth.

$$Y_t = \alpha_{10,0} + \sum_{i=1}^p a_{11,i} CW_{t-i} + \sum_{i=1}^p a_{12,i} G_{K_{t-i}} + \sum_{i=1}^p a_{13,i} IGDP_{t-i} + \sum_{i=1}^p a_{14,i} G_{L_{t-i}} + \sum_{i=1}^p a_{15,i} HUMAN_{t-i} + \sum_{i=1}^p a_{16,i} INF_{t-i} + \varepsilon_t. \quad (3.6)$$

In light of the existence of a cointegrating relationship, the ECM can be stated as Equation (3.7):

$$Y_t = \alpha_{10,0} + \sum_{i=1}^p a_{11,i} CW_{t-i} + \sum_{i=1}^p a_{12,i} G_{K_{t-i}} + \sum_{i=1}^p a_{13,i} IGDP_{t-i} + \sum_{i=1}^p a_{14,i} G_{L_{t-i}} + \sum_{i=1}^p a_{15,i} HUMAN_{t-i} + \sum_{i=1}^p a_{16,i} INF_{t-i} + ECT_t, \quad (3.7)$$

in which  $\varphi ECT_{t-1}$  resembles the error correction term. The default settings are used for all other variables.

### Prior expectation

The priory expectation refers to the supposed association between the explained variable and explanatory variables in models (see Table 1).

**Table 1. Hypothesised Effect on GDP Growth.**

Variables	Theory Intuition	Expected Sign
Cash Waqf	Positive due to perpetuity in waqf. The sign can be negative due to a lack of awareness of waqf management.	+/-
Labour Growth	Positive caused by an increasing number of labours work in the sectors, which raised the capacity of production. Therefore, it generates positive economic growth in both the long-run and short-run.	+
Capital Growth	Positive due to the adoption of more and newer productive innovations and technologies.	+
Initial GDP per capita	Negative due to the convergence effect. Lower initial GDP leads to a greater average growth rate.	-
Human Capital	Positive due to an educated labour force is better at learning, creating as well as implementing new technologies	+
Inflation	Positive due to an increment in demand with no spare capacity and the sectors are working on full employment level. Any additional growth is driven by increased inflation.	+

Source(s): Author's construct (2022)

## DISCUSSION

In this study, the procedure for determining if variables are stationary is carried out. The subsequent unit root test is undertaken to investigate the stationarity (see Table 2).

Augmented Dickey-Fuller test findings displayed that, with the exception of human capital, Initial Gross Domestic Product (IGDP), and inflation, the unit root null hypothesis can be rejected for all series at the 1% critical value. However, the unit root null hypothesis with regards to the series in the first difference can be rejected at the 1% critical value.

Similarly, the findings of the Phillip Perron test indicate that, with the exception of human capital, IGDP, and inflation, the unit root null hypothesis can be rejected for all series at a 1% critical value. Yet, the unit root null hypothesis for IGDP, inflation, and human capital can be

rejected at the 1% critical value in the first difference using annual data from the year 2013 until the year 2019.

**Table 2. Root Test**

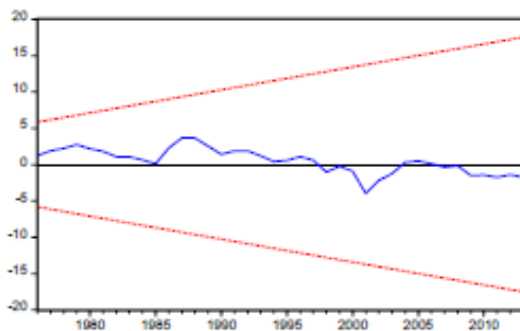
Variables	ADF		PP	
	Level	1st diff.	Level	1st diff.
Cash Waqaf	-7.6748***	-8.6690***	-7.6753***	-15.3345***
Capital	-5.7631***	-9.2131***	-6.3156***	-11.2121***
Labour	-6.8784***	-7.8946***	-6.8894***	-19.3677***
Inflation	-2.9517	-5.9170***	-2.6536	-5.9170***
Human Capital	-1.1582	-5.7606***	-1.1757	-5.6187***
Initial GDP	-0.8875	-7.4808***	-0.8875	-7.4832***

\*,\*\* and \*\*\* are statistically significant at 10, 5, as well as 1%, accordingly.

In this study, the bound test for GDP growth’s computed F-statistic is 4.3626. The results show that the variables possess a long-term relationship because the computed F-statistics are over the upper bound critical values of 1% (2.50, 3.68), 5% (2.04, 2.08), and 10% (1.80, 2.80). Correspondingly, it is probable to reject the null hypothesis that no long-term cointegration exists between the variables. As a result, we can infer from the F-statistics findings that there is a long-term cointegration relationship between GDP growth, cash waqf, capital growth, labour growth, Initial Real Gross Domestic Product (IRGDP), human capital as well as inflation.

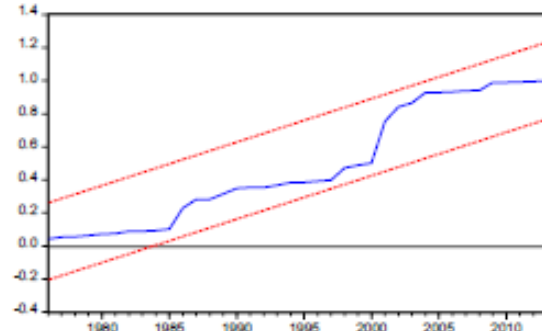
The purpose of the stability tests is to evaluate the stability of both long- and short-term parameters. The CUSUM and CUSUMsq tests have been run as a response. According to Pesaran and Shin (1999), CUSUM and CUSUMsq tests can be used to determine the stability of short- and long-run estimates. This research assessed the stability of the GDP growth. The charts for both CUSUM and CUSUMsq for GDP growth are displayed in Figure 4.1.

a) The plot of Cumulative Sum of Recursive Residuals



The straight lines depict critical bounds at a 5% significance level.

b) The plot of Cumulative Sum of Squares of Recursive Residuals



The straight lines depict critical bounds at a 5% significance level.

**Figure 1. CUSUM and CUSUMsq for GDP Growth**

The plots are significant at a 5% level compared to critical boundaries. This demonstrates

the accuracy of both the short- as well as long-run parameters that affect GDP growth in Malaysia. Both tests confirm the Autoregressive Distributed Lag (ARDL) model's stability for structural stability. The model is clearly well-specified based on this. As a result, the long-run coefficient is computed using the ARDL method, and the findings are explained.

**Table 3. Estimated Long Run Coefficient for GDP Growth**

Dependent Variables:	GDP Growth	
	Coefficient	t-Statistics
Constant	-0.2431	-0.3123
Cash Waqf	0.3793	2.4967**
Capital	0.2489	1.7918*
Labour	0.3178	2.1378**
IRGDP	0.0599	0.0356**
Human Capital	-0.1284	-0.2094
Inflation	-0.1153	-0.2199

\*,\*\* and \*\*\* are statistically significant at 10, 5, and 1%, respectively.

In this instance, the long-term relationship between the growth of the cash waqf and the GDP is significantly favourable. According to the findings, a 1% rise in cash waqf will result in a 0.38% boost in GDP growth. This condition most likely developed as a result of the gradual implementation of cash waqf as a tool to improve social well-being, lower the poverty rate, and help foster long-term economic growth. Moreover, cash waqf is a form of alternative financial support with an enormous influence on economic growth. The ability of cash waqf minimises the government's reliance on debt, government spending, as well as budget deficits to spur economic growth. The cash waqf is channelled to education, business development, social, health and infrastructure. The result of this study is supported by (Sadeq, 2012). The author mentioned that, unlike other charities, such as donations, cash waqf could be disposed of and benefit the beneficiaries from using these waqfs, indirectly improving long-term economic growth.

The study's result is supported by several other studies. The effect of cash waqf on poverty reduction and economic growth has been broadly researched in prior literature theoretically and through case studies. Various studies demonstrated cash waqf as the feasible solution to poverty reduction (Ibrahim et al., 2013; Sadeq, 2012; Pramanik et al., 2015). Additionally, Saiti et al. (2019) investigate the potential of cash waqf on poverty reduction in Somalia. Additionally, Saiti et al. (2021) recommended a model: the global cash waqf model, as an alternative method for overcoming poverty issues. The study claimed that a model would facilitate the fund across the Muslim countries and, at the same time, achieve an Islamic goal of social welfare. Basically, the cash waqf model offers a financial facility via the waqf fund usage. The fund expansion through the investment and profit becomes a funding source for micro-entrepreneurship to initiate



economic activities, such as creating microbusiness activities, generating human capital resources and employment opportunities and ultimately, increasing national income.

In this scenario, the long-term relationship between labour and GDP growth is positive. According to the findings, a 1% increment in labour growth results in a 0.32% rise in GDP growth. This resulted in more workers being hired, raising production capacity and producing long-term economic growth. According to Chan's (2011) research, economic and labour growth are positively related. The employment prospects in the labour market typically rise with economic growth. A rise in employment in the labour market has the tendency to raise production capacity. Long-term economic growth is thus further encouraged.

In the situation in Malaysia, capital growth has a long-term, beneficial impact on GDP growth. According to the findings, a 1% increment in capital growth results in a 0.25 % boost in GDP growth. This is a result of the adoption of capital that is more technologically advanced, which will boost productivity. In turn, this raises a nation's chances of future economic growth. Additionally, by embracing newer, more effective technologies, investment capital may be able to boost long-term growth rates. The study's findings differ from those of Potiowsky and Qayum (2012), who found no significant long-term benefits of domestic capital formation on economic growth. This is because growth affects capital formation more causally than capital formation does on growth.

The relationship between IRGDP and long-term GDP growth is significantly positive in this circumstance. In line with the findings, a 1% rise in IRGDP results in a 0.6% increase in GDP growth. A knowledge gap between capacity or potential and actual knowledge leads to positive results. A nation can increase production by easier copying, adapting, and learning technologies from advanced nations with a bigger knowledge gap. In turn, it would eventually increase GDP growth. The findings are at odds with those of Levine and Renelt (1992), who contend that the law of diminishing returns causes the initial level of real GDP to have a negative impact on economic growth.

Meanwhile, the finding shows that human capital is insignificant in the long-run with the GDP growth. This is because vocational skills and working experience are important aspects that should be mastered in order to contribute to long-run economic growth. Gallup et al. (2018)'s research backs up these findings. After utilising the average total number of years of school as their primary indicator of educational attainment, the authors could not identify a significant statistical relationship between the education levels and economic growth in their sample of nations. Instead, they found that experience levels contributed to economic growth.

Similarly, the result for inflation is insignificant in the long-run with the GDP growth. The underlying cause is a long-term causal relationship between inflation and economic growth. The government's price control regulations are to blame for this circumstance. Regulating price control is able to prevent the increment in the goods' price and thus avoid inflation in the long-run. The study by Datta (2011), which demonstrated a short-term relationship between economic growth and inflation, which is in the direction of inflation to economic growth rather than the other way around, supports the conclusion. However, in the long-run, economic growth leads to inflation.

The model of short-run coefficient for GDP growth as per Equation (3.7) is projected. The analysis's findings about the short-term impact of cash waqf on GDP growth are displayed. The primary empirical findings of the estimated short-run GDP growth equation coefficients are illustrated in Table 4.

**Table 4. Estimated Short Run Coefficients for GDP Growth**

Selected Model: ARDL (1, 0, 2, 0, 1, 0, 0, 1, 0, 0)

Dependent Variables:	GDP Growth	
	Coefficient	t-Statistics
Cash Waqf	-0.4460	-4.5839***
Capital	0.1197	3.0324***
Labour	0.2976	3.7060***
IRGDP	0.1150	6.0463***
Human Capital	-0.1142	-0.2063
Inflation	-0.4117	-0.3388
ECM <sub>t-1</sub>	-0.7229	-6.7432***

\*,\*\* and \*\*\* are statistically significant at 10, 5, as well as 1%, accordingly. The number in parentheses is the order of lags.

In the cash waqf context, the findings indicate that cash waqf growth possesses a short-term negative impact on GDP growth. According to the findings, a 1% rise in cash waqf will result in a 0.45% decline in GDP growth. This is most likely the result of ignorance that cash waqf is not only an investment but a cumulative increment over time. However, the implementation of cash waqf has gradually gained acknowledgement and acceptance in Malaysia. The pioneer of Islamic Banking, Bank Muamalat Malaysia Berhad (BMMB), who supervised the fund and also collaborates with four other states: Perbadanan Wakaf Negeri Sembilan, Perbadanan Wakaf Selangor (PWS), Majlis Agama Islam dan Adat Istiadat Melayu Kelantan, and Perbadanan Wakaf Negeri Kedah. The fund will be appropriately managed and allocated for waqf programmes like education, health, and poor people, with the majority of donations coming from individuals and corporate sectors. Regardless, the fund will put money into projects that will increase revenues.

Despite that, the negatively significant is most probably due to a scarcity of qualified and experienced staff. Waqf institutions should be managed by competent, informed and experienced staff in waqf education, law, and Islamic finance. Other than that, bureaucracy, which is a multilevel

decision-making process, is another reason contributing to significant negative results. Waqf institutions should make it possible for fund approval to be effective and efficient. Saiti et al. (2019) found that the waqf expansion projects have received little media attention. The stakeholders such as the State Islamic Religious Council (MAIN) and Department of Awqaf, Zakat and Hajj (JAWHAR) should be given wide publicity to inform the public about past and future waqf projects. The research finding contrasts with Kahf (2018), who discovered that the Muslim land's developments in Egypt, Syria, Turkey, and Morocco are contributed by waqf in the short-run. Therefore, the short-term relationship between cash waqf growth and GDP growth is significantly negative.

The findings for labour indicate that in the short-run, an increment in labour is positively significant to an increase in GDP. According to the results, a 1% rise in labour growth will result in a 0.30% boost in GDP growth. This situation occurred because if firms see the demand for their products rise, they respond by expanding their production. In order to do so, in the short-term, a rise in labour growth can result in positive economic growth. Similar findings apply to the case of capital, which indicates that short-term GDP growth is positively significant to capital growth. The flow of services provided over time is to blame for this. A firm would invest in more capital to produce more output. Therefore, in the short-term, capital growth is positively significant to GDP growth.

IRGDP, in this instance, has a favourable correlation with long-term GDP growth. According to the findings, a 1% rise in starting real GDP will lead to a 0.12% boost in GDP growth. This is because a knowledge gap between capacity or potential and actual knowledge leads to positive results. With a greater knowledge gap, a country can enhance production by cloning, adapting, and learning innovations from affluent nations. It would therefore accelerate GDP growth in the short term. Opposite of the convergence effect, which holds that lower initial GDP (IGDP) leads to greater average growth rates. Therefore, the result is the opposite.

When it comes to human capital, the outcome (tertiary education) has an insignificant impact on GDP growth. The cause is the impossibility of obtaining tertiary education in the near future. Gallup et al. (2018) support the findings. The author used the average number of years adults spend in school as their primary indicator of human capital, but they were unable to find a statistically significant correlation between eventual economic growth and starting educational levels in their sample of nations.

Other than that, the short-term impact of inflation on GDP growth is insignificant. The reason is that Malaysia is a developing country. In contrast to developing and high-income countries, low-income countries are more negatively affected by inflation's short-term effects on

GDP growth. The study by Chuan Yeh (2019), which found that the short-term impact of inflation on growth is stronger in low-income nations compared to developing and high-income countries, backs up the findings.

## CONCLUSION

This research examines the impact of cash waqf on Malaysia's economic growth from 2013 to 2019. In the example of Malaysia, the research also investigates if there are any short- and long-term correlations between Gross Domestic Product (GDP) growth and cash waqf. The study generated cointegration using the Autoregressive Distributed Lag (ARDL) bounds testing method and employed the Error Correction Model (ECM) to identify short- and long-term relationships. Meanwhile, Phillip Perron and Augmented Dickey-Fuller unit root tests were utilised to assess the series' stationarity. The findings demonstrated the cointegration of the series.

In this study, cash waqf positively affects the long-run economic growth while negatively impacting the short-run economic growth. This is attributed to the lack of awareness that cash waqf is not only an investment but a cumulative increment in the short-run. Cash waqf gradually acts as a tool to enhance social well-being, which lowers the poverty rate, and simultaneously as a bit of help to boost long-term economic growth.

The research's findings have various implications for enhancing and overcoming the implications of cash waqf on economic growth. First, a strategy to create awareness of cash waqf among Islamic Banks plays an important role in collecting cash waqf funds. The stakeholders feel more secure as a consequence. The Ministry of Religious Affairs and Islamic Financial Institutions should work closely together to strengthen the Islamic Banks' role in receiving cash waqf. Finally, having enough programs designed to improve understanding and cash waqf mechanisms will raise awareness among financial institutions about the importance of philanthropy in terms of cash waqf management and distribution in the short run.

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