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Challenges and Impacts of Religious Endowments on Global Economics and Finance

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Buerhan Saiti and Adel Sarea

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Challenges and Impacts of Religious Endowments on Global Economics and Finance

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Waqf has been playing an important social finance role in improving the welfare of Muslim societies for centuries. Recently, the financial technology (Fintech) has started penetrating every branches of financial system offering better services. Hence, waqf institutions could use this opportunity to comply with the wave of Fintech to improve the efficiency and enhance the transparency of operations. Understanding the importance of waqf, this chapter aims to clarify the concept of waqf from the perspective of Islamic jurisprudence, define its Shari’ah framework, and provide waqf classifications; and, finally, it reviews the existing applications of waqf models. The study should serve as guidelines for further development of waqf models in light of the latest technological advancements.

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The function of waqf institution is to contribute towards provision of a social security net to those falling within its vicinities. The value proposition of waqf lies in effectively cascading wealth and benefits of resources to the neglected or comparatively disadvantaged sectors of an economy. Waqf is equally envisaged to support informal economy by responding to, and patronising the un-organized sectors. It is critical to identify the existing gaps in the areas of public and private sectors’ spending for waqf to effectively fulfill its socio-economic objectives. By

targeting the resource-deficient pockets of the economy on priority basis, the utility of waqf-resources can be maximized, which, in turn, reinforces the building blocks of the real economy. The chapter critically analyses the moral philosophy, the value proposition, and functional mechanism of an ideal waqf followed by pinpointing some recommendations to enhance the role of waqf. The chapter is an outcome of a library-based research, and it adopts socio-legal research paradigm for the analysis of literature.

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Modern Islamic Finance and Banking is competing with the conventional banking on many levels. There are tensions between the definitions of ‘Riba ‘ and ‘Hiyal’ that continuously stress the need for Islamic Sharia Boards to update the Sharia Compliance for their products. The concept of ‘Waqf’ is the Islamic concept of an endowment Trust. The pious aim of the Waqf is to allow endowment for a specific purpose that must be ‘Halal’. The leading Islamic countries for the purposes of having vibrant Islamic Finance and Banking economies are predominantly past British colonies. These Islamic countries have rich Common Law heritage that guides their Constitutions as they exist today. The Common Law guidelines for Family Law, Inheritance, and Property Law also influence the Sharia compliance framework for contemporary Islamic Finance in those countries. This chapter examines the existing Islamic jurisprudence on Waqf and its influence on Common Law trust, and argues for its revival as the Islamic Trust Law.

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Studies have been conducted focusing on the role of trust, integrity, and reputation on the image and reputations of Islamic charities. But, these are not the only challenges faced by contemporary Waqf. While the world outside the Waqf institutions has changed, Awqaf are stuck in centuries-old procedures and management practices. This must change for Awqaf to be up to the challenges of modern world. This work focuses on proposing a mechanism that explains how possible it is for Awqaf to improve their image given their unique features and environment. The process through which Waqf improves its relationship with stakeholders such as donors, beneficiaries, and government is as important as other aspects of Waqf operation that have been traditionally covered by scholars. The methodology followed for conducting this work is mainly literature review and critical analysis of the state of Waqf in the Muslim world. Thus, the work is a deductive analysis in Islamic economics and marketing,

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Abdelkader Laallam, Institute of Islamic Banking and Finance,

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Islamic University Malaysia, Malaysia

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Buerhan Saiti, Istanbul Sabahattin Zaim University, Turkey

The world is changing at a great pace and acceleration. The role of science, knowledge, and learning has emerged, in developing and adopting appropriate methods to manage and transfer knowledge and experience within an organization and making it available for everyone to share and exchange easily, through knowledge fountains and databases. This chapter introduces the concept of knowledge management to waqf institutions and the potential contribution that can be provided by this in solving many problems and challenges confronting them, in the hope of achieving a qualitative leap in performance and restoring their leading role in societies. There is some evidence that researchers have addressed the issue of knowledge management in the context of waqf institutions. Consequently, this chapter draws attention to the importance of knowledge management for waqf institutions, with the intent of providing a comprehensive understanding of this topic and its association with the

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Zakir Hossen Shaikh, Bahrain Training Institute, Bahrain

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The foundation of waqf (religious endowment), an act of establishment of a charitable trust, often in the form of a property or any legitimate fund-generating estate – for which public utilities are designated as recipients of the yields, among different purposes – laid the foundation of an independent means of financing for education across the Muslim world. In recent years, overall cost of education has been increasing, despite intervention from the government in the form of grants and soft loans. In general, parents and students alike face the burden of ever-increasing fees to enroll in the higher education learning institutions while the education institutions themselves also face increasing costs to operate and provide quality education. Waqf is an Islamic financial instrument which can be utilized in solving various educational issues in India. It is a known fact that waqf education institutions are significant assets in the development of skill and knowledge amongst the Muslim communities.

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Omer F. Ozbek, University of Maryland University College, USA

This chapter analyzes servant leadership theory from the perspective of Islamic nonprofits. It is one of the rare management science approaches to examining Islamic nonprofits and waqfs. Definitions and characteristics of servant leaders are derived from major studies on servant leadership, and outcomes for nonprofit organizations are discussed based on available evidence in the literature. Servant leadership is compared to other major leadership theories and examined in cultural context. Although the studies in the West dominate the servant leadership literature, it is argued that the philosophy of a servant leader is deeply rooted in other cultures and faiths, particularly Islamic tradition. The author examines whether servant leadership fits the leadership definitions in recent studies on Islamic leadership. There is also a comparison of the Organizational Leadership Assessment (OLA) for servant leadership and the Islamic Leadership Inventory (ILI). The author points to gaps in the literature and provides suggestions for future research.

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Buerhan Saiti, Istanbul Sabahattin Zaim University, Turkey

Mehmet Bulut, Istanbul Sabahattin Zaim University, Turkey

The widespread poverty in the world has required multi-dimensional approaches and efforts to alleviate it and improve the life of the society at both national and global levels. As a result, many agencies, governmental bodies, and non-government organizations (NGOs) were formulated and established for this purpose with their own special objectives, scopes, visions, and missions. Different entities and agencies have taken various approaches and methods in the process of poverty eradication and are undertaking several programs in a large number of communities at the global scale. Meanwhile, the globalizations of poverty mitigation efforts and increasing number of agencies, operating in different communities, have increased the quick prevarication of different beliefs in the same community. One of the reasons for this is that each organization or agency has its own purposes, motives, values, and norms to directly or indirectly achieve by helping the people in need.

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Salma Sairally, International Shari'ah Research Academy for Islamic Finance (ISRA), Malaysia

Marjan Muhammad, International Shari'ah Research Academy for Islamic Finance (ISRA), Malaysia

The financial re-engineering of old concepts is a new trend in the field of Islamic finance. It has been termed as 'New Horizon 2.0' by Shinsuke (2014)—an approach which aims to revitalize original instruments once practiced in medieval Islam to harness the potential of Islamic finance to better meet the needs of communities. It is also in line with the continuous innovative efforts of the industry to apply existing concepts, contracts, and instruments that are Shari'ah-compliant in the modern context to resolve contemporary socio-economic issues. In light of this background, this chapter examines how the age-old philanthropic concept of waqf has been integrated in the Islamic finance industry to revive its applications in contemporary societies. The chapter focuses on the inter-links between waqf and the Islamic capital market (ICM). Accordingly, it examines the new trends of waqf that have emerged in the ICM.

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International Best Practices in Existing Corporate Waqf Models: A

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Noor Suhaida Kasri, International Shariah Research Academy for Islamic Finance (ISRA), Malaysia

Muhammad Hasan Hilmi, International Shariah Research Academy for Islamic Finance (ISRA), Malaysia

Waqf is being introduced and implemented in a number of innovative structures with contemporary movable asset class. Despite that, there is still a demand for waqf to be more effectively organised and managed. This chapter studies the contemporary establishment of corporate waqf, as exemplified by Waqaf An-Nur Corporation Berhad, Larkin Sentral Property Berhad, and Wareef Endowment Fund. These models are analyzed from the angles of governance, sustainable investment strategy, risk management, and social impact. These mini case studies are benchmarked against the leading Harvard Endowment Fund. The analysis sheds light on their levels of efficiency and effectiveness as well as their issues and challenges. This chapter proposes recommendations for consideration, especially to policy makers and waqf market players. This chapter adopts a qualitative research methodology by using textual and documentary analysis together with semi-structured interviews and discussions with the relevant stakeholders.

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Shamsher Mohamad, INCEIF, Malaysia

Mohamed Ariff Mohamad, Sunway University, Malaysia

This chapter briefly examines ideas from Islamic wealth management and waqf concepts to see if there are ways in which human welfare can be better managed on a community-action level without the visible hands of the government. To do this, authors first examine the concept of Islamic wealth management, and then provide some discussion on how waqf assets already in place in all Islamic countries could be mobilised to meet the needs of communities for sustainable economic development as well as fairer ways of looking after the needs of the have-nots of societies.

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Innovations of Zakat (Alms) Distribution Practices in Malaysia.....270

Rosnia Masruki, Universiti Sains Islam Malaysia, Malaysia

Zakat (alms) is one of the Islamic social finance tools, besides waqaf (endowment) that can contribute to the socio-economic development of the Muslims, and society at large (ummah). In Malaysia, the local media have reported complaints from some dissatisfied members of the public on the distribution of zakat to zakat beneficiaries (asnaf). These emerge despite the introduction of numerous innovations by zakat institutions under the administrations of Majlis Agama Islam Negeri (MAIN) or State Islamic Religious Councils (SIRC), in the form of assistance schemes, for the distribution of asnaf in Malaysia. This chapter discusses the concept of innovations in zakat distribution according to three foundations: fatwa muzakarah (Islamic ruling discussion) resolutions, ijtihaad (independent interpretation and reasoning by scholars) in handling issues related to zakat distribution, and temporal dynamism of the Shariah. Numerous challenges concerning zakat issues have also highlighted

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Chapter 14

A Waqf-Integrated Reporting (WAQIR) Model: Performance, Governance,
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Mustafa Mohd Hanefah, Universiti Sains Islam Malaysia, Malaysia
Muhammad Iqmal Hisham Kamaruddin, Universiti Sains Islam
Malaysia, Malaysia

This chapter proposes the best reporting practices for waqf institutions, concerning information disclosure on performance, governance, and socio-economic impact using the waqf integrated reporting (WAQIR) model. The WAQIR model is viewed as a comprehensive reporting tool for waqf institutions. This study reviewed previous literature and reporting guidelines for waqf and similar organisations, such as not-for-profit and faith-based organisations, to identify the appropriate measurements for disclosure, limited not only to the input and output of the waqf project, but also its governance and socio-economic impact. Based on the review, the WAQIR model is explicated with four pillars of disclosure: (i) waqf financial and non-financial; (ii) waqf governance; (iii) waqf performance; and (iv) waqf socio-economic impact. The proposed WAQIR model would be useful for waqf institutions in implementing best waqf reporting practices. This could help them to enhance their accountability and to promote transparency, enabling the sustainability of the entire waqf management practices.

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Preface

Challenges and Impacts of Religious Endowments on Global Economics and Finance is a pivotal reference source that examines the role of waqf and similar endowments in Islamic financial systems and how these religious endowments impact global economics and finance. While highlighting topics such as Islamic finance, risk management, and economic development, this publication explores adopting Islamic approaches to contemporary socio-economic issues and the methods of content analysis and meta-analysis methods. This book is ideally designed for professionals, economist regulators, financial analysts, academics, researchers, and postgraduate students seeking current research on modernized Islamic economic models in order to tackle the problem of fiscal deficiency.

It is important to examine the waqf from Islamic primary and secondary sources perspectives. And it is also meaningful examine the existing modern application of waqf. Therefore, Chapter 1 describes the waqf from Shariah perspective and examine various modern waqf models. More specifically, this chapter discusses the definition of waqf, its legality in the light of the Qur'an, Sunnah and Ijma', provides its Shari'ah legal framework, waqf classifications and its modern application.

The function of waqf institution is to contribute towards provision of a social security net to those falling within its vicinities. The value proposition of waqf lies in effectively cascading wealth and benefits of resources to the neglected or comparatively disadvantaged sectors of an economy. Waqf is equally envisaged to support informal economy by responding to, and patronizing the un-organized sectors. It is critical to identify the existing gaps in the areas of public and private sectors' spending for waqf to effectively fulfil its socio-economic objectives. By targeting the resource-deficient pockets of the economy on priority basis, the utility of waqf-resources can be maximized, which, in turn, reinforces the building blocks of the real economy. Therefore, Chapter 2 critically analyses the moral philosophy, the value proposition and functional mechanism of an ideal waqf followed by pinpointing some recommendations to enhance the role of waqf. This Chapter is an outcome of a library-based research, and it adopts socio-legal research paradigm for the analysis of literature.

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Studies have been conducted focusing on the role of trust, integrity and reputation on the image and reputations of Islamic charities. But, these are not the only challenges faced by contemporary Waqf. While the world outside the Waqf institutions has changed, Awqaf are stuck in centuries old procedures and management practices. This must change for Awqaf to be up to the challenges of modern world. Chapter 4 focuses on proposing a mechanism that explain how possible it is for Awqaf to improve their image given their unique features and environment. The process through which Waqf improve its relationship with stakeholders such as donors, beneficiaries and government is as important as other aspects of Waqf operation that have been traditionally covered by scholars. The methodology followed for conducting this work is mainly literature review and critical analysis of the state of Waqf in the Muslim world. Thus, This Chapter is a deductive analysis in Islamic economics and marketing, borrowing from Islamic and conventional fields of marketing and branding.

Waqf is a *Sadaqah Jariyyah*, a Capital Gift to Allah which is useful for Sustainable development and beneficial to Muslim, Poor, Marginalized and disadvantaged communities. The important thing is waqf properties must be used for the benefit of needy. It can be achieved through investing the waqf in infrastructure development through the generation of profits from waqf infrastructure and utilization of Waqf property by common and needy public. The proper management of waqf properties through modern techniques of risk and asset management so that maximum benefits can be achieved through any Waqf property is the need of time. The history of Waqf is very old in Madhya Pradesh and this research is undertaken to study the methods used to commercially develop Waqf lands which are regulated by waqf board of MP located in the state of MP. Therefore, Chapter 5 finds out the potential of economic development through waqf properties in MP and the welfare which can be achieved of poor and marginalized classes in this study.

Preface

The world is changing at a great pace and acceleration. The role of science, knowledge and learning has emerged, in developing and adopting appropriate methods to manage and transfer knowledge and experience within an organization and making it available for everyone to share and exchange easily, through knowledge fountains and databases. Chapter 6 introduces the concept of knowledge management to waqf institutions and the potential contribution that can be provided by this in solving many problems and challenges confronting them, in the hope of achieving a qualitative leap in performance and restoring their leading role in societies. There is some evidence that researchers have addressed the issue of knowledge management in the context of waqf institutions. Consequently, the aim of this chapter is to draw attention to the importance of knowledge management for waqf institutions, with the intent of providing a comprehensive understanding of this topic and its association with the organizational performance enhancements, from different angles.

The foundation of waqf (religious endowment), an act of establishment of a charitable trust, often in the form of a property or any legitimate fund-generating estate – for which public utilities are designated as recipients of the yields, among different purposes – laid the foundation of an independent means of financing for education across the Muslim world. In recent years, overall cost of education has been on an ever-increased trend, despite intervention from the government in the form of grants and soft-loans. In general, parents and students alike face the burden of ever increasing fees to enroll in the higher education learning institutions while the education institutions themselves also face increasing costs to operate and provide quality education. Chapter 7 proposes that Waqf can be an Islamic financial instrument which can be utilized in solving various educational issues in India. It is a known fact that waqf education institutions are significant assets in the development of skill and knowledge amongst the Muslim communities.

Chapter 8 provides an analysis of servant leadership theory from the perspective of Islamic nonprofits. It is one of the rare management science approaches to examining Islamic nonprofits and waqfs. Definitions and characteristics of servant leaders are derived from major studies on servant leadership and outcomes for nonprofit organizations are discussed based on available evidence in the literature. Servant leadership is compared to other major leadership theories and examined in cultural context. Although the studies in the West dominates the servant leadership literature, it is argued that the philosophy of a servant leader is deeply rooted in other cultures and faiths, particularly Islamic tradition. The author examines whether servant leadership fits the leadership definitions in recent studies on Islamic leadership. There is also a comparison of the Organizational Leadership Assessment (OLA) for servant leadership and the Islamic Leadership Inventory (ILI). The author points to gaps in the literature and provides suggestions for future research.

The widespread of poverty in the world has required multi-dimensional approaches and efforts in order to alleviate it and improve the life of the society at both national and global levels. As a result, many agencies, governmental bodies and non-government organizations (NGOs) were formulated and established for this purpose with their own special objectives, scopes, visions and missions. Different entities and agencies have taken various approaches and methods in the process of poverty eradication and are undertaking several programs in large number of communities at the global scale. Meanwhile, the globalizations of poverty mitigation efforts and increasing number of agencies, operating in different communities, have increased the quick prevarication of different beliefs in the same community. One of reasons for this, is that each organization or agency has its own purposes, motives, values, norms, to directly or indirectly achieve by helping the people in need. Thus, Chapter 9 aims to examine some of these agencies at the international level and to see in which extend the Islamic third sector (cash-waqf) could be used as good and effective alternative in the process of poverty reduction projects especially in the Muslim world. Particularly, the study investigates three internationally recognized agencies: Islamic Relief Worldwide (IRW), International Red Cross and Red Crescent Movement, and United Nations Children's Fund (UNICEF) in order to draw sound conclusions from comparative analysis of the three about the relative advantages of each over the other and recommend some kind of synergy for effective operations. The agencies are examined in form of case studies followed by a case study of cash-waqf in the Malaysian perspective.

The financial reengineering of old concepts is a new trend in the field of Islamic finance. It has been termed as 'New Horizon 2.0' by Shinsuke (2014)—an approach which aims to revitalize original instruments once practiced in medieval Islam in an attempt to harness the potential of Islamic finance to better meet the needs of communities. It is also in line with the continuous innovative efforts of the industry to apply existing concepts, contracts and instruments that are Shari'ah-compliant in the modern context to resolve contemporary socio-economic issues. In light of this background, Chapter 10 examines how the age-old philanthropic concept of waqf has been integrated in the Islamic finance industry to revive its applications in contemporary societies. The chapter focuses on the inter-links between waqf and the Islamic capital market (ICM). Accordingly, it examines the new trends of waqf that have emerged in the ICM.

Waqf is being introduced and implemented in a number of innovative structures with contemporary movable asset class. Despite that, there are still demand for waqf to be more effectively organized and managed. Chapter 11 aims to study the contemporary establishment of corporate waqf namely Waqaf An-Nur Corporation Berhad, Larkin Sentral Property Berhad and Wareef Endowment Fund. These models will be analyzed from the angle of governance, sustainable investment strategy, risk

Preface

management and social impact. These mini case studies will be bench marked against the leading Harvard Endowment Fund. The analysis will shed lights on their level of efficiency and effectiveness as well as their issues and challenges. This chapter proposes recommendation for consideration especially to the policy makers and waqf market players. This chapter adopts a qualitative research methodology by using textual and documentary analysis together with semi-structured interviews and discussions with the relevant stakeholders.

Chapter 12 briefly examines ideas from Islamic wealth management and waqf concepts to see if there are ways in which human welfare can be better managed on a community-action level without the visible hands of the government. To do this, the authors first examine the concept of Islamic wealth management, and then provide some discussion on how waqf assets already in place in all Islamic countries could be mobilized to meet the needs of communities for sustainable economic development as well as fairer ways of looking after the needs of the have-nots of societies.

Zakat (alms) is one of the Islamic social finance tools, besides waqf (endowment) that can contribute to the socio-economic development of the Muslims, and society at large (ummah). In Malaysia, the local media have reported complaints from some dissatisfied members of the public on the distribution of zakat to zakat beneficiaries (asnaf). These emerge despite the introduction of numerous innovations by zakat institutions under the administrations of Majlis Agama Islam Negeri (MAIN) or State Islamic Religious Councils (SIRC), in the form of assistance schemes, for the distribution of asnaf in Malaysia. Chapter 13 discusses the concept of innovations in zakat distribution according to three foundations: fatwa muzakarah (Islamic ruling discussion) resolutions, ijihad (independent interpretation and reasoning by scholars) in handling issues related to zakat distribution, and temporal dynamism of the Shariah. Numerous challenges concerning zakat issues have also highlighted the significant roles of zakat institutions, especially in the eradication of poverty.

As a final chapter, Chapter 14 aims to propose the best reporting practices for waqf institutions, concerning information disclosure on performance, governance and socio-economic impact using the waqf integrated reporting (WAQIR) model. The WAQIR model is viewed as a comprehensive reporting tool for waqf institutions. This study reviewed previous literature and reporting guidelines for waqf and similar organizations, such as not-for-profit and faith-based organizations, to identify the appropriate measurements for disclosure, limited not only to the input and output of the waqf project, but also its governance and socio-economic impact. Based on the review, the WAQIR model is explicated with four pillars of disclosure: (i) waqf financial and non-financial; (ii) waqf governance; (iii) waqf performance; and (iv) waqf socio-economic impact. The proposed WAQIR model would be useful for waqf institutions in implementing best waqf reporting practices. This could help them to enhance their accountability and to promote transparency, enabling the sustainability of the entire waqf management practices.

We hope that this timely book can help academics, professionals, researchers, investors, and regulators to better understand the religious endowment - Waqf and Challenges and Impacts of it on Global Economics and Finance.

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Chapter 1

Waqf Fundamentals, Principles, and Modern Applications

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ABSTRACT

Waqf has been playing an important social finance role in improving the welfare of Muslim societies for centuries. Recently, the financial technology (Fintech) has started penetrating every branches of financial system offering better services. Hence, waqf institutions could use this opportunity to comply with the wave of Fintech to improve the efficiency and enhance the transparency of operations. Understanding the importance of waqf, this chapter aims to clarify the concept of waqf from the perspective of Islamic jurisprudence, define its Shari'ah framework, and provide waqf classifications; and, finally, it reviews the existing applications of waqf models. The study should serve as guidelines for further development of waqf models in light of the latest technological advancements.

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SECTION 1: INTRODUCTION

The idea of *waqf* is as old as humanity. Muslim jurists argue that the first *waqf* ever made is the sacred building of Ka'bah in Makkah (Kahf, 2015). The Noble Qur'an mentions that it is the first house of worship set for people:

"Indeed, the first House [of worship] established for mankind was that at Makkah - blessed and a guidance for the worlds." (Qur'an, 3:96).

Waqf has great importance for society. While spending in the sake of God, one gets great reward as long as *waqf* lasts, even after the death. Abu Hurayrah (may Allah be pleased with him) narrated that the Messenger of Allah (peace be upon him) said: *"When a man dies, his acts come to an end, but three: recurring charity, knowledge by which people benefit, or a pious son, who prays for him (for the deceased)."* (Sahih Muslim, 1255/3).

Waqf is a form of social finance. For ages, *waqf* has been playing a significant role in social welfare, especially among Muslims, by alleviating the poverty, supporting orphans and widows, building mosques and hospitals, spreading knowledge, strengthening family ties, and contributing for the betterment of the whole community. In order to perform these activities, the first legal entity - *waqf* foundation - was created, which had its own personality that is independent of the *waqf* managers (*mutawallis*) with its own rights and responsibilities as well as engagement in financial contracts. As any other entity, *waqf* foundation has its own assets which are obtained mostly through *waqf* contributions. They may include immovable assets such as land, buildings, equipment, and movable assets as cash, investment certificates, *Sukuk*, etc.

Due to such importance of *waqf*, it is essential to examine it from the primary and secondary sources of Islamic jurisprudence. It is also meaningful to examine the existing modern application of *waqf* and opportunities for further development. Therefore, in this chapter, we will describe the concept of *waqf* from the *Shari'ah* perspective and examine various modern *waqf* models in practice.

SECTION 2: THE CONCEPT OF WAQF AND ITS LEGALITY

According to ISRA's compendium (ISRA, n.d.), the word '*waqf*' in Arabic literally means "*to retain or hold back*". Technically, *waqf* has been defined as:

"to make a property the inalienable property of its owner while making its yield and usufruct a charitable donation to specified beneficiaries." (ISRA, n.d.);

"...holding Maal (an asset) and preventing its consumption for the purpose of repeatedly extracting its usufruct for the benefit of an objective representing righteousness/philanthropy." (Kahf, 1998).

In other words, the definitions can be summarized as *retaining an asset for distribution of its usufruct to beneficiaries*.

The definition is universal as defines the essence of *waqf*: conservation of the asset and distribution of its usufruct for charitable ends. It emphasizes the importance of continuous holding such as protection from being consumed either through sale, providing as collateral, or transferring in the form of gift and inheritance. Meanwhile, the usufruct of that asset is to be distributed to philanthropic purposes as per conditions specified by the founder.

Legality of Waqf From the Shari'ah Perspective

The legality of *waqf* can be traced back to the primary sources - *Qur'an* and *Sunnah*, and the secondary sources such as *Ijma'* (scholarly consensus) (ISRA, n.d.). Though the word '*waqf*' is not used in the texts, the essence of it and its importance is well defined.

From the Qur'an

Encouraging the spending in charitable purposes, Allah says in various verses of the Qur'an (interpretation of the meaning):

"The example of those who spend their wealth in the way of Allah is like a seed [of grain] which grows seven spikes; in each spike is a hundred grains. And Allah multiplies [His reward] for whom He wills. And Allah is all-Encompassing and Knowing." (Qur'an, 2:261).

“Never will you attain the good [reward] until you spend [in the way of Allah] from that which you love. And whatever you spend - indeed, Allah is Knowing of it.” (Qur’an, 3:92).

“Say, “Indeed, my Lord extends provision for whom He wills of His servants and restricts [it] for him. But whatever thing you spend [in His cause] - He will compensate it; and He is the best of providers.” (Qur’an, 34:39).

“So fear Allah as much as you are able and listen and obey and spend [in the way of Allah]; it is better for your selves. And whoever is protected from the stinginess of his soul - it is those who will be the successful.” (Qur’an, 64:16).

“...And whatever good you put forward for yourselves - you will find it with Allah. It is better and greater in reward...” (Qur’an, 73:20).

From the Sunnah

There are numerous traditions (*hadith*) narrated from the Prophet Muhammad (*pbuh*) on the importance of charitable endowments. As reported by Abu Hurairah, the Prophet (*pbuh*) said: *“When a man dies his acts come to an end, except three things: ongoing charity, beneficial knowledge and pious offspring, who prays for him.”* (Sahih Muslim, 1255/3). In another *hadith*, it is reported that ‘Umar acquired a piece of land in Khaybar. He went to the Prophet (*pbuh*) and asked, *“O Messenger of Allah, I have acquired land in Khaybar which I consider as the most valuable of what I ever had, so what do you command me to do with it?”* He replied, *“If you wish you may make the property an inalienable possession and distribute its produce as charity.”* So ‘Umar allocated it for charity declaring that the property cannot be sold, given away, or be inherited, and its produce to be distributed among the poor, relatives, those who are on Allah’s path, travelers and guests, as well as for emancipation of slaves. The administer of this land will have the right to consume from it in a reasonable manner or share with others, provided he is not making from it the source for his enrichment (Muslim, 13/4006).

Narrated by Anas that Abu Talhah was one of the dwellers of Medina who possessed the largest palm gardens, among which was the most valuable garden known as *Bairaha’* which was located opposite to the mosque. The Prophet (*pbuh*) often used to visit it and drink from its finest water. When the verse was revealed (Qur’an, 3:92): *“You will not attain unto piety until you spend of that which you love. And whatsoever you spend, Allah is aware thereof.”*, Abu Talhah stood up and approached the Prophet (*pbuh*) and said: *“O Messenger of Allah, Allah revealed to you: “You will not attain unto piety until you spend of that which you love,” and*

the dearest of my property is *Bairaha*'. I'm giving it as an endowment in the sake of Allah from Whom I hope to receive His reward and His treasure. So spend it, O Messenger of Allah, on whatever Allah guides you. The Prophet (*pbuh*) replied: *"Bravo! That is really profitable property! That is really profitable property! I have heard what you have said, but I think you should spend it on your nearest relatives"*. Then, Abu Talhah distributed it among the nearest relatives and his cousins from his father's side. (Bukhari, 14/2758 and Muslim, 694/998).

From the narration of Al-Baghaway that man from Bani Ghifar was selling his well called *Rumah*. Prophet (*pbuh*) told him: *"Give it to me in exchange for the well in Paradise."* He replied: *"O Messenger of Allah, I have nothing for myself and my family except this."* As soon as this news reached 'Uthman, he purchased it for 35,000 dirham, came to the Prophet (*pbuh*) and asked: *"Do you promise me what you have promised him?"* He (*pbuh*) replied: *"Yes"*. 'Uthman said: *"I made it for Muslims."* (Muhammad al-Sayyid Wakīl, 1996)

From the *Ijma*'

It is reported that the companions of the Prophet (*pbuh*) had consensus (*ijma*') on the validity of *waqf*. Ibn Qudamah, the author of *Al-Mughni* (5/599), stated that Jabir said: *"There was no wealthy companion of the Prophet (pbuh) who had not made donation for waqf; there was ijma' on it. Any of them who could afford would endow. It was widespread among people and no one rejected, thus, becoming ijma'"*. Hafiz ibn Hajar also mentioned: *"We know no dispute among the companions nor the followers from people of knowledge regarding the validity of waqf."*

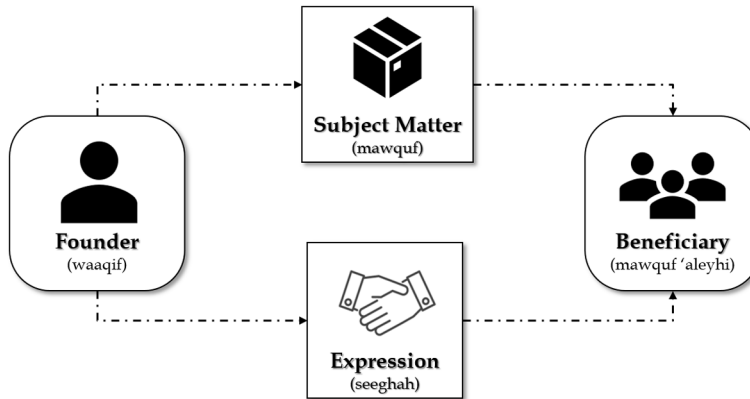
SECTION 3: THE SHARI'AH FRAMEWORK ON WAQF

Pillars of Waqf

As shown in Figure 1, there are four pillars of *waqf* such as founder (*waaqif*), beneficiary (*mawquf 'aleyhi*), subject matter (*mawquf*), and the expression of offer (*seeghah*). Each pillar has specific legal conditions to be fulfilled (AAOIFI, 2017):

Figure 1. Pillars of waqf

Source: Authors



1. **Founder (waaqif):** *Waqf* can be established either by a natural person or a legal entity. If the founder is a legal entity, *waqf* should be declared by the general assembly, not by the Board of Directors. The founder should possess a legal capacity to carry out financial transactions. *Waqf* is void if the founder is interdicted for insanity [by the court], except if it was dedicated for himself in form of personal *waqf* over his lifetime. If the founder was interdicted for his indebtedness, the permission from the creditors should be taken before establishing *waqf*. If they disagree, the *waqf* contract shall be considered invalid.
2. **Beneficiary (mawquf 'aleyhi):** The benefits of *waqf* can be distributed between Muslims and non-Muslims, the rich and poor, as long as used in permissible by the *Shari'ah* manner. It is not a pre-requisite that the beneficiaries should be in existence at the time of the *waqf* endowment. If none of specified recipients survive, the *waqf* should be transferred into charitable uses.
3. **Subject Matter (mawquf):** The key characteristics of an asset defined for *waqf* endowment are: a) being valuable (as recognized by the *Shari'ah*), b) being known (clarity of specifications), and c) being fully owned (with no encumbrance). It is permissible to endow a real state, including all movable assets attached to it, with the intention of its perpetuity. It is also permissible to dedicate movable assets to *waqf* regardless whether it is independent or attached to the real estate. Moreover, *waqf* can take a form of cash, however it should be used in a way that doesn't lead to its consumption [perpetuity]; for instance, making the low risk *Shari'ah*-compliant investments such as *mudarabah*, in which the profit portion shall be transferred to beneficiaries. Islamic investment certificates (*Sukuk*) can also be endowed, the generated cash flow shall be distributed to the beneficiaries.

4. **Expression of Offer (seeghah):** *Waqf* contract is a unilateral agreement which requires the expression of offer by the founder, whereas the expression of acceptance by the recipient is not required. If a beneficiary doesn't accept it, while he has a legal capacity to engage in contracts, the *waqf* is still valid. In this case, he loses the right to receive it (or only his portion if *waqf* was given to a group of people) and it will be reallocated to charitable purposes. The offer of *waqf* can be expressed either verbally or in written form or using any other customary means. It is acceptable to fix the *waqf* contribution to a future event, for instance, by saying "I'm dedicated this asset to *waqf* in the next year". In essence, *waqf* is perpetual, however temporary *waqf* is also acceptable, but the founder should specify the period after which the title shall be returned back to him.

The founder has the right to stipulate any conditions in *waqf* contract, that do not contradict the Shari'ah, and the trustee (mutawalli) must act upon them. The conditions may specify the manner by which the endowed asset is used such as a) paying up one's debts after his death from the income generated; b) benefitting himself during his lifetime, and then sharing to his descendants, and, finally, dedicating to philanthropic purposes; or, c) diverting the philanthropic *waqf* to his needy descendants and, then, back to charitable activities.

SECTION 4: SUPERVISION AND ADMINISTRATION OF WAQF

The supervision and administration of *waqf* must comply with the Shari'ah rulings, and then with the terms of *waqf* contract if they do not conflict with the provisions of the Shari'ah, and public interest as per decision of the court.

The scope of *waqf* supervisor (trustee) includes the formation, protection, maintenance, and management of *waqf* properties (AAOIFI, 2017). His responsibilities include a) operating lease of *waqf* properties or usufructs; b) development of *waqf* properties either by direct investment via legitimate financing modes or dealing with Islamic financial institutions; c) enhancement of *waqf* properties for the betterment of beneficiaries (higher yield or more benefit) such as switching the building from residential to commercial purposes or using the agricultural land for construction of buildings that would be leased; d) protection of *waqf* rights, custody, payment of fees to solicitors if legal issues have been taken against the *waqf* foundation, to pay charges for registration of *waqf* properties and rights; e) settlement of liabilities of *waqf* foundation; f) fulfillment of duties and obligations toward related parties; g) replacement of *waqf* assets by cash sale and purchasing another property, or exchanging one property for another, in accordance with the principles of replacement

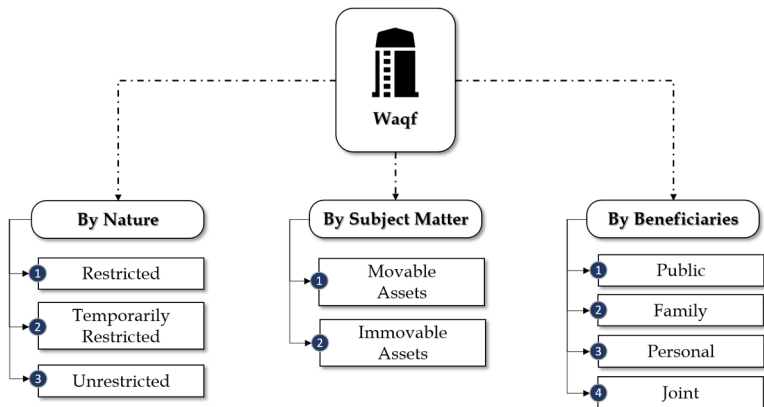
(istibdal); h) protection of waqf assets from seizure or extortion; i) subscription to Takaful insurance policies, if necessary; and j) managing waqf accounts and reporting to stakeholders.

However, the supervisor has some limitations in terms of his scope:

- Violating the terms of *waqf* contract.
- Leasing the *waqf* property to himself or his offspring even for higher rental than the fair market price, unless decided by the court; nor leasing to those people, whose witness for his benefit is not acceptable (spouse, close relatives, children, etc), except for full fair price; no slight trespass is tolerable that could be forgivable if leased to other people.
- Using proceeds from *waqf* for enhancing the outcome of *waqf*, except according to conditions put by the *waaqif*.
- Pledging [*rahn*] *waqf* property for debts of *waqf* foundation or related persons.
- No providing of it for free usage [*i'arah*] to anybody is allowed. If it has taken place, receiver must pay its market price.
- Borrowing funds for *waqf* foundation, unless stipulated by *waaqif* or by the decision of court, in case of necessity.
- While borrowing, the following should be taken into consideration:
 - It is permissible to borrow on guarantee of *waqf* foundation through legitimate borrowing, or deferred payment purchase, or using other financing modes compliant with the *Shari'ah*, for its maintenance or reconstruction according to conditions stipulated by the *waaqif*, or permission given by the court in case of arising necessity to borrow, taking into account that costs should be covered by future income. It is not considered under restricted borrowing if the above mentioned payment was done from the personal pocket of the supervisor for the interest of *waqf* which will be covered from the returns produced by the *waqf*.
 - Situations when the borrowing is required in the absence of stipulations done by the *waaqif*:
 - If there is a necessity to maintain or form *waqf* property and not enough income is generated.
 - Payment of financial liabilities - if any - and there is no income to pay.
 - There is inability to pay salaries for employees working on *waqf* because of which the *waqf* usufruct will be lost.
 - It is not permissible to borrow for paying to beneficiaries.

Figure 2. Classification of waqf

Source: Authors



Diverting the Remaining from the Waqf Income Belonging to a Mosque

Initially, the income generated by waqf property which is dedicated to certain mosque should be used for its own needs, and, then, what remains can be transferred to other mosques lacking proceeds for maintenance or reconstruction.

Application of Financing Modes for the Development of Waqf Properties

It is permissible to invest the proceeds of waqf in the following cases as longs as the beneficiaries will receive their rights: a) If the founder stipulates the investment of a part of it; b) If the period when beneficiaries shall receive their benefits has not started yet; and c) If there is a surplus remained after the distribution to beneficiaries. However, the chosen mode of financing must be Shari’ah-compliant (e.g., Mudarabah, Musharakah, Murabahah, Ijarah, Salam, etc) in low risk investments.

Ownership of Waqf

There is a consensus among the Muslim scholars that the usufruct of *waqf* assets belongs to beneficiaries, but, there are different views about the ownership of the asset itself. The most popular opinion is that ownership of endowed asset belongs to Allah, and *waaqif* does not own the asset any longer while the beneficiaries own the usufruct only. This is the opinion of Abu Yusuf and Muhammad (*Hanafiyyah*), and explicitly highlighted by the *Shafi'iyyah* and *Hanabilah*, if *waqf* was endowed for mosques, schools, the poor, etc. In other words, the legal ownership belongs to Allah, while the beneficial ownership is assigned to beneficiaries (Bakar, 2007).

SECTION 5: CLASSIFICATION OF WAQF

Waqf can be classified into three broad categories depending on nature of *waqf*, the subject matter, and by type of beneficiaries (see Figure 2).

1. **Categories of Waqf by Nature:** Depending upon the degree that *waaqif* (founder) has or has not placed restrictions, *waqf* can be divided into three categories:
 - **Unrestricted waqf** is used for religious and philanthropic purposes. This category contains no restrictions on the use of assets, and the management can use the funds as it chooses, to carry out the purposes for which the *waqf* foundation exists, philanthropic or religious purposes.
 - **Temporarily Restricted (by time and purpose):** It is applicable to different types of *waqf* such as family *waqf*, personal *waqf*, etc. This fund includes the donations, the income from which is paid to *waaqif* until his death (personal *waqf*), or his descendants (family *waqf*); then the *waqf* becomes available for other charitable uses; i.e. temporary restriction by time or purpose. The basis for this can be found in the *Shari'ah* standards of AAOIFI (2017), which defines that it is permissible for the *waaqif* to put condition on the way how the *waqf* is to be utilized, as paying up his debts after his death from the income generated; or, getting benefit himself within his life-time, and then for his descendants, and after that for philanthropic purposes; or, diverting the philanthropic *waqf* to his needy descendants and, then back to charitable activities. It is acceptable to fix the *waqf* contribution to a future event, e.g. "I'm giving this to *waqf* for coming year". It is not required that the beneficiaries should be in existence at the time of the *waqf* endowment.

If the recipients are no more existing - one or more - the *waqf* should be transferred to charitable uses.

- **Restricted:** This type of *waqf* is restricted by time or purpose. This category includes endowments given to *waqf* foundation to be spent on specific purpose, or within specified time. According to AAOIFI, 3.1.4, *“The basic characteristic of waqf is perpetuity. However, temporary waqf is acceptable if the founder (waaqif) specifies the period after which the title will be returned back to him.”*
2. **Categories of Waqf by Subject Matter:** By subject matter, the *waqf* can be further categorized into two different levels as presented in Figure 2:
- **Immovable assets** such as fixed assets as shops, houses, farms, shares in companies or businesses, schools, mosques, hospitals, clinics, libraries, etc.
 - **Movable assets** such as cash, books, arms, jewelry, etc. Majority of Muslim scholars (*Malikiyyah*, *Shafi’iyyah* and *Hanabilah*) accepts the validity of *waqf* of movable assets.
3. **Categories of Waqf by the Beneficiaries:** By the beneficiaries, *waqf* is divided into four different categories as presented in Figure 2: *Public waqf*, *Family waqf*, *Joint waqf* and *Personal waqf*.
- **Public Waqf (khayri):** In this type of *waqf*, the proceeds and usufruct are endowed to charitable ends only.
 - **Family Waqf (ahli):** The founder dedicates the proceeds to certain people, whether they are his descendants, relatives, or others; if beneficiaries are no longer available, the title will be diverted to charitable purposes.
 - **Joint Waqf (mushtarak):** It is a combination of public *waqf* and family *waqf*, in which the usufruct and proceeds are shared between the family and public.
 - **Personal Waqf:** For the founder himself as long as he is alive, and then it is transferred to the specified objectives.

SECTION 6: CASH WAQF

Legality of Cash Waqf

As per *Shari'ah* Standard 33 of AAOIFI (2017) on *waqf*, it is allowed to donate *waqf* in cash. However, the principal amount should be used in a way that doesn't lead to its consumption; For instance, through the *Shari'ah*-compliant low-risk investments as *mudarabah*, and the profit generated should be transferred to beneficiaries.

The basis for that can be found in the classical Islamic jurisprudence (*fiqh*). Cash *waqf* is viewed as permissible by the scholars of *Malikiyyah*, Imam Ahmad Hanbal, as well as Al-Ansary, the companion of Imam Zufar (*Hanafiyyah*). According to Imam al-Zuhri, it is permissible to have *waqf* on dinar as long as it is used for working capital and the profit is distributed to the beneficiaries (Abu Su'ud Muhammad, 1997). The first generation of *Hanafiyyah* viewed that it is permissible to contribute *waqf* in the form of cash as an exception, based on *istihsan bil-'urfi* (customary preference), supporting the opinion of Abdullah ibn Mas'ud (Al-Zuhaili, 1985). As mentioned by some *Shafi'iyyah*, Imam ash-Shafi'iy considered *waqf* on dinar and dirham as permissible (Al-Mawardi, 1994). This opinion has great importance for modern application of *waqf* because most contributions are made in the form of cash, *waqf* certificates, *waqf Sukuk*, etc.

Temporality of Cash Waqf

Temporary *waqf* is permissible according to *Shari'ah* Standard 33 of AAOIFI on *waqf*, as stated above: “*Essentially, waqf is perpetual. However, temporary waqf is acceptable if the founder (waaqif) specifies the period after which the title will be returned back to him.*” The basis for that can be traced back in the *Fiqh*: according to *Malikiyyah*, it is allowed to set the time horizon for *waqf*. However, if the expression of offer (*seeghah*) implied perpetuity, then it becomes irrevocable. Muhammad (from *Hanafiyyah*) and some *Hanabilah* are of the same view.

Investment of Cash Waqf

As stated by AAOIFI (2017), cash *waqf* should be invested for the purpose of generating income: to develop *waqf* property either by direct investment, through legitimate financing modes, or by dealing with Islamic Financial Institutions; and to expand cash *waqf* by the means of *Mudarabah*, etc.”

SECTION 7: MODERN APPLICATION OF CASH WAQF

The last two decades have witnessed the revival of the institution of *waqf* and the creation of movable *waqf*, i.e. cash *waqf*, in almost all Muslim countries and Muslim minority countries. Various *waqf* models have been implemented in different jurisdictions, and, with the technological advancement, more sophisticated structures could be adopted for the efficient *waqf* management.

Current Practices

The following highlights existing cash *waqf* models that have been practiced in some countries and by international organizations:

1. **Waqf Shares Model:** As illustrated in Figure 4, the *waqf* founders (individuals and firms) contribute to *waqf* fund and receive cash *waqf* certificates from *mutawalli*. *Mutawalli* distributes the accumulated funds or generated revenue to charitable purposes. This model is used for public *waqf* and currently practiced in Malaysia, Indonesia, England, Sudan, and Kuwait. It is commonly used for building mosques, Islamic schools, medical facilities, water and sanitation, and supporting orphans.
2. **Direct Waqf Model:** As presented in Figure 5, *waqf* founders make deposit into special bank account of *mutawalli*. The bank invests the collected cash and generates profits. *Mutawalli* receives the funds from the bank and distributes them for charitable purposes. This model is employed in Malaysia, Singapore, Bahrain, UAE, Pakistan, India, the United States, South Africa, IDB, OPEC in the form of public *waqf*.
3. **Mobile Waqf Model:** As depicted in Figure 6 below, *waqf* founders make contributions by sending SMS to a mobile operator with the order to deduct their airtime and send it to *mutawalli*. Mobile operator transfers the sums to the *mutawalli*. *Mutawalli* and mobile operator invest the collected funds through *musharakah* contract. The profit generated is shared as per agreement. Finally, the *mutawalli* distributes the amount to beneficiaries. This model of *Waqf* is found in Malaysia and Kuwait and used for Public *Waqf*.
4. **Compulsory Waqf Model:** As illustrated in Figure 7 below, the *waqf* founders (employees) make monthly contributions from the salary (through automatic check-off system). *Mutawalli* receives funds and spends on philanthropic purposes. This model is used in Singapore by Singapore Islamic Council for Public *Waqf*.

Figure 3. Cash waqf models

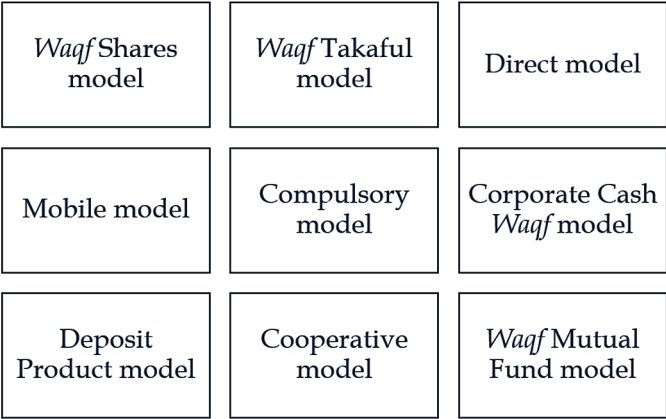
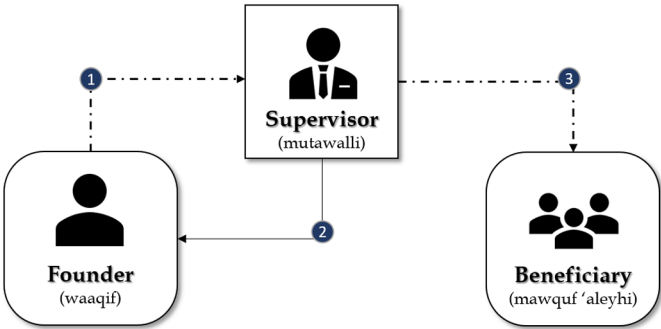


Figure 4. Waqf shares model
Source: Ismail Abdel Mohsin (2013)



5. **Deposit Product Waqf Model:** As shown in Figure 8, the *waqf* founders deposit cash in a special waqf account opened in bank. Bank manages funds on behalf of the *mutawalli*, invests on *mudarabah* basis. The bank transfers the generated profit to *cash waqf account*. The *mutawalli* distributes funds to beneficiaries. This model can be found in Bangladesh and employed by SIBL (Social Investment Bank Limited) and IBBL (Islamic Bank Bangladesh Limited) for public *waqf*.

Figure 5. Direct waqf model
 Source: Ismail Abdel Mohsin (2013)

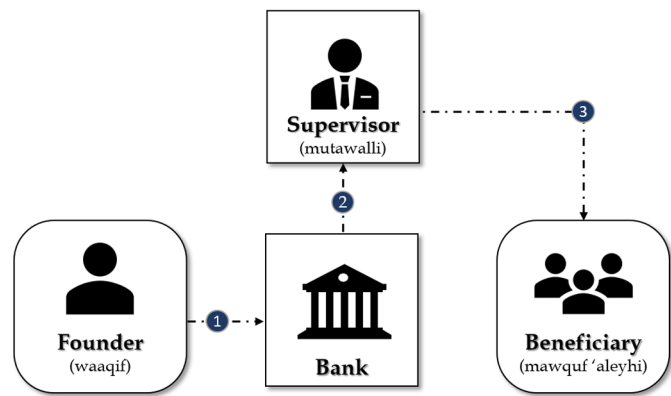
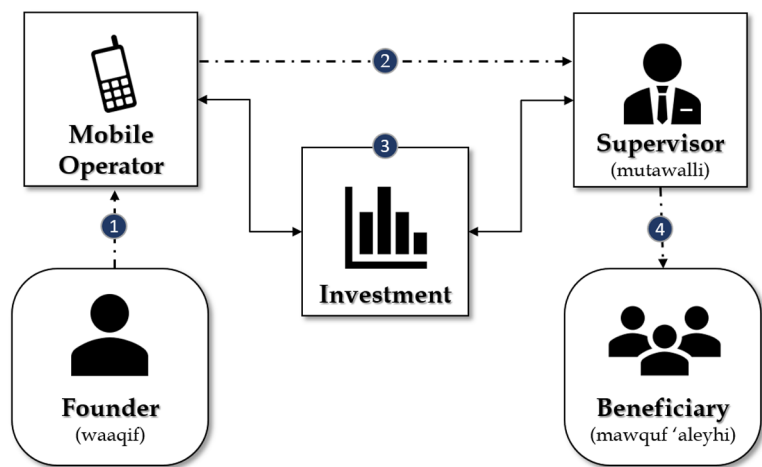


Figure 6. Mobile waqf model
 Source: Ismail Abdel Mohsin (2013)



6. **Cooperative Waqf Model:** This model is presented in Figure 9. The *waqf* founders (local citizens) make cash *waqf* contributions to the District Cash Waqf Fund. Mutawalli receives funds and invests. Earnings are spent on the development of public projects in the area. The model is used in Uzbekistan in 1992 for public *waqf* (for religious, educational, healthcare and economic development) and called *Mahalla Cash Waqf*.

Figure 7. Compulsory waqf model

Source: Ismail Abdel Mohsin (2013)

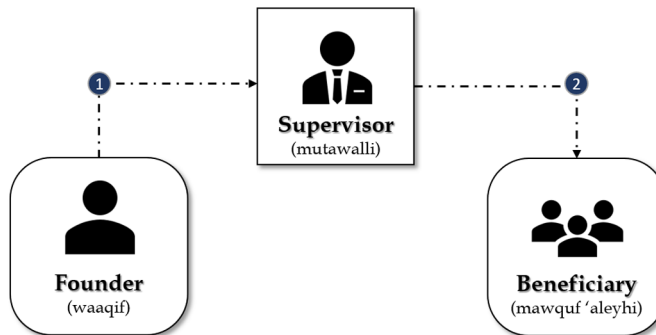
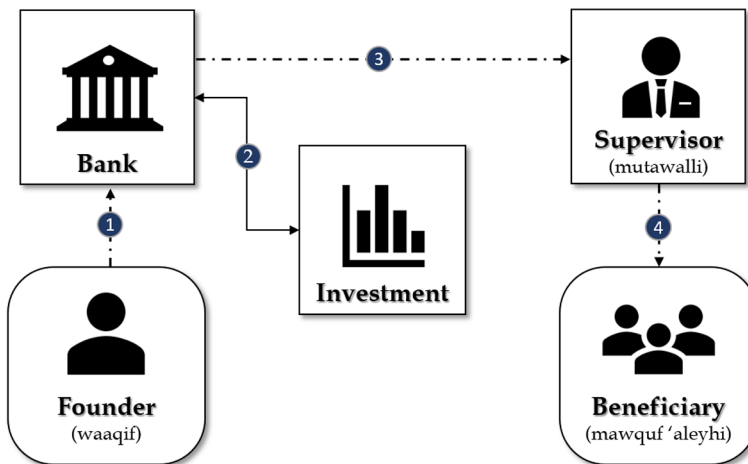


Figure 8. Deposit product waqf model

Source: Ismail Abdel Mohsin (2013)



7. **Mutual Fund Waqf Model:** As illustrated in Figure 10, the *waqf* founders make contributions to Mutual Fund and specify that certain portion of investment earnings will be allocated to *waqf* fund. Generated profit is divided into two funds - Mutual and Waqf. Waqf Fund is used to provide endowments to charitable purposes. This model is used in Indonesia in the form of joint *waqf* (*mushtarak*).

Figure 9. Cooperative waqf model

Source: Ismail Abdel Mohsin (2013)

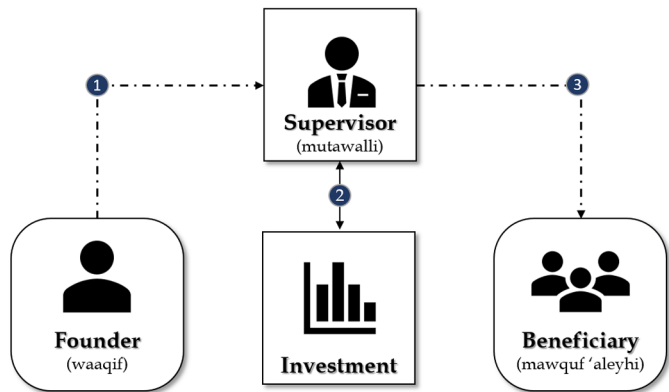


Figure 10. Mutual fund waqf model

Source: Ismail Abdel Mohsin (2013)

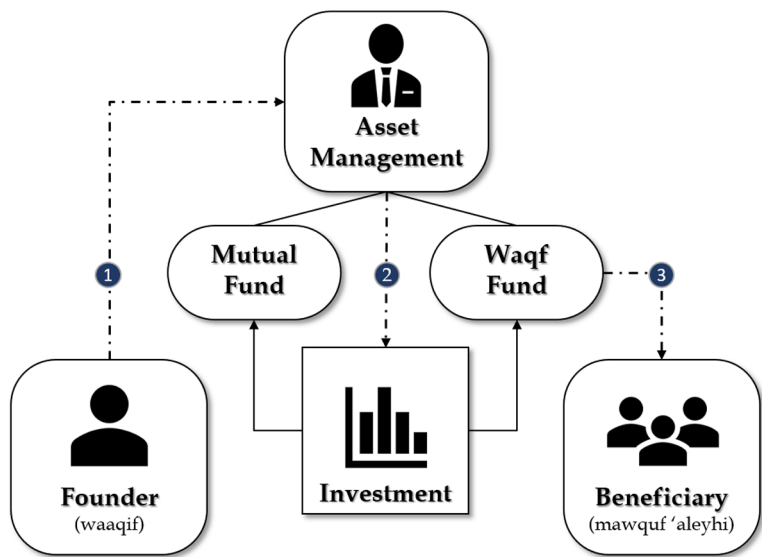


Figure 11a. Donation-based crowdfunding cash waqf to redevelop the old waqf properties (Direct scheme)

Source: Ismail Abdel Mohsin (2019)

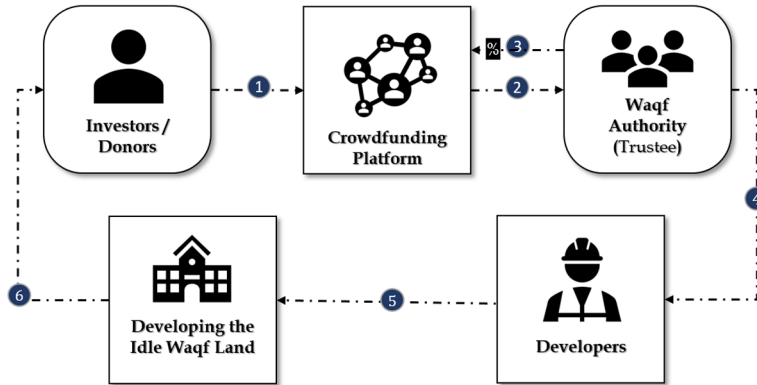


Figure 11b. Donation-based crowdfunding cash waqf to provide services to those in needs (Indirect scheme)

Source: Ismail Abdel Mohsin (2019)

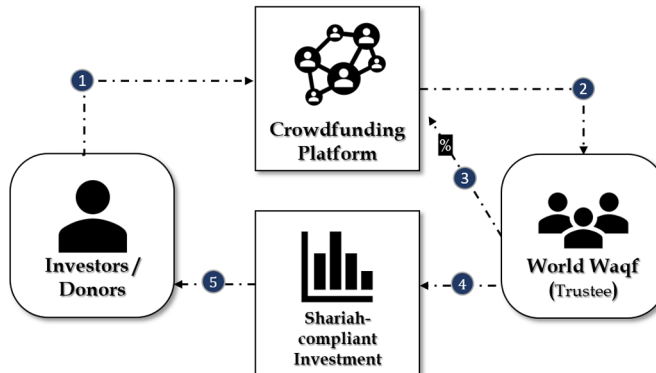


Figure 11c. Equity crowdfunding for developing the old waqf properties
Source: Ismail Abdel Mohsin (2019)

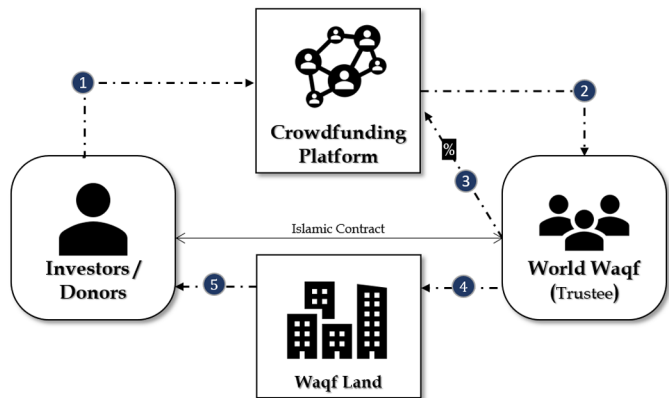
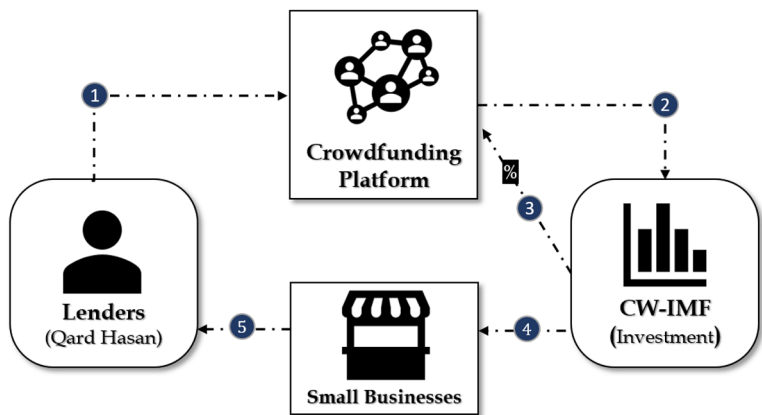


Figure 11d. P2P Crowdfunding platform
Source: Ismail Abdel Mohsin (2019)



Latest Trends in Waqf

Waqf and Fintech

The twenty-first century emerged with several innovative and revolutionary ideas, concepts, and developments, including substantial technological advancement in economics and major amendments in financial arena. Verily, this conjunction trembled and transformed the technological course of history. According to the

International Monetary Fund (IMF), “a new wave of technological innovations, often called “fintech,” is accelerating change in the financial sector” (He et al., 2017).

Although Fintech has yet to obtain enough attention in the area of *waqf*, there is a huge potential to reform the *waqf* based on this platform – e.g., crowdfunding, blockchain and cryptocurrency, mobile payment systems, robo-advisory, and artificial intelligence. According to Ismail Abdel Mohsin (2019), crowdfunding¹ and blockchain can significantly contribute to the development of the *waqf*. Recently, the concept of Islamic crowdfunding² has been used to facilitate and develop the *waqf*. For example, donation-based crowdfunding model (direct scheme) for redeveloping the old *waqf* properties, in which the accumulated *waqf* funds are invested to build mosques, schools and hospitals on the idle *waqf* lands (see Figure 11A). Meanwhile, donation-based crowdfunding model (indirect scheme) is used to provide service to those in needs (see Figure 11B). The accumulated *waqf* funds in this model are allocated to rural areas for digging wells, providing electricity, supporting orphanages, feeding the poor, and supporting refugees.

In addition, equity crowdfunding models are adopted to facilitate the improvements of the old *waqf* properties through construction financing (*Istisna*), long lease (*hikr*), build-lease-transfer (BLT), build-operate-transfer (BOT), joint venture, partnership bonds (*Sukuk al- Musharakah*), and diminishing partnership (*Musharakah Mutanaqisah*). In these models (see an example in Figure 11C), the collected funds are invested into the development of commercial (e.g., malls and office towers) and non-commercial properties (e.g., residential complexes and residential towers). The profits from this investment are shared with investors in accordance with underlying Islamic contracts. Next, peer-to-peer (P2P) lending-based crowdfunding model (see Figure 11D) is employed to collect funds in the form of interest-free loans (*qard hasan*), which are allocated to small businesses such as sewing machines for tailors, restaurants, boats for fisherman, and equipment for nursery, etc. Interestingly, the investors are not expecting to receive any monetary return, but rather only principal amount that they have invested along with the reward from Allah.

Furthermore, the *waqf* can be developed materializing the concept of blockchain and cryptocurrency in *waqf*. Through this concept, crypto coin could be introduced into *waqf* providing the sponsors/donors easy access to various *waqf* schemes, sending the *waqf* contribution to the nominative beneficiaries quickly, ensuring the accuracy and transparency of donor’s amount, and monitoring the social impact of the contributions on community and the society at large (Ismail Abdel Mohsin, 2018).

SECTION 8: CONCLUSION

Institution of *waqf*, throughout its long history, has played a great role in economic and social development of Islamic societies. It was the first system that supported financing many of socio-economic projects and infrastructures.

Waqf as a separate legal entity has the capacity to accept or transfer ownership, to engage in contracts, invest and accept payments. *Waqf* foundation is a trustee that accepts endowments and invest or disburse them according to the wills of the founders. Thus, there is need for full transparency and proper accountability.

In order to enhance accountability and transparency of the *Waqf* foundation (*Mutawalli*), it is necessary to record the *waqf* financial and non-financial transactions regularly. As a result, proper reporting and transparency ensures the future *waqf* contributions inflow from the potential *waqf* founders. Hence, the latest technological advancements, such as blockchain and FinTech, could be used to improve the management of *waqf* funds ensuring the maximum impact on the society.

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ENDNOTES

¹ “Crowdfunding is defined as an open call over the Internet for financial resources in the form of a monetary donation, sometimes in exchange for a future product, service, or reward” (Kleemann, Voß, & Rieder, 2008; Belleflamme, Lambert, & Schwienbacher, 2014).

² “Islamic crowdfunding is a combination of the current financial technology of crowdfunding together with the Islamic contracts (murabahah, musharakah, muradhrabah)” (Ismail Abdel Mohsin, 2018).

Chapter 2

Waqf, Social Responsibility, and Real Economy

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ABSTRACT

The function of waqf institution is to contribute towards provision of a social security net to those falling within its vicinities. The value proposition of waqf lies in effectively cascading wealth and benefits of resources to the neglected or comparatively disadvantaged sectors of an economy. Waqf is equally envisaged to support informal economy by responding to, and patronising the un-organized sectors. It is critical to identify the existing gaps in the areas of public and private sectors' spending for waqf to effectively fulfill its socio-economic objectives. By targeting the resource-deficient pockets of the economy on priority basis, the utility of waqf-resources can be maximized, which, in turn, reinforces the building blocks of the real economy. The chapter critically analyses the moral philosophy, the value proposition, and functional mechanism of an ideal waqf followed by pinpointing some recommendations to enhance the role of waqf. The chapter is an outcome of a library-based research, and it adopts socio-legal research paradigm for the analysis of literature.

1. INTRODUCTION

The concept of charity is central in Islamic emphasis on developing a society which is mutually cooperative, cohesive and conducive to voluntarism. The mechanism of charity provides an interface between the resourceful and resource-deficient units of the society to facilitate the transfer of monetary and non-monetary values from the

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former to the later on a voluntary basis (Hasan, 2006). From an Islamic perspective, the reward of charity is not confined to the material or social return only; rather it has the dimension of spiritual reward as well. In an Islamic society, it is envisaged that the spiritual element of charity is the key incentive for all charitable practices (Chapra, 2008). In the Islamic literature, the concept of *sadaqah* (charity) and *infaq fi sabilillah* (spending in the way of Allah) comprehensively cover the spiritual, material and societal aspects of a charity. *Waqf* which is an institution of voluntary charity represents one such example (Cizakca, 1998).

The premises of *waqf* lie on a set of its own underlying moral philosophy and socio-economic objectives. In theory, the belief in spiritual merits combined with the spirit of social responsibility of *waqif* (endower) steers the voluntary wealth redistribution through *waqf* (Abdullah, 2015). Conceptually, *waqf* has a critical role of bridging the gaps between the demand and supply of the public goods. By adopting and discharging this role of volunteer intermediary, *waqf* is envisaged to add original value in the economy in an effective and efficient manner.

There are vast possibilities of fine-tuning a *waqf* deed in accordance to the specific needs and necessities of circumstances. This provision offers a leeway for a *waqif* to exercise charity in a self-defined manner (Lev, 2005). Perhaps, this underlying flexible nature of *waqf* explains why the mechanism of *waqf* remained one of the most preferred formats of charity in Muslim societies (Singer, 2008).

Notwithstanding this, due to being outside of the market economy, *waqf* is often criticized for value-erosion or dilution of the endowment-based resources (Kuran, 2001). The basis of this criticism does not seem to be completely unfounded if deliberated keeping in view the enormous size of *waqf*-based resources scattered across many Muslim and non-Muslim countries compared to the real value addition which they make (Schoenblum, 1999). Thus, it is argued that the purpose, the value proposition and the moral philosophy of *waqf* stands defeated if the institution fails to add real value in an effective and efficient manner.

This study argues that the institution of *waqf* needs to adopt a bottom-up approach in its socio-economic targets in order to optimise its contribution towards real economy in a socially responsible manner. The bottom-up approach calibrated with the sense of Islamic social responsibility is based in sequencing the progression of *waqf*-based benefits-coverage from necessities to needs and luxuries as per the hierarchy of *maqasid al-shariah* oriented application. The *maqasid al-shariah* paradigm subtly directs allocation of *awqaf* benefits as per the desired objectives of the institution in *shariah*. This approach helps prioritise necessities over luxuries, which is critical to achieve the target of benefit-maximisation from *awqaf* by allocating the same in a *Shariah*-desired sequence. Directing allocation of *awqaf* to most deserving individuals, entities as well as to objectives on priority basis is key to *maqasid* realization. In the words of Abdullah (2015:168), “As a golden rule, a luxury must

be shunned even in the matters of *deen* (religion) if the necessities of life are not met due to scarcity of resources.”

This study aims to examine and critically analyse the moral philosophy, the value proposition and functional mechanism of an ideal *waqf* followed by provision of some critical policy recommendations. It argues for need of emphasis on cascading the *waqf* benefits to the truly deserving entities and individuals on priority. For example, if a *waqf* beneficiary is a rich and affluent person and can afford to pass on his/her entitlement of benefits to more deserving ones, he should do it. Additionally, the study postulates linking the expected sum of virtues for the *waqif* with the generated benefits from his/her underlying *waqf* in order to induce the merit of responsible decision-making. Finally, the study argues the merits of consultation mechanism for the potential *waqif* prior to creation of a *waqf* in order to maximise the contribution and value addition of his/her underlying *waqf* benefits.

This study uses a theoretical research approach rather than applying an empirical research method. The paper is an outcome of a library-based research. The paper adopts socio-legal research paradigm for the analysis of literature. To determine the moral philosophy of *waqf* along with its socio-economic objectives, the primary and secondary sources of *shariah*, including the classical and contemporary *fiqh* literature, have been consulted and referred to.

2. WAQF: THE CONCEPT, OBJECTIVES AND OUTREACH

The history of *waqf* is inextricably interwoven in the history of Islamic civilisation. In the discourse of Islamic Civilisational rise, no successful enquiry can be conducted without touching upon the institution of *waqf*, either explicitly or implicitly (McChesney, 1991). From ancient to the modern era, no Muslim society could have done away with the presence of *waqf* except by missing some critical religious rituals and practices. For instance, the existence of mosques and Muslim graveyards includes among the fundamental needs of any Muslim society; and these two institutions constitute the prime example of *waqf*. Thus, perhaps, not a single Muslim can claim to remain untouched by the gracious coverage of *waqf* either in his/her lifetime or in the aftermath of his/her death. In one word, if there is only one institution that has necessarily accompanied each Muslim society throughout the history, that is the institution of *waqf* (Swaleh, 2001).

Despite being a voluntary institution of charity, *waqf* received an overwhelming response from the wealthy as well as middle class individuals throughout the Islamic history. *Waqf* gained momentum right from the beginning of the prophetic time, and it has been playing a crucial role in bridging the existing gaps in the demand and supply of public goods (Khassaf, 1904). The list of *waqf* beneficiaries includes

spiritual, educational, developmental and environmental aspects of the human societies. One of the most significant aspects of *waqf* is that it institutionalised a non-obligatory charity in Islam, which ensured the sustainability of the *waqf*-based services (Abdullah, 2017). For instance, a huge number of educational institutions throughout the Muslim countries were established, funded and run by *waqf*-based donations (Mannan, 1988). Perhaps, without the substantial contribution of *waqf* in the provision of socio-economic security and welfare schemes throughout the Muslim territories, it might have been difficult for Islamic civilisation to achieve the heights of glory that it actually did (Hennigan, 2004).

Notwithstanding its revolutionary role and functions in the past, the gleam of *waqf* as an active and inclusive institution somehow dimmed during the last two centuries (White, 2006). A plethora of factors is alleged to cause the gradual dissipation of *waqf*'s grandeur. Some of these alleged factors include inflexibility in the *fiqh al-awqaf* (jurisprudence of *waqf*), its *shariah* governance structure (Kuran, 2011), inefficiency in its management paradigm, rigidity in its regulatory framework and lack of innovative approach towards financing *awqaf* (Shamsiah, 2010).

As an institution, despite passing through the phases of neglect and dereliction repeatedly, the vitality of *waqf* resurfaces once the socio-political situation turns favourable for it. Perhaps, the religious nature of the institution and its perpetual character safeguarded its complete destruction even during the most hazardous and unfavourable phases of its history. In other words, apparently, the single most important factor that is largely responsible for preserving the magnificent marks of *waqf* despite its tumultuous past is its religious identity and its strong connection with Islamic law. In the history of *waqf*, the deed of the second caliph Omar (R.A) through which he endowed his land in Khayber is among the most eminent ones. In the aftermath of *waqf* by Omar (R.A.), many companions of the Prophet (pbuh) made *waqf* of whatever they could.

3. WAQF, SOCIAL RESPONSIBILITY AND MAQASID AL-SHARIAH

Waqf constitutes a non-obligatory charitable institution and, thus, it is different from obligatory charities such as *zakat* and *sadaqah al-fitr*. There are many obvious implications of this difference in the nature of *waqf* compared to obligatory charities. For instance, the institution of *zakat* has its own framework and jurisprudential limitations for the *zakat*-giver and the beneficiaries (Abdullah, 2018b; Al-Qardawi, 1985). In contrast, for *waqf*, the framework is flexible for both the donors and the beneficiaries. Alongside being a non-obligatory form of charity, *waqf* is further distinguished from other non-obligatory charities as it embodies the concept of

sadaqah jariyah (perpetual charity), which is a unique characteristic. The framework of *waqf* allows the *waqif* (donor) to donate flexibly for a multitude of purposes with his/her own stipulated guidelines. Due to the combination of its flexible nature and the associated perpetual reward, the mechanism of *waqf* has been significantly attractive for the various categories of donors (Yalawae & Tahir, 2008).

Being a *shariah*-based voluntary institution, the function of *waqf* is governed by an integrated set of values, ethos and higher objectives of *Shariah*. The envisaged role of *waqf* is provision of a social security net to those falling within its vicinities. The value proposition of *waqf* lies in effectively cascading wealth and benefits of resources to the marginalised or comparatively disadvantaged strata of society. *Waqf* is equally envisioned to extend its outreach to the social, spiritual, mundane as well as religious needs of communities. The institution of *waqf* is a typical embodiment of a redistributive mechanism which entails an inclusive and sustainable growth by patronising and mainstreaming the neglected or uncared for. Thus, it is critical to identify the existing gaps in the areas of public and private sectors' spending so that *waqf* can effectively fulfil its socio-economic objectives. By targeting the resource-deficient pockets of the economy on priority basis, the utility of *waqf*-resources can be maximized, which, in turn, reinforces the building blocks of an inclusive growth model (Abdullah, 2018a; Kamali, 2008; Ahmad, 1994).

Importantly, *Shariah* which introduced the conceptual underpinnings of *waqf* and promoted its institutional character, has envisioned a set of goals and objectives to be fulfilled through the *waqf* institution. Even a rudimentary review of classical literature on *waqf* reveals that the *waqf* is primarily envisaged to function in a way that its benevolent character as well as gracious coverage encompasses all those who may have been left underprivileged or financially excluded. By spreading its wings of magnificence, *waqf* is believed to bring about an inclusive growth and prosperity. In this context, the functions of *waqf* are as vastly diversified as the needs of human society. Thus, a contextualization of *shariah* paradigm of financial inclusion and applying *waqf* in corroboration of *shariah* objectives, an integrated pitch for inclusive growth can be drawn and developed (Abdullah, 2017; Kamali, 2016; Kahf, 2002). The contribution of *waqf* towards developing and sustaining an equitable society is ubiquitous in its history. Thus, directing the allocation of *waqf* benefits in avenues which directly affect human well-being is more amenable to the nature of the institution (Hasan, 2015; Kamali, 2012).

The key to achieve a coherent path for *awqaf* with a responsible approach lies in how effectively different *awqaf* function while fulfilling their priorities responsibly (Kasri, & Ahmed, 2015). For this, any leakage in the *waqf* resources or an irresponsible attitude of a *waqif* or trustee towards the efficient creation or usage of *waqf* cannot be afforded. To this end, it is worth emphasising that creation of a *waqf* requires utmost sense of responsibility in the *waqif*. In other words, a responsible method and

manner of endowing is as critically relevant as managing the same in an effective and efficient manner (Raimi, Patel, & Adelopo, 2014).

In this context, what is noteworthy is the fact that creation of random and desultory *awqaf* runs counter to the vision and objectives of the *waqf* institution, as this practice impinges on the overall effectiveness of the institution. Hence, it is imperative for the stakeholders of *awqaf* to develop a consultation mechanism for the potential *waqifs*. Through this mechanism, a potential *waqif* should consult with *ahl al-ilm wa al-taqwa* (people of knowledge and integrity) prior to deciding and determining the nature of his *waqf* deed, its objectives and the governing stipulations. Given the essence of the higher objectives of *shariah*, seeking advice of experts on how to draft the deed to improve the benefitting capacity of the *waqf* is critically vital for the potential *waqif*. It is worth noting here that the first few known *awqaf* of Islamic history were set up with the consultation of the Prophet (pbuh). Be it the endowment of *Byruha* (the orchard) by the companion Abu Talha, or *waqf* of *Rumah* (the well) by Ottoman, in both cases the endowers endowed only after seeking the prophetic consultation. In the same vein, in *waqf* of Omar, who endowed his land in Khayber, as well as the endowment of Mukhayriq, who accorded the prophet the authority to endow his seven orchards, the role of consultation with the prophet (pbuh) is evident (Khassaf, 1904). Importantly, since *waqf* is an institution which ultimately reverses to the community, hence, no matter whether it is a *waqf khairi* or *ahli*, the deed should be exercised with the consultation of *ahl al-ray* (experts) of the community to maximise its potential benefits. Arguably, *awqaf* if settled without consulting the *ahl al-ray* may become inimical to the security of moderation between spiritual and temporal needs of the community. For example, if numerous *awqaf* are allocated for establishing a number of *madrassa* (Islamic seminary) in a given locality, while neglecting the need of conventional educational centres and schools or vice versa, the equilibrium between the religious and vocational education might be distorted.

In addition to this, to infuse the merit of efficient usage of *waqf* among the *waqif*, this paper proposes to underline the *shariah* mechanism of spiritual reward of a *waqf* which is believed to be linked with the output, duration and extent of its beneficial coverage. To simplify this, it is essential to note that from the *shariah* perspective the promised reward of a *waqf* in Hereafter is perpetual only due to the perpetual nature of its charitable benefits in this world. The *shariah* premise upon which the concept of the recurring reward of a *waqf* is based is a prophetic *hadith* which states that after the demise of a believer, there are only three possible sources of addition to his/her sum of virtues (Abdullah, 2015). Out of these three, *sadaqah jariyah* (a continuous charity) leads the list (Muslim, 1631). Since a *waqf* is essentially perpetual, it qualifies the criterion of *sadaqah jariyah*. Considering this criterion, it is almost obvious that the perpetual nature of a charity is the primary condition for the continuity of the promised reward. And, this is why the majority of scholars

did not see an edible or consumable commodity fit to become the subject matter of a *waqf*, as these would not provide perpetual benefits (Ibn Qudama, 1997).

Based upon the foregoing hypothesis, it is arguable that if a *waqf* is terminated after a while due to lack of *waqif*'s seriousness or care, the underlying benefits would stop recurring, and hence, the provision of his perpetual reward would also be jeopardised. This lack of seriousness on the part of *waqif* may be reflected, for example, in the form of his indifference in selecting a fit and proper purpose of *waqf*, its governing features, its sustainability mechanism or the trustee (*mutawalli*). Hence, it is mandatory for the *waqif* to rigorously scrutinise the need, objectives, priorities, application and administration of his/her *waqf* to ensure the continuity of its benefits coupled with its linked spiritual reward. Additionally, building upon the same hypothesis, it may be propounded that though the continuity of a *waqif*'s reward is ensured with the creation and permanence of a *waqf*, the amount of the expected reward would vary according to the size and scale of the recurring benefits from the given *waqf*. To further elucidate this, for instance, it is worth considering that if a *waqf* endowed by X suffices to supply drinkable water to one hundred people; the expected reward for X would be greater than the expected reward of Y, whose *waqf*, with other variables being constant, suffices only for fifty people. Thus, it is arguable that the expected amount of reward for a *waqf* depends on the size and scale of its underlying benefits and outreach. To this end, though in an indirect way, the *shariah* validity of this proposition may be sought by citing the prophetic *hadith* which holds that "Whosoever takes an initiative towards a virtuous deed would receive the reward for his initiative and also for the actions of all those who follow him in this" (Muslim/1017). The point of reference in this tradition lies in the second part of the *hadith*, which implies that each time the number of the followers grows, the amount of reward for the initiator also increases. Hence, the sum total of initiators' promised reward depends here on the total number of his followers. Similarly, in a *waqf*, the sum total of the donor's reward would depend upon the total amount of benefits accrued to the beneficiaries (Abdullah, 2015). Interestingly, the context of the above mentioned *hadith* reveals that this statement of the Prophet (pbuh) is linked with his exhortation to the practice of charity (Muslim/1017). With this proposition in mind, it may be argued that with reference to *waqf*, the size of the virtual dividend of a donor could be improved through managing his/her *waqf* effectively so that its yields may grow and the incurring benefits may reach to a greater number of beneficiaries.

4. CONTEXTUALISING THE ROLE OF WAQF AND RECOMMENDATIONS

Awqaf contains within its financial capacity and scope huge potential and possibilities for the wider sections of the society as a whole. The ability of *awqaf* to materialise its potentials in delivering its promises in the modern context is highly dependent on the attitude of its stakeholders towards the institution. A proactive approach towards *awqaf* and its innovative utilisation is vital for the sustainability of the institution (ISFR, 2014).

In the contemporary context, a mix of different modes of *awqaf* can be employed for a plethora of schemes and policies. Precisely, *awqaf* can be deployed to facilitate, inter alia, eradication of poverty, provision of financial security, supply of basic necessities, training and education of unskilled, propagation of religion, creation of employment opportunities, dispensation of various social benefits, development of infrastructure, promotion of charitable causes, preservation of social justice, and empowerment of communities. Similarly, the role of global *awqaf* can also be critical in advocacy for righteous causes, protection of environment, promotion of human rights and equality, facilitation of inter-faith dialogue and rehabilitation of refugees and displaced. To this end, the relevance of *waqf* remains as applicable to the contemporary world as it was in the past. Rather in the modern context, due to the multiplicity of new challenges, risks and needs of communities, the significance of *awqaf* has increased more than ever.

In order to promote the contemporary relevance of *awqaf* and to materialise its potentials, it is vital to highlight the religious as well as the socio-economic merits of the institution among the masses. Similarly, emphasising on the flexibility mechanism of *waqf* and its comprehensive framework can entail some positive results in promotion of the institution (Khan, 2015).

This study identifies several areas where the modern *awqaf* need effective policies for its optimal performance. Firstly, as confirmed by historical records, the early *awqaf* were successful in playing the effective role they played only due to their proper and efficient application. The effectiveness of a *waqf*, be it for public or private purpose, depends on the appropriate employment of its concept, mechanism, objectives and vision. Thus, these aspects of *awqaf* need to be revisited by the stakeholders of *awqaf* in the current dynamic context. Secondly, the premises of *fiqh al-awqaf* (*waqf* jurisprudence) exhibit huge latitude of flexibility which should be skilfully exploited to condition the usage of specific *awqaf* in line with the newly arising demands of the time. Also, there is still an extensive scope for further evolution of *fiqh al-awqaf* to incorporate many new dimensions into its discourse. Thirdly, the effective functioning of an Islamic institution such as *awqaf* envisages a governance structure which is moulded in the light of *shariah* axioms. Hence, a

conducive environment for the proper governance of *awqaf* needs to be created by the stakeholders of the institution. In this regard, bridging the existing gap between the institution of *ulama* and state apparatus may complement the development of good *awqaf* governance framework. Fourthly, *waqf* is a device which can be used to promote or discourage a trend, practice, belief or exercise in a given society. To this end, the community should not only ensure its proper and effective employment but also check its misuse.

Last but not least, while setting up new *awqaf* separately is highly appreciated, the practice of adding up over the existing *awqaf* should also be encouraged. This, as a result, can entail the benefits of economies of scale on the one hand, while this practice could ensure longer existence of older *awqaf* as well on the other.

5. CONCLUSION

Waqf emerged in the early Islamic society within a specific context of religious motivation for charitable behavior coupled with the need of meeting the socio-economic needs of the community on voluntary basis. The value proposition and the moral philosophy of *waqf* is embodied, inter alia, in provision of socio-economic coverage to the underprivileged section of the society on priority basis. Conceptually the function of *waqf* is to contribute more towards informal economy by responding to and patronising the un-organized sectors. To this end, the identification of the existing gaps in the areas of public and private sectors' spending is critically important for *waqf* institution to accomplish its socio-economic objectives. By targeting the resource-deficient pockets of un-organised sectors, the utility of *waqf*-resources can be maximized, which, in turn, reinforces the building blocks of the real economy. Thus, *Waqf* is envisaged to add real value in the society in an effective and efficient manner.

This paper argued for the responsible application of *waqf*, which emphasizes on determining the priorities for *waqf*-based benefit allocation as per the needs of the time and circumstances. Notably, the relevance of the *maqasid*-approach is not limited to cover only how the policies are made and implemented towards administrating the existing *awqaf*, but it is also crucial in determining how the new *awqaf* should be created. Importantly, from a *maqasid* perspective, wealth is not to be wasted by creating *waqf* aimlessly and without diligent planning on its self-sustainability. A *waqf*-property which is unproductive from the beginning or has no financial support system to maintain its productivity is bound to negatively affect other *awqaf* and it may dent the credibility of the institution as a whole. For such reasons, these practices should be avoided and discouraged. Similarly, this paper proposed the model of parallel *waqf* which entails passing on the *waqf* benefits or entitlements

by the affluent beneficiaries of a family *waqf* to the more deserving ones. In this way, a beneficiary of an existing *waqf* can become a waqif of his/her beneficial entitlements in favour of the poorer or comparatively disadvantaged beneficiaries. Additionally, the paper postulated the theory of linking the aggregate spiritual reward of a waqif based on the efficient utilisation and benefit maximisation of his/her underlying *waqf*. To this end, the paper argued for a responsible and diligent approach of *waqif* in setting the preferences of his *waqf* in order to optimise and extend its benefit coverage to greater number of beneficiaries which in turn promises greater reward for the *waqif*. Furthermore, the paper emphasised on the need of instituting a consultative mechanism for the potential donors; guiding them on how to draft the deed of *waqf* and how to assess and define the purposes and the beneficiaries of their given *waqf*. For this purpose, it is essential for the *awqaf* stakeholders to prepare area specific list of the most immediate needs of the community that are to be fulfilled by *Waqf* donations on priority basis.

The paper finds that the role of *waqf* in the current scenario is no longer limited to a classical institution of charity only; rather *waqf* has evolved as an instrument of finance as well as a mechanism of financial and non-financial contract. The contemporary *awqaf* has huge potential of contribution in the overall socio-economic upliftment and empowerment of communities. *Awqaf* can play crucial role in poverty alleviation, infrastructure development and in provision of education to all.

Finally, in the light of its historical accounts, it may be contended that the early *awqaf* were successful in playing the effective role due to their proper and efficient application. The effectiveness of a *waqf*, be it for public or private purpose, depends on the appropriate employment of its concept, mechanism, and terms and conditions. To sum up, *waqf* has a glorious history, a turbulent recent past, a dynamic present and a promising future. The modern *waqf* is in the process of re-evolution as a leading institution of third sector in many Muslim countries.

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Chapter 3

Waqf:

Essential Islamic Social Mobility Vehicle

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ABSTRACT

Modern Islamic Finance and Banking is competing with the conventional banking on many levels. There are tensions between the definitions of ‘Riba ’ and ‘Hiyal’ that continuously stress the need for Islamic Sharia Boards to update the Sharia Compliance for their products. The concept of ‘Waqf’ is the Islamic concept of an endowment Trust. The pious aim of the Waqf is to allow endowment for a specific purpose that must be ‘Halal’. The leading Islamic countries for the purposes of having vibrant Islamic Finance and Banking economies are predominantly past British colonies. These Islamic countries have rich Common Law heritage that guides their Constitutions as they exist today. The Common Law guidelines for Family Law, Inheritance, and Property Law also influence the Sharia compliance framework for contemporary Islamic Finance in those countries. This chapter examines the existing Islamic jurisprudence on Waqf and its influence on Common Law trust, and argues for its revival as the Islamic Trust Law.

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INTRODUCTION

The leading Islamic countries for the purposes of having vibrant Islamic Finance and Banking economies are predominantly past British colonies. These Islamic countries have rich Common Law heritage that guides their Constitutions as they exist today. The Common Law guidelines for Family Law, Inheritance and Property Law also influence the Sharia compliance framework for contemporary Islamic Finance in those countries. The Islamic Sharia scholars and Jurists sitting on the Islamic Finance Institution's Sharia Boards draw inferences from the Common Law for the purposes of analyzing the *Sharia compliance* of the financial and legal problems presented to them. Iran's Land Law is based on its Civil Law whereas the Land Trust is created under Islamic Law. The Malaysian Law is segregated by its constituent sub-states that have promulgated their individual laws for *Waqf*. While the Islamic laws are applied to the *Waqf* in Malaysia, no clear mechanism exists for the unified framework for the *Waqf* or Islamic Trust regulation and fiduciary duties of the Trustees. Also deficient in the contemporary Islamic Finance Laws for *Waqf* is a settled and common understanding of *Waqf* as a legal person amongst various Islamic Madhabs. A non-human legal entity created under statutory laws is a distinct Common Law construct. Pakistan has a *Ministry of Auqaf* that deals with the matters of *Waqf* but still relies on the Common Law definitions when it comes to the *beneficiary* and *trustee* duties and legal rights. It is also not settled law within the Islamic world that the Sharia Boards advising the Islamic Financial Institutions should be the legal bodies supervising legal matters of *Waqf*. It has been argued in Malaysia that separate *Waqf* Advisory Boards should be appointed to deal with all legal matters related to *Waqf*. The informal yet obligatory charitable doctrine in Islam of *Zakat* combined with the *Waqf* has tremendous opportunity to bring social uplifting of communities that are economically marginalized. This chapter proposes to examine the existing Islamic jurisprudence on *Waqf*, examine its influence on Common Law trust and argue for its revival as the Islamic Trust Law.

The fifteen hundred years history of Islam is a more recent event in recorded history. The Prophet of Islam Muhammad (PBUH) lived in the face of history. Since Prophet Muhammad's birth in 570 AD Makkah till his death in 632 AD in Madinah, the religion of Islam received its primary and secondary sources of law, the Sharia (Armstrong, 2013). Almost fifteen centuries later Islam is the fastest-growing faith with over 1.8 billion Muslims around the globe (Lipka, 2017). The Glorious Quran, received by the Prophet Muhammad (PBUH) through divine revelations in Arabic retains its original text to the last alphabet to this day. The Quran is the primary source and undisputed code of Muslim life. The Sunnah or the life, actions, and words of the Prophet Muhammad (PBUH) is the secondary source of Islamic law. The documented source of the Prophet's (PBUH) life is in the form of Hadith

transmitted of the four major Sunni Madhabs (Hanafi, Shafaai, Maliki, Hambali) and one Shia Madhab (Jaffaris or Twelvers). There are other minor Madhab's but they predominantly flow from these five Madhabs. The science of Hadith or Ilm Ul Hadith which 3rd Century Islamic scholarship that developed a system to validate the actions, words and decisions of Prophet Muhammad (PBUH) is a collection of sayings transmitted through the companions of the Prophet (PBUH) and others down the chain of transmission. Not all hadith are considered Sahih or authentic. The person quoting the hadith is vetted through a system of re-verification, that, it holds water, is then classified as an authentic hadith. The science of hadith is beyond the scope of this paper. However, we will only refer to hadith which are considered acceptable and authentic by all or majority of the hadith books of the five Madhabs (Hanafi, Maliki, Shafaai, Hambali and Jaffrey. First four are Sunni and the last is Shia).

Islam according to the Quran is the culmination of the same faith, *Al Islam* which Allah SWT had sent through His Prophets (PBUH) over time.

The Messenger believes in what has been revealed to him from his Lord, as do the men of faith. Each one of them believes in God, His angels, His books, and His Messengers. They say: We make no distinction between one and another of His Messengers. And they say: We hear, and we obey. We seek Thy forgiveness, Our Lord, and to Thee is the end of all journeys (2:285).

Prophet Muhammad (PBUH) is the last Prophet in that long series of Messengers. Prophet Muhammad did not have a male child who survived him. His only daughter Lady Fatima (AS) survived him and passed away six months after his death. Prophet Muhammad's progeny and lineage are the children of Lady Fatima. Quran states, *Muhammad is not the father of any of your men, but the Messenger of Allah, and the last of the Prophets (33:40).*

Islam is a complete code of life. Islam aims to bring out the factor of *Falah*¹ in its pursuits for humanity. The Quran addresses human life in terms of their individual, family and social obligations and lays out rules which guide the life of the Muslims and Humanity as a whole. Islam offers a social order that speaks of living in harmony with all creations and subjecting one's life to the Islamic laws of universal justice and equity. Quran has laid emphasis on living our lives striving for equity and justice as one of the fundamental causes as believers. Quran states,

O Believers, be persistently standing firm in justice as witnesses for Allah, even if it be against yourselves or parents and relatives. Whether one is rich or poor, Allah is more worthy of both. Follow not your desires, lest you not be just. If you distort your testimony or refuse to give it, then Allah is aware of what you do (4:135).

Waqf is one of the vehicles in Islamic jurisprudence which allows for catering to the social needs of a community through benevolence. The Islamic institution of Zakat is well defined in the Quran and Sunnah. The institution of Waqf has been challenged on the grounds of not having a clear edict with the specific word of Waqf in the Quran. Quran does elucidate the importance of keeping in trust what belongs to others. Quran states, *Verily, Allah commands you to render trusts to whom they are due and when you judge between people to judge with justice. Excellent is that which Allah instructs you. Verily, Allah is ever hearing and seeing* (4:58).

The *Amana* has been used in the above verse for the meaning of *trust*. Quran is very specific when it comes to equity and justice and forbids the Muslims from violating these principles. Quran states, *Believers, be persistently standing firm for Allah as witnesses in justice, and do not let the hatred of a people prevent you from being just. Be just, for that is nearer to righteousness. Fear Allah, for verily, Allah is aware of what you do* (5:8).

A Shia scholar (Al Tabataba'i, 1957) has made a very interesting argument for creating a Waqf even for those who are not Muslims on the interpretation of the follows verse of Quran, *Allah does not forbid you from those who do not fight you because of religion and do not expel you from your homes - from being righteous toward them and acting justly toward them. Indeed, Allah loves those who act justly* (60:8).

Few hadiths are quoted in its defence. There is limited literature on the topic of Waqf in English and other western languages. There is vast literature available in Arabic, Persian and other Eastern languages. We aim to examine the Islamic jurisprudence on Waqf based on Quranic Exegesis, some of the leading contemporary work in English and legal/historical works in other languages. We will also briefly touch upon the question of the English Common law Trust being influenced by Waqf. Finally, we will make some arguments for the Islamic world to consider the revival of Waqf as a social mobility institution. Waqf predates the Common Law Trust by at least five centuries if not more.

WAQF: HISTORIC OVERVIEW

The institution of Waqf has its historic roots in the so-called cradle of human civilization in Mesopotamia (present-day Iraq). Some historical evidence points to Ethiopia. These magnificent civilizations had vast temples and gardens that were dedicated to their Pagan gods and for the purposes of public good as permanent trusts. Regardless of the place which is the start of human civilization, human society demands to make provisions for the community's well-being. Any society that becomes delinquent in caring for its most vulnerable population suffers catastrophic

consequences. The 17th-century French revolution and the 20th-century independence movements of the ex-European colonies are all examples of rise against tyranny and social injustices. The constants in this historical narrative of social welfare are to care for needy and to provide for historical or spiritual monuments. The definition of 'needy' evolved from civilization to civilization and the spiritual journey of mankind also evolved from various faiths and their forms. Also, in this picture of a welfare society and its historical context, we can find evidence that knowledge and its institutional elements also attracted benevolence from various segments of the human societies. We can, therefore, conclude from history that to provide for various *charitable* causes, humanity has used many vehicles that changed names and stake-holders over time.

Waqf is an Arabic word. Arabic is a prolific language that offers multiple meanings of a single word according to the context which is sometimes very hard to translate in Latin-based languages such as English. The root word of Waqf is *Waqafa* which in its simplest and literal definition stands for *to break or stop or to hold*. *Wuquf* and *Awqaf* are the plurals of 'Waqf'. The verb word is *Waqafa*. Some scholars have also used the word *Awqafa* (Al Hilli, 1956). The word 'Waqf' when used without the legal jargon of Waqf as trust is in common day to day use in sentences such as *Wuqiftu An Sayri* meaning I was stopped from my journey.

There are four essentials Arkan (plural of Rukn meaning Pillar) for a valid constitution of a Waqf. The four elements are; first is the Declaration (Al Sighah), the second is the donor and the Owner of the property (Waqif), third is the Property being given as Waqf (Al Mawqufah) and the fourth is the Beneficiary (Al Mawquf 'Alayh).

Most of the Sunni Madhab consider Waqf to be the only form of charity in which property may be donated for a pious cause. In Shia jurisprudence, the concept of *Habs* is also considered for donating property for pious purposes but with the provision that the beneficiary or trustee can later sell or transfer the property. While a detailed discussion on Habs is beyond the scope of this paper, we will simply explain the fundamental difference.

The primary difference between a Waqf and Habs is that while a property once placed in Waqf completely diminishes the rights of the donor in the property for perpetuity, in Habs the ownership of the Habs (one who donates) is preserved, and the Habs property may be inherited or sold at the end of the pious purpose. The distinction is that in the case of Sunni Madhab Waqf jurisprudence, the violation of the perpetuity principle diminishes the Waqf and declares it invalid. On the other hand in Shia Madhab, a pious purpose trust without perpetuity is Habs and the one with perpetuity is Waqf. This flexibility allows the Islamic jurist to still save the trust if the pious purpose of the donor creates a situation for example in which the pious purpose has been achieved and the beneficiary has no more use of the property.

Maliki Madhab differs from all other Madhabs and considers that the perpetuity principle is not necessary for a Waqf at all. Malikis declare that a fixed duration Waqf is valid and binding and the property can be returned to the owner upon expiration of the stipulated period of specified pious purpose Waqf. Malikis also differ on the beneficiary principle that Waqif (donor of the Waqf property) can make a valid provision to entitle himself as the beneficiary and can also sell the Wuquf (Waqf property). All other Madhabs including the Shia Madhab do not allow such provisions.

The context is important when translating Arabic words. The word Waqf in terms of property means that the property cannot be moved further in ownership and hence its ownership is halted or simply stopped. Waqf within Islamic jurisprudence is an act of benevolence and charity for Allah SWT's causes. One has to remember that the Quran establishes that humans are chosen as the Al Khalifa or Viceregent of Allah SWT on Earth. The Khalifa or the custodian is duty-bound to keep safe in custody the sacred trust which Allah has posed in us. Quran states,

O, Dawood! Surely we have made you a Khalifa in the land, So judge between men with justice and do not follow desire, lest it should lead you astray from the path of Allah, those who go astray from the path of Allah, they shall surely have a severe punishment because they forgot the day of reckoning (3:26).

The man's noble mission on earth is not to enrich himself to fulfil his desires and seek dominance over others. Quran clarifies the role of Khalifa in the following verse, *And He is who has made you Khalifa (successors) in the land and raised some of you above others by grades, that He might try you by what He has given you (6:165).*

The above verses clearly state that man has been given succession over the Earth and all that it holds by Allah as trial in a sense that the management of the Earth's resources must be done under the principles of equity and justice regardless of the faith or any personal inhibitions.

Waqf is an extension of that sacred duty seeking to surrender our material gains back to the One who is the real owner, Allah SWT. This is the basis of the Waqf or stopping henceforth one's vicegerent rights over the property and surrendering or returning it in Allah's cause. The causes are for the welfare of the society which one is a part of including one's kin who may benefit from benevolence. Quran clarifies the ownership of all that is bountiful on this earth as belonging to Allah alone. Allah's ownership of all temporal materials it is like Allah's ownership of *Khums Al-Ghanimah*, as mentioned in the Quranic verse,

مَسْخُوعًا لِّلْأَفْءِيشِ نَمُتْمَنَ غَ اْمَنَّا اُوْمَلْ عَاو

And know that whatever you acquire as Ghanimah, a fifth of it is for God (8:41)

We will elaborate on the above verse's end word *Khums*. *Khums* which literally means *One Fifth* or it is simply 20% of any quantity. The above verse goes on and reads as follows: *And Know that whatever of Khums (a thing acquired), a fifth of it is for Allah, for the Messenger, for the near relative, and the orphans, the needy, and the wayfarer (8:41).*

We argue that not all the *legal* guidelines in the Sharia are *worded* in the Quran. Therefore the absence of the word *waqf* from the Quran does not diminish its stature as an Islamic social obligation such as Zakat or Khums which have been named in the Quran. The above verses also show that the Quran considers all material acquisitions to be from Allah. Simply put all our legal and lawfully gained materials are from Allah and His property. Thus the incumbent obligation to pay the Khums or 20% *tax* on all such acquisitions. Similar Islamic obligatory actions such as the for mandatory daily prayers *Salah* are mentioned in the Quran. *Salah* means *Praise* in its simplest meanings. Quran mentions offering *Salah* before sunrise, noon and at sunset. However, Muslims offer a specific routine which defines *Salah* and offer it five times in a day. It is the same with *Waqf*. The purpose behind the *Waqf* is charitable endowment in Allah's cause. The acts of charity in various contexts have been mentioned 33 times in the Quran. *Waqf* simply translates those charitable acts in a form that meets the social needs of the society through this act.

It must be also be highlighted that the Quran does not necessarily spell out specifics in all cases that pertain to regulating society. Quran offers Universal principles that are time-neutral and allow mankind to regulate its behaviour specific to their time. We will further elaborate this point through the Quran's exegesis.

QURANIC EXEGESIS ON WAQF

Quran has laid emphasis on fairness and justice as the basis for a community's sustained prosperity. While the methods of Quranic Exegesis are beyond the scope of this paper, we would just like to mention that the Islamic scholars of all five Madhabs either follow the analytical exegesis or topical exegesis. Contemporary Islamic jurists such as *Muhammad Baqir Al-Sadr* whose space brilliant work *Al Iqtisaduna* (Al Sadr, 1982) is considered the foremost authority on contemporary Islamic Economic thought after *Ibn Khaladun's Muqaddimah* (Enan, 2007) followed the topical exegesis. The evolution of topical exegesis relies on considering the time-neutral historical narrations of the Quran by considering the secondary source the hadith and also looking at historical references from outside the Quran to reach a conclusion about a particular Quranic verse.

Al-Sadr contends that the reason for the *time-neutral* historical transmission of the Quran is to allow one to distill Universal laws that can help succeeding generations of mankind to guide their social lives. The Universal nature of Quranic laws is to allow society to understand the collective and individual causative actions and their resultant effects on society. Simply put, the Universal laws of the Quran help the society to gauge its actions with reference to the Quranic laws and make corrections to its existing laws so that the society can continue to prosper. Any society that does not take into account the causative effects of its laws and their resultant impact, that society falls into the trap of self-destruction. Quranic exegesis, therefore, is guidance for distilling Universal laws. We then have to consider our prevailing man-made laws within the society to correct those laws which are in violation of the Quran's Universal laws to prevent the society from falling into decay.

Building on the Quranic exegesis on Universal laws we argue that all actions whether individual or collective are based on *human choice*. In other words, human choice is the basis for all man-made laws. Or simply put, the mischief perceived by such human choices that lead to deviant behavior as recognized by the society or the lawmakers is the basis of all man-made laws. All other laws then go on to regulate other behaviors which may be personal, communal, commercial and so on. The Quranic principles regarding *Human Will* or human choice flow from the Causative principle defined by the Quran. The Quran elaborates that the human will has a causative effect on the temporal as well as spiritual aspects of human life individually and collectively as a society. Quran states for the temporal life: *Their communal business is to be transacted in consultation among themselves* (42:38).

The verse refers to the mutually inclusive consultative process for the formulation of laws that concern the communal business of a society. Waqf falls in this category of community law. Further guidance for such collaborative communal business is provided by laying down another Universal principle that states: *Whenever Allah and His Prophet have decided a matter; it is not for a faithful man or woman to follow another course of his or her own choice* (33:36).

The consultative process to make communal decisions must be made in the light of the teachings of the Quran and the Sunnah of the Prophet (PBUH). Islam considers the temporal as well as spiritual aspects of human life to be intrinsically linked and are organic extensions of each other. Simply put, human temporal life does not exist without spiritual life: there is no separation between the two. Quran clearly states that both the spiritual as well as temporal realms co-exist to benefit mankind: *Behold! In the creation of the heavens and the earth; in the alternation of the night and the day; in the sailing of the ships through the ocean for the profit of mankind* (2:164).

Quran also clarifies that all human actions with their causative effects are those who believe in Allah and even those who do not believe in Allah. Quran states: *If you have suffered a setback, a similar setback was suffered by your enemy as well. We bring about these tribulations in man's life.* (2:140). The only guidance that the Quran provides to those who adhere to the teachings of the Quran is to regulate their lives according to the Universal laws of Quran: *And beware of involving yourselves into trouble the consequences of which shall surely not affect in particular those who are wrong-doers* (8:25).

The above verse highlight that any unjust or unfair individual or collective unjust behavior as a society cannot be condoned just because the perpetrators are Muslims. The responsibility to act fairly and justly is universal and there is no exemption for the consequences in the temporal or spiritual realms for acting against these universal principles prescribed by the Quran.

The most literal examples of Quranic exegesis given by various scholars to support the Islamic jurisprudence on Waqf flow from the Quranic principles pertaining to charitable causes that include caring for the orphans (*Al Yatama*), the poor (*Al Masakeen*), the destitute (*Ibn Al Sabeel*), etc. Quranic references to acting with compassion towards other beings, respect for Mosques, caring for one's elderly parents and family are all instances that point to charitable and benevolent actions seeking Allah's grace. Such verses allow Islamic jurists to interpret relevant Quranic verses in support of the institution of Waqf.

Quran has laid emphasis on the most vulnerable segment of the human society, the orphan children and their care. Quran states: *Those who swallow the property of the orphans unjustly, surely they only swallow fire into their bellies and they shall enter burning fire* (4:10). The above verse speaks to the spiritual element of compassion in the way of Allah but at the same time also refers to the consequences of violating the rights of those who are vulnerable in this temporal world. Quran also refers to the responsibility for those entrusted with the property of minor children who are orphans and the beneficiaries of the trust. Quran states: *'And give to the orphans their property, and do not substitute worthless things for their good one) and do not devour their property (as an addition) to your own property; this is surely a great sin* (4:2).

The above verse is a clear fundamental principle guiding the duties of a Trustee when dealing with the beneficial rights of the orphans or those who are beneficiary of trust property by laying down clear rules for not mixing the trust property with their personal property. The above guidelines underpinning the duties of a trustee, in general, are also applicable to *Trust Law* that we now see as part of English Common Law in which a trustee cannot mix the trust funds with his private property.

The four essential elements of the Islamic Waqf are drawn through the Islamic jurisprudential science of *Ijtihad* (Hallaq, 1986). The root word for *Ijtihad* is *Jehd* which *literally* means *to strive for*. The one carrying out the *Ijtihad* is called the *Mujtahid*. In Islamic jurisprudence, a *Mujtahid* is a qualification that is bestowed upon completion of certain qualifications and awarded by prominent Muslim Theology Institutions such as Jamia Al Azhar, Cairo Egypt, Hawza Al Ilmia, Najaf Iraq and so on. These prestigious Islamic institutions of learning mentioned above pre-date any existing western universities by centuries.

The fundamental principle adopted for the Quranic exegesis lies in the formulation of the legal question by the *Mujtahid*. In our case, it would be the questions related to the Waqf. The fundamental elements of Waqf are therefore a result of the legal question formulated by Muslim *Mujtahids* over the last fifteen hundred years pertaining to Waqf. The settled case law decided between the five Madhabs leads to the consensus that the irrevocability, perpetuity and Inalienable nature of the Waqf are the three key essentials that define a Waqf. The three elements lead to a result which is the revenue from the Waqf established on the three fundamental principles and the beneficiaries of that revenue.

The science of *Ijtihad* then allows the *Mujtahids* to reform the entailed mechanisms that guide the functioning of the Waqf for its various pious purposes in different social and cultural settings. It is this flexibility through *Ijtihad* that makes Waqf a living piece of Islamic legislation that has seen its most effective use from the time of the Prophet (PBUH) till the 19th Century for various social benefits throughout the Muslim communities around the world.

The debate of form over substance in all matters of law is not new. Legal writers, historians, and practitioners, may they be advocates or jurists, have argued bitterly over such a matter of substance (Waqf and its pious purposes) over the form (a type of Waqf, etc.). Such debates do not in any way take away the essence of the real purpose behind the legal principle which in this case is the social uplifting of the communities on the Universal equitable principles of the Quran. No cohesive argument can be formed by any reasonable mind over the conclusive human consensus over protecting and providing for those who are the most vulnerable in society. Nor is there any dispute amongst any nation or historical society over promotion of spiritual wellbeing or to nurture knowledge and scholarship.

The pivotal role played by the Islamic jurisprudence to encourage the institution of Waqf highlighted the social consciousness of the Muslim communities during the eras when Waqf led the way in establishing monumental institutions that provided for the economic and spiritual needs of the society. Waqf allowed such communities to operate at an arms distance from the State in caring for those who were vulnerable and also nurture institutions which the community held dear for its spiritual and moral needs.

While the exact history of Masjid Al Haram (Kaaba) in Makkah is not known, it operates as a Waqf to this day. Institutions such as Jamia Al Azhar established in the 10th Century by Fatimid rulers of Egypt is a Waqf. Howza Al Ilmia Najaf established in the 11th Century by *Sheikh Tusi* is a Waqf. Tens of thousands of Muslim scholars have emerged from those two great Muslim institutions and most of the existing scholarship preserved by the Muslim Ummah is housed there. There is a rich history of Waqf institutions till the times of the Ottoman Empire in the 19th Century. Very interesting histories of Waqf in 19th Century Bosnia Herzegovina and present-day South Africa are well documented.

Examining the social impact of Waqf without having the benefit of the Quranic exegesis on the topics of the Universal principles of equitable justice, Quranic principle of Natural Causation and the social obligations of humans as the Khalifa on earth to preserve all life forms is like looking at the last few words of a book and giving a judgement on its contents. Waqf cannot be properly understood without fully understanding the Islamic principles that underpin the concept of *Falah* that defines the temporal and spiritual life of any Islamic community within the context of Ummah. Quran declares the entire human community regardless of their spiritual beliefs as *Nafs Al Wahida*² or a single body. Islam is least interested in micromanaging the lives of humans and encourages human endeavor in all forms. The key principles to guide such endeavors remain equitable justice, tolerance, piety, social responsibility and living in harmony with other beings which can be simply called our planet. The myopic and small-minded mentality that drives the criticism against Waqf and other Islamic institutions is nothing but cherry-picking certain historical failures of the people who have nothing to do with the institution itself or its guiding principles.

CONTEMPORARY ENGLISH LITERATURE ON WAQF

Waqf saw its rise and fall through the last fifteen centuries as an Islamic institution. We will not divulge too much in the details of the last fifteen hundred years of Waqf's impact on Islamic societies. We are going to rely on the work of Paul Brennan who has comprehensively captured the contemporary view on Waqf in the English language.

Paul Brennan, in his most insightful paper, gives a succinct account of the positive role of Waqf as an Islamic institution for social welfare. Paul Brennan has an uncanny way of putting the most complex ideas in simplistic but eloquent expressions. Explaining the Waqf and its most essential elements (Brennan, 2017): *A waqf is an inalienable, irrevocable and perpetual endowment nominated for charitable and pious purpose. The founder of a waqf dedicates his property to endeavors that will please God and others.*

Brennan goes on to explain the Exegesis principles governing Waqf and links it to the verses in the Quran about charity and its benefits for the society. Brennan quotes from the leading contemporary works on Waqf and gives an excellent summary of various views that concern Waqf. Brennan quotes from one of the most notable recent works in the English language on Waqf by a USA Attorney Monica Gaudiosi. The focus of Gaudiosi's work is the critical analysis of Waqf in the light of the 13th Century Oxford University's Merton College Trust set-up by the Lord Chancellor of King Henry, Walter De Merton. Gaudiosi argues successfully that Merton's Trust was most probably influenced by the idea of Islamic Waqf. Gaudiosi offers excerpts from Merton's trust deed and its specific wording to support her arguments (Gaudiosi, 1987). The Merton's trust deed reflects the perpetuity principle of Waqf along with the pious purpose of creating trust for God's praises.

Brennan also quotes two other important English language works about Waqf by Henry Cattan (1955) and Ann van Wynen Thomas (1949). Both the authors shed light on the influence of Waqf on the development of the trust law in England. The argument forwarded by both the authors rests on the similar nature of the trust and Waqf where the usufruct appropriation by the beneficiaries under a defined object is the central theme. Thomas also argued that the exchange of knowledge about Waqf during the Crusades and the Muslim influence on Constantinople (modern-day Istanbul) which was the trade hub between the east-west trade at the time is not a fantastical idea.

The contemporary English literature on Waqf shows two prominent authors who refer to the *classical Waqf* to be an archaic institution that is without any merits for its significance in contemporary Islamic societies. Professor Timur Kuran (2001) is considered the leading contemporary scholar opposing Islamic Waqf as it stands in the *classic* Islamic jurisprudence. Professor Kuran first attempts to discover the *motives* behind the development of the Waqf in the Islamic world during the 750 AD era. He simply claims that the motive was to shield the landowners from the taxes of the rulers. He offers no historical evidence for the claim. Professor Kuran goes on to state that the Waqf may be the reason for the *underdevelopment* of the Middle East. If one is to accept the argument by Professor Kuran that Waqf led to the *underdevelopment* of the Middle East, we would first have to establish the criteria for what defines *development*. The recent two hundred years history of European colonial history that manifested in the shape of present-day nation-states needs no explanation (Chomsky, et al., 2015). Perhaps the recent *oil wars* in Iraq, Syria, Libya, and Yemen might elude some evidence to the *underdevelopment* claims in the Middle East (Cordesman, 2016).

Professor Kuran states that *the contemporary Islamic world might not have consisted of weak societies governed by overstretched and authoritarian states* (Cordesman, 2016) to make a point about the economic woes and corruption in the

region. It again begs the question that the present-day nation-states in the Middle East are the horrible consequence of the lines drawn on the paper by the European colonists when they carved up the region to plunder its resources (Ross, 2011). Also, the point fails to consider that the *weak societies* have a much richer historical heritage that the colonist saw fit to place their evidence in the libraries and museums of Europe. The argument about the *corruption* and *authoritarian states* are again a testimony of the present-day western political interference through regime changes in the Middle East that suits their exclusive economic interests. The last point that we would like to make about the outdated Waqf institution according to Professor Kuran is that he poses a question, *Why might Muslims of the 8th century have granted Islamic legitimacy to an institution that had played no formal role in the original Islamic economic system?*. He went on to bring in the arguments of *supply and demand* and portability of currency etc. A very simple answer is that Islamic law, like any other corpus law, is dynamic and evolves according to the needs of the time and social changes. Islamic Banking, which is the fastest-growing area of financial law, is evolving through the benefit of Ijtihad based on the needs of the communities today (EY Report, 2018). Professor Kuran does credits Waqf with its immense influence on the Islamic social and economic life. He correctly states, *The key point is that waqfs supported so many economic sectors that the evolution of Islamic civilization is incomprehensible without taking account of them* (Kuran, 2001).

The other prominent western scholar often quoted in the English literature on Waqf is Schoenblum (1999). As an oriental historian, Schoenblum criticizes Waqf on the basis of its *perpetuity principle*. The *perpetuity principle* offends the western economic theory of stagnation due to the immobility of any assets that can generate revenue. While such views may be applicable to western economic systems. However, the reason completely missed the point where it concerns the Waqf. The *perpetuity principle* of Waqf ties up the underlying waqf asset against any sale or transfer but allows the usufruct appropriation of the revenue for the specified pious purpose. There are exceptions to the perpetuity principle. Such exceptions are only permissible in the extreme circumstances of the Waqf asset losing its value without fulfilling its pious purpose. In case of such a threat that may extinguish the property value, the Islamic jurist can allow it to be sold and proceeds fully utilized for a similar type of asset with a better value. Such exceptions are beyond the scope of this paper. Comprehensive guidelines for the *Mutawalli* are available through Mujtahids and Sharia scholars.

The other most common criticism cited against Waqf is the history of corruption which is well documented. The common-sense approach is to analyze if the documented corruption is due to the underlying principles of Waqf or if there are any other reasons for it. We have shown earlier that the underlying principle of Waqf (form) is based on a pious charitable Islamic principle of equitable justice

(substance). The critics of Waqf do concede that it played a vital role in the social uplifting of the marginalized segments of the society and preservation /promotion of Muslim scholarly and spiritual lives (Van Leeuwen, 1999). The maladministration of Waqf in no way stems from the legal doctrines that underpin the concept. There is no evidence to support it. If the same argument was made against the Banking system then the 2008 financial crisis would be just enough to shut down the global banking regime. Similar arguments can be made against other economic institutions based in the western world. The Oil-For-Food program of the United Nations in the post-2003 war in Iraq is moral and financial corruption against an entire nation facing famine. Such actions go to the heart of human mismanagement and should be distinguished from the objectives or the defining principles of organizations that aim to provide relief to mankind.

A recent publication by a Palestinian scholar living in territories occupied by Israel makes cogent arguments for Waqf. Haitam Suleiman explores the question pertaining to the revival of the Waqf in Islamic countries. Haitam's arguments are well balanced with supporting epistemological analysis of the legal terminology surrounding Waqf. Haitam quoting another scholar makes a very relevant point that Muslims, in general, are not aware of the Waqf doctrine sufficiently to adopt it as a potent vehicle for social upliftment in Islamic countries. Haitam goes on to address an important historical fact that present-day Muslim states are very recent European colonies. The last one hundred years of European colonization tried its best to obliterate any signs of Muslim legal heritage from its colonies. There is sufficient literature to support Haitam's benign comment about the systemic cultural genocide by the European colonists to degrade any practices which were inherently Islamic in nature (Suleiman, 2016).

The Islamic identity of the Ummah has been forced to take second place in the hierarchy of *identities* after the European colonists fueled ethnic and nationalist sentiments within the colonies with a Muslim majority (Mehmet, 2002). This is the proverbial *elephant in the room* when it comes to any contemporary scholarly literature concerning the damage done to the past colonies' rich heritage by the Europeans. Haitam in his insightful paper quoting Professor Kuran states, *European policymakers fanned the reforms for reasons of their own... They hoped to transform the world in the image of their own societies.*

The above statement by Professor Kuran needs further analysis in light of the agreed historical narrative concerning the European colonial so-called 'reforms' in their colonies which to this day have not worked out so well for the past colonies and their people. Haitam reinforced his argument about the failure of the Colonial law to fully understand the concept of Waqf and its surrounding Islamic jurisprudence by quoting from Reiter in the context of British law governing Palestine in the 20th century for Waqf. Haitam quotes from Reiter (1997);

Waqf

One of the weaknesses of the waqf system is the absence of an efficient supervisory mechanism for the administrations of its properties....procedures of governance...do not vest the Qadi with the means to discharge this duty. Neither have the authorities devised auditing rules to ensure control of sound management of Awqaf by the Qadi...This weakness is exploited by the mutawalli...to derive personal gain from waqf resources.

The above statement points to the role of Qadi (Islamic Judge) in the matter of Waqf and its supervision. The western law does not comprehend the entire scope of the Islamic jurisprudence and addresses it according to the legal principles of western law. The highlighted part in the above statement points to the inherent flaw in the English law concerning *Waqf* in the 20th century Palestine by taking away the powers of the Islamic Judge (Qadi) who is the legal authority to supervise and adjudicate the matters of Islamic law.

Haitam correctly pointed out that the general consensus amongst the Islamic Sharia scholars is that Waqf is an independent and autonomous Islamic legal instrument. The independence and the autonomous nature of Waqf if circumvented would amount to a fundamental change in the Waqf doctrine in Islamic jurisprudence rendering it anything but a Waqf. It is this vital and most crucial alteration to the independence and autonomous nature of the post 19th century Waqf laws in the colonized Muslim countries that has led to the diminishing practice of Waqf to this day.

WAQF'S FUTURE AS ISLAMIC PIOUS PURPOSE TRUST

Waqf is part of the bigger picture of Islamic laws that concern the Ummah or body Islam. The current number of Islamic states around the globe is impressive (Pariona, 2018)³. The Muslims are 25% of the global population and the fastest-growing community around the globe. Yet the majority of Muslim states got their independence from the European colonials within the last 75 years, some even less. The British colonization has left most of the present-day Islamic states with a constitutional system that supports the Common law instruments within the English Trust law as a replacement for Waqf (Liebesny, 1985). While there are similarities in the two systems, the trust law is deficient when it comes to the Islamic core concepts of *Falah* and perpetuity integral to the Waqf doctrine.

The Islamic states are going through their own pains in terms to find a place within the global communities as key stakeholders with some say in how they nurture and build their societies. Islamic countries that have accepted the western models of legal and constitutional systems are more acceptable to the western states as they are deemed to have been *democratized*. The western banking and economic models

still control the purse strings of the global wealth. The Middle Eastern countries that are rich in hydrocarbon natural resources are governed by despondent *monarchs* appointed predominantly by the British at the time of their leaving the region. These dictatorships are completely acceptable to the western democracies as they allow the western democracies to use them as their proxy states for their various designs.

Successive regime changes in Islamic countries such as Pakistan, Iran, Iraq, Syria, Egypt, Libya, Yemen, Afghanistan and so on face perpetual unrest as the shifting western interests also need shifting of the balance of power in the region (O'Connor, 2018). The story in resource-rich parts of Africa is no different. The two Islamic countries that did try and implement Sharia-based economic systems are Iran and Sudan. Both countries are on the hit list of western democracies. Sudan has been split with the oil-rich regions made into a separate Christian state with the help of western powers. Libya, Iraq, Syria, and Yemen are being pulverized through continuous supply of western weaponry depleting their natural resources to pay for the wars. There are more bullets and guns than food and medicines in all those countries. Generations of Muslims in those countries have not seen and will not see peace in their lifetimes.

Waqf and other Islamic socio-economic instruments that can change the fate of the Islamic Ummah cannot be modified by *Islamisation* of western banking and economic instruments. The current Islamic Finance and Banking industry's so-called *boom* is based on the *Islamization* of western banking products such as credit cards, mortgages, savings accounts, personal loans, etc. While steps are taken to ensure that interest does not *manifest* in any form in these Islamized western banking products, it still falls short of its promises when the money gets mixed at some level with the western banking system at large. Muslims have a choice to either do the minimum which is permissible or *halal* or strive for the state of *Taqwa* which hinges on *Tayyab* choices.

Presently the Islamic world is stuck between the rock and the hard place. The Ummah is being led by leaders who are walking hand-in-hand with the western democracies and their economic systems which may or may not abide by the teachings of Islam. Unless the Ummah collectively strives to rid itself of any such influences that propagate diverging from the Quranic laws and Sunnah, the social welfare proposed by Islamic doctrines of Waqf cannot bear its fruits. The Ummah has to revert to the teachings of the Quran and guide their lives according to the principles of Islam. Quran states: *Indeed this Quran guides to the path which is clearer and straighter than any other* (17:9).

The Muslim scholarship is rich with jurisprudence on all matters of *Fiqh*. The words *Fiqh* and *Tafaqquh*, both refer to a profound understanding of Quranic traditions. Quran encourages scholarship. Quran invites Muslims to ponder and expound on the matters of Fiqh with knowledge and not by speculation. Quran states: *Why should*

Waqf

not a company from every group of them go forth to gain profound understanding (Tafaquh) in religion and to warn their people when they return to them, so that they may beware (9:122).

CONCLUSION

Waqf is a vital Islamic economic concept due to its ability to fundamentally transform the distribution of wealth through the pious aims for those who are vulnerable in society. Waqf also aims to prevent accumulation of wealth in the hands of a few by guiding the community's thoughts towards a collective welfare body. Waqf is the perfect economic vehicle that can create a resource for community-managed projects for the welfare programs focused on the community's needs. Waqf due to its inherent Islamic structure prevents interventions by the State and only allows the Islamic Jurist to supervise and guide the workings of the Waqf.

Waqf and the Shia legislation Habs allow pious cause endowments to be placed in perpetuity and time-limited/purpose limited categories. The combined effect of both the institutions can readily replace the western trust law which is offended by the perpetuity principle of the Waqf. The Waqf allows an endower with the authority to specify financial stipulations for the direct utility of the waqf in the most suitable way as deemed fit.

Revival of this important Islamic socio-economic instrument can allow the supply of Islamic financial resources through the virtuous community with much-needed resources. Time has come for the contemporary Islamic jurists to break free from the *re-packaged* interest infested financial products that are so-called 'Sharia Complaint' with true Islamic economics.

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ENDNOTES

- ¹ “And those who strive for Allah, We will surely guide them to Our ways. And indeed, Allah is with the doers of good.” (29:69)
- ² قَدْ أَحْرَسْنَاكُمْ وَأَنْتُمْ كَاذِبُونَ, *Oh you people, fear your God who created you from one Nafs (body)* (4:1)
- ³ Approximately 51 countries around the world have Muslim majority comprising 23% of World’s population.

Chapter 4

Towards the Creation of Strong Brand Image of Waqf Institutions

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ABSTRACT

Studies have been conducted focusing on the role of trust, integrity, and reputation on the image and reputations of Islamic charities. But, these are not the only challenges faced by contemporary Waqf. While the world outside the Waqf institutions has changed, Awqaf are stuck in centuries-old procedures and management practices. This must change for Awqaf to be up to the challenges of modern world. This work focuses on proposing a mechanism that explains how possible it is for Awqaf to improve their image given their unique features and environment. The process through which Waqf improves its relationship with stakeholders such as donors, beneficiaries, and government is as important as other aspects of Waqf operation that have been traditionally covered by scholars. The methodology followed for conducting this work is mainly literature review and critical analysis of the state of Waqf in the Muslim world. Thus, the work is a deductive analysis in Islamic economics and marketing, borrowing from Islamic and conventional fields of marketing and branding.

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INTRODUCTION

“a new way of thinking is required to market Awqaf to the community globally and the generation of funds and better returns on investment both monetary and services. We believe by marketing the ‘Awqaf’ brand and making it a global household name everyone in society will benefit and we will deliver better services. Therefore, we propose that a few Awqaf organisations take on the task of creating a world brand of Awqaf and market it globally so that everyone benefits.” - Khaled Sukkarieh, Awqaf Australia

In the past 50 years, there have been concerted efforts towards the development Islamic nations after independence from the clutch of colonialism. These movements cut across the fields of politics, community development, charitable causes and economics. Despite these efforts Muslim communities are still ravaged by the problems of poverty and absence of development. One tested instrument that has served the Islamic nations for centuries is Waqf and this explain why there are efforts today to rejuvenate the institution. Already, conferences, researches and government level committees have been employed towards the achievement of that objective. But despite these, Waqf is not yet back to it prime before it declines began some two centuries ago. Just like there is need to develop the physical structures of the Awqaf institutions, there is equally important need to develop the image of the institution. It is the aim of every institutional Waqf to become a trusted brand in the mind of the Muslim public. For credibility of nonprofit sectors like Waqf, good brand image will help boost confidence of the public in the sector. Marketing communication channels such as advertising play an important role in building this credibility. According to Hati and Idris (2014) organisation credibility has a direct effect on attitude towards advertising and brand attitude. The visual image of an organisation created by a particular charity play a role in determining how donors respond in contributing to the work of that charity, to some extent more than the socioeconomic and religious factors in the external environment (Hati & Idris, 2014). Advertising play an important role in building brand, whether it is for profit oriented enterprises or nonprofit organisations like charities. Conventional advertising has been accused of spreading miss information, exploitation, wastage and creation of consumerist society. But, unlike conventional advertising, Islamic advertising is ethically motivated, it focuses on education and enlightenment, passing useful information to the public (Abdullahi, 2017). Ogilvy Noor defined Islamic branding as “branding that’s empathetic to sharia values, in order to appeal to the Muslim consumer, ranging from basic sharia friendliness to full sharia compliance in all aspects of a brand’s identity, behaviour and communications”. According to study by Kashif, Fernando, Samad, Thurasamy (2018) donor perceived brand

association, brand awareness and brand loyalty is strongly associated with perceived brand equity of charity brands. Awqaf cannot afford to be seen as unaccountable and poorly manage. To some extent there is poor trust on the part of the Muslim public on Islamic charities. For example, in Nigeria lack of trust on some zakah collection institutions led Zakah payers to adopt the strategy of 'individual level' Zakah disbursement to the needy (Abdullahi, 2019). Study such as by Abdul Shukor, Johari, Abd Wahab, Zulkefli, Ahmad, Alias, Abdul Rahman, Orip, Ibrahim and Abu-Hussin (2018) has found that integrity and reputation of Awqaf institutions have direct impact on endowers' trust on Awqaf institution, which consequently lead to endowers' intention to endow cash Waqf.

According to Caliph Ali "God has made it obligatory on the rich to provide the poor with what is adequate for them; if the poor are hungry or naked or troubled, it is because the rich have deprived them [of their right], and it will be proper for God to hold them responsible for this deprivation and to punish them" (Chapra, 1979). The need for the haves to help the have-nots has shaped the Islamic civilisation from the 7th century C. E. to date. In the previous Islamic societies, the community have relied so much on Waqf to provide such things as schools, hospital, water and other infrastructures (Cizacka, 1998). In the last decades, there was revival of interests on Waqf from the Muslim world. This was necessitated by huge backlogs of socio economic problems facing the Muslim world. Starting with works on Islamic banking, economics and Zakah, efforts are gradually shifting to Waqf as a viable instrument for elimination of poverty and development of the Muslim world. In this we have witnessed collaborations between research institutes, universities, government, private sector and Ulama towards reviving the sector. The scholarly movement for the development of the discipline of Islamic economics and related disciplines that began in the past century has awaken the Muslim Ummah on the need to revive Islamic heritages. The successes achieved so far, though they are modest, have been the driving force behind the present efforts to revive Awqaf around the Muslim world. This momentum must be maintained and heads shall be put together to achieved what secular sceptics have called the 'impossible'. Recently, there were academic proposals on how to integrate Waqf with microfinance banking, this it was suggested will complement the work of Waqf in solving the problems of the poor and the needy. While the world outside the Waqf institutions has changed, Awqaf are stuck in centuries old procedures and management practices. This must change for Awqaf to be up to the challenges of modern world. The fact that Muslim countries have emerged from colonialism (accused of playing a significant role in the death of Awqaf) and an important number of these countries are rushing towards economic prosperity shall be a pointer to the future potentials of Waqf in the Muslim world. In the advanced economies of the Western world, most of their great foundations such as MacArthur, Bill Gate-Melinda, Welcome Trust, Ford foundation, and Rockefeller

foundation came after substantial economic prosperity have been achieved by their founders and countries of origin. In America in particular, the rapid economic progress achieved between 19th and 20th centuries were responsible for the establishment of thousands of foundations, both prominent and less prominent. Thus, it is appropriate for Muslims to start laying the ground for future explosion in the number of Waqf. Just like with Islamic banking and finance, the momentum for this shall be kept.

Those critical of early Islamic institutions, particularly a US base academic Timur Kuran (2013), in their warped view see Waqf as agent of anti-democratization and facilitator of authoritarianism in the Muslim world, as if Waqf has its own free will. To accuse Waqf of these, is like saying that the philanthropic Trust system that was adopted in building Oxford and Cambridge was responsible for Britain's reluctance to ditch its monarchical system of government. It is only a mind that is biased that sees things in this way. The role that Waqf can play in social financing in Muslim society tends to be under emphasized. This shall not be so, government, wealthy Muslims and intellectuals need to come together to revive this important sector. Studies have been conducted focusing on the role of trust, integrity and reputation on the image and reputations of Islamic charities. This work will focus on proposing a mechanism that explains how possible it is for Awqaf to improve their image given their unique features and environment. The process through which Waqf improve its relationship with stakeholders such as donors, beneficiaries and government is as important as other aspects of Waqf operation that have been traditionally covered by scholars in Islamic economics and finance. While much effort by researchers has been dedicated to the issue of how to deal with numerous challenges faced by Waqf (such as internal control, legal issues and control), little attention has been paid to the actual work of how to improve the image of this historic institution in the mind of modern Muslim public. This work is aimed at addressing this gap, by proposing ways of boosting the image of Waqf institutions around the Muslim world. Like it was mentioned earlier here, managing the brand image of Waqf is as important as the mundane job of running of these institutions. The methodology followed for conducting this work is mainly literature review and critical analysis of the state of Waqf in the Muslim world. Thus, the work is a deductive analysis in Islamic economics and marketing, borrowing from Islamic and conventional fields of marketing and branding. Graphical presentation techniques were also used in order to aid easy comprehension. The work is divided into five sections, section one introduces the work, section two dwells on types and organizational structure of Waqf; while section three briefly looks at the performance of Waqf around the world, section four develops a model for management of Awqaf image, looking in detail into the branding of Islamic charities; and finally, section five concludes the paper.

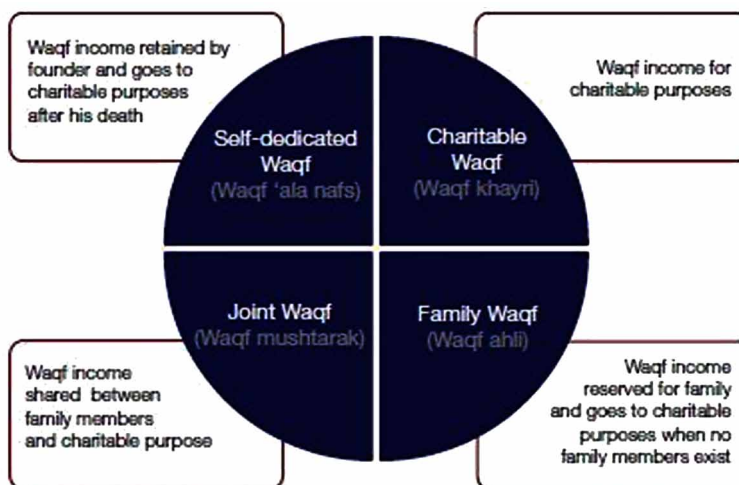
TYPES, ORGANIZATIONAL STRUCTURE AND PERFORMANCE OF WAQF INSTITUTIONS AROUND THE WORLD

Waqf ‘is a form of Islamic endowment that can take the form of cash, property or any form of private wealth which is donated in perpetuity for a charitable purpose set and directed by the endower’ (Islamic finance news, 2012). Waqf as a voluntary type of Sadaqah is geared towards the long-term sustainability. Waqf as a financial (charitable) endowment is established through withholding of property to (perpetually) provide for various socio-economic needs, based on the choice and condition set by the founder of the endowment. Most classical jurists treated Waqf property as inalienable, irrevocable and perpetual (Dadoo, 2017). Waqf can be public or private. A public Waqf is mean to serve the general public, examples are mosque, schools, hospitals, scientific research, etc. But, a private Waqf serve a particular private cause designated by the founder and the beneficiaries are specific persons, for example Waqf for the descendants of the founder. Unlike conventional (Western) endowment, no mention of Waqf will be complete without the mentioning of the underlying role played by ethico-religious motivation in the undertaking. In the Islamic scheme of things, Zakah and voluntary charity (such as Waqf) were included in consumer analysis under the Islamic economic system (Abdullahi, 2018; 2019). Fixed (immovable) Waqf and Cash Waqf are the most frequently used endowments in the Muslim world, but most scholars agreed that Waqf can be extended to anything that is of benefit to the Muslims. According to Rashid (2018) There are several kinds of waqf fulfilling different types of needs; these includes, waqf ‘āmm (public waqf), waqf khāṣṣ (private waqf) waqf khayrī (charitable waqf), waqf dhurrī (family waqf) and waqf al-nuqūd (cash waqf). Murat Cizakca (1998) who is widely considered as an authority on the history of Waqf endowments summarized the working of Waqf: “a founder who has accumulated private wealth decides to endow his personal property for a specific, often pious, purpose. The amount of the original capital, corpus, the purpose for which it is endowed and all the other conditions of management are clearly registered in a deed of endowment submitted to the authorities. In this way the privately accumulated wealth of a pious Muslim becomes God’s property. The founder strictly stipulates how the annual revenue of the Waqf should be spent.”

In 2012, Islamic finance news approximated that Islamic endowment industry could be worth up to US\$1 trillion. In term of physical numbers, Rashid (2018) has put the number of Awqaf to be not less than 1.5 million, discounting mosques, graveyards, etc. Waqf is not a new concept in Islam, the history of Waqf in Islam goes way back over a millennium. Recently, there are efforts to modernize the system through innovation coupled with technological advancements. This have created a lot of opportunities for various kind of innovations and creation of new products. Some of the challenges faced by Waqf institutions include inability to transform

Figure 1. Classification of Waqf

Source: Labuan IBFC Inc.



themselves in line with modern realities, lack of funds, poor management structure, lack of donor trust, poor use of modern marketing and communication channels, and government apathy. But, those critical of Islamic economics system such as Kuran (2018) argued that ‘Weak property rights reinforced the private sector’s stagnation by driving capital out of commerce and into rigid waqfs. Waqfs limited economic development through their inflexibility and democratization by restraining the development of civil society’. But, Islamic economists have consistently ignored these criticisms as biased and motivated by exterior motives. In the past, there was concern about mismanagement of Waqf in some Islamic countries. This was attributed to the decline in the industry. In Malaysia some of the challenges faced by Waqf are ineffective management organization, lack of expertise and financial support and incomprehensive law and enactment (Islamic finance news, 2012). In a study by Sulaiman and Zakari (2015) on the Efficiency and effectiveness of waqf institutions in Malaysia using four essential financial health ratios: the equity balance ratio, the revenue concentration index, the administrative costs ratio and the operating margin ratio. The authors discovered that ‘the institutions were, on average, satisfactorily efficient and effective in administering and managing waqf properties. On the challenges faced by contemporary Awqaf, Professor Rashid rightly observed that “the basic problems affecting awqāf are corruption and mal-administration that owe their reasoning to lack of morality and un-Islamic life behavior and pattern whose solution lies within Islamic Law (Sharī‘ah) itself” (Rashid, 2018). In many regions around the world with substantial number of Muslims, the development of new

Awqaf have stagnated due to lack of innovation and donor apathy. According to Kahf (2003) most of the previous changes to the operation of Waqf were cosmetics, mere change of hands rather than change in the concept of management. But, according to Nagaoka (2015) there are trends of revitalizing Waqf: rebuilding and renovation, achieved through Islamic legitimization of the property and funding of the project.

In Indonesia, the Indonesian Waqf Board (BWI), in its role as the national coordinating institution of waqf managers in Indonesia faces the problem of lack of integration with other waqf institutions (Ayuniyyah, Devi & Kartika, 2019). As the most populous Muslim country in the world with population above 300 million people, Indonesia presents great potential in terms of waqf assets and funds. But, the management of waqf in BWI branch in Aceh Indonesia does not follow the applicable Standard Operational Procedure (SOP); problems of overlapping of functions; poor accountability in management of waqf assets; neglected Waqf assets; poor government regulation and missing waqf documents are rampant (Ali, Fahlevi & Saputra, 2019). Accountability in waqf management is very significant, aiming to guarantee social infrastructures and services are adequately released to the larger society. In Malaysia, waqf administration is overseen by State Islamic Religious Council (SIRC), as the sole trustees of waqf assets in the country; they are accountable in handling waqf properties entrusted to them. Transparency and accountability is viewed as very important for the philanthropic industry. It plays the role of keeping up the assurance and budgetary discipline needed by providing all the record of the Waqf activities. According to Nafar (2019), there are three main obstacles hindering the effectiveness of waqf funds in line with today's financial needs of Islamic Development Bank (IDB) member countries. They are "(i) inadequate awareness about the role of waqf in addressing socio-economic difficulties in many IDB member countries; (ii) insufficient widely accepted Shariah-compliant products to integrate these Islamic redistributive institutions (i.e., waqf and zakah) to inclusive development; and (iii) lack of innovative products to use waqf funds under certain programs such as Poverty Entrepreneurship Schemes that can be used for creating employment opportunities". In a study on Bangladeshi Awqaf by Hasan, Hassan and Rashid (2019), their findings show that board ability, board integrity, communication and accountability positively influence donors' trust on Waqf, on the other hand, board opportunism has a negative impact on trust. In a cross-country review of current state of waqf practices by Hassan, Karim and Karim (2019), they observed that lack of trust in waqf managers and institutions is the key factor explaining why the practice of waqf is relatively low in Muslim countries. They observed that financial greed takes over financial objective, therefore, 'creating a fear of permanent loss among the endowers', and that investments of waqf funds are not well diversified. In middle east, the Indian subcontinent, central Asia and sub Saharan Africa, Awqaf face the same neglect and absence of modernization. Waqf can benefit immensely from the

use of operation research techniques in managing their operations. In a paper on the use of operation research techniques in the operations of Zakah institutions in the Islamic world, Abdullahi (2019) observed that the significance of the Zakah institution to any Islamic economy is links to financial viability and economic progress. Because of this it must be modernized to go in line with modern realities. Poor management of Zakah institutions has been described as detrimental to the efforts of these institutions to collect and disburse Zakah effectively. But, the use of quantitative techniques with the view to achieving optimality and efficiency in business of collection and disbursement of Zakah shall be encouraged. The potential applications of this field of mathematics to Zakah operations are vast. It calls for concerted efforts and focuses by researchers, policymakers and Islamic scholars on finding the most efficient way of deploying operation research techniques in the management of Zakah institutions.

MANAGING AWQAF BRANDS

Branding according to Kotler (2004), is the art and the cornerstone of marketing. Thus, by building a strong brand image a Waqf is selling its services to the wider Muslim public. Brand can convey up to six different meanings (Kotler, 2004). These are attributes, benefits, values, culture, personality and user. In case of Waqf, it must be seen for what it is, source of support for the Islamic society. It benefits must also be clear for everyone to see, i.e. both the donor and the beneficiary. Waqf must stand for all the values cherished by Islam. Looking at the history of Waqf that goes back into millennia, it symbolized Islamic culture. The personality represented by Waqf shall be that of empathy, kindness and generosity. Waqf shall move with the modern world, change its management to conform with the needs of the time. The type of users of Waqf depend on the particular sector it serves. These are as varied as the types of Awqaf that exist today. According to Wilson and Liu (2009) 'Brands are created with the intention by their owners, of encouraging consumption, patronage and the formation of a relationship; which it could be argued ultimately craves their worship. So much so, that with their increase in importance, some brands have both individually and collectively managed to attain "god-like" statuses'. Waqf institutions need funds to continue with their operations, in the process of looking for these funds marketing tools are very handy in helping Waqf to sell their mission to the public. Communication is found to be very effective in generating customers' intentions to support social enterprises (Hati & Idris, 2014). But, there is no alternative to building stronger brand image by existing Waqf charities around the Muslim world if they are to survive the changing world. Awqaf must build the necessary credibility and trust in order to attract funding. Already, Islamic teachings have taken care

of most of these concerns, what these institutions need to do is to abide by these Islamic teachings. The developments in Islamic economics and marketing fields have been impressive, Waqf organisation shall collaborate with these academic and professional sectors in order to be able tap from their vast knowledge. Modern branding and marketing have been very phenomenal in shaping the images of the institutions created by these fields not only in the Muslim world but the rest of the world. On top of that is the institutions of Islamic banking and finance who are their brain child. Islamic banking and finance institutions are today managing over two trillion Dollars in assets.

Muslims contributed to a charity with the primary objective of getting rewards in the hereafter. But, such contributions have their own worldly significance. For example, they contributed economically to the community where the charitable investment is made, they reduce frictions between the rich and the poor, they preserve society's cherished values, they provided unique type of infrastructures, reduces poverty, create direct and indirect jobs, finance research and scholarship. In the process of achieving these objectives, donor's trust must be sought and maintained by Waqf institutions, decline in trust has the effect of drying off the sources of financing on which Waqf institutions relied on to fund their activities. Awqaf must demonstrate high corporate governance standard in line with Shariah governance mechanism. Efficiency, openness, honesty, transparency and professionalism is essential in running modern day organisations including Waqf. Awqaf shall portray themselves as a brand, just like Halal products and services have become worldwide phenomenon. This will serve in increasing their relevance and help create strong image for them. Lack of transparency in Waqf management is observe to result in directing donors to conventional endowments. Part of the reasons for this is slow modernization of the sector and nature of the religious bodies charged with the responsibilities of running them who are reluctant to adopt to changes. Waqf can learn a lot from modern relationship marketing techniques where trust building is of essence. To be able to convince a donor to donate to your charity you must first get his trust. Thus, trust building process cannot be put at the back bench. The ability of Waqf to show competency in its work will go a long way in boosting the trust and confidence of any potential donor. Operational benevolence and altruism shown by Waqf shall result in more confidence and patronage by the public. A more effective way of building strong brand by Awqaf is through their own performance. Higher performance will attract more donors than in case of poor performance accompanied by marketing and advertising. Thus, Waqf shall be restructured to boost their daily performance and increase efficiency, as in the long run this is the only way of building sustainable brand image. The lack of modernization and insistence on traditional way of operation has made it difficult for some Awqaf to portray the

Towards the Creation of Strong Brand Image of Waqf Institutions

Figure 2. Depicted how the sequential influence of securing Ulama backing, the level of Taqwa (fear of God) of potential Muslim donors plus level of trust command by Waqf, internal operational efficiency and use of Islamic marketing, advertising and public relation (PR) help to reinforce strong Waqf brand

Source: Author analysis

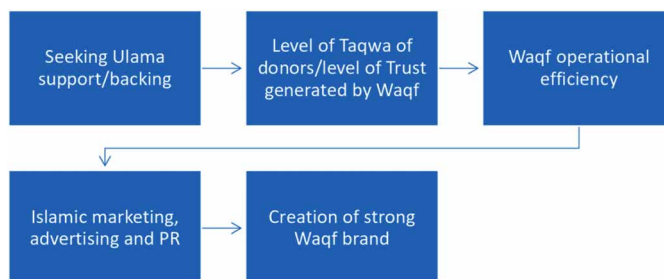


image of operational efficiency seen in modern corporations, thus serving as source of erosion of brand image.

Waqf can play an important role in social cause marketing. The work of Awqaf can well converge with corporate social responsibilities functions of Islamic firms. Hence, managers of Waqf shall look for areas of convergence and cooperation between the two. According to Abdullahi (2019), “a socio-religious cause is better at signaling because it is a pointer to trust and reliability of the business. It shows that business can eschew pressing needs to make profit for helping society through timely payment of Zakah, community development activities and caring for environmental causes. An average Muslim believes in signals from socio-religious causes than price or advertising. Commitment to a moral cause signals quality, showing the firm is committed to giving society something good”. Corporate firms are looking for avenues to improve their images through charitable activities, Waqf institutions shall use that opportunity and serve as channel for doing that. Awqaf bodies around the world shall make use of appropriate channels to attract companies CSR donations into their fold. Modern business corporations have realised that donating to charities help enhance their own image in the minds of their customers and other stakeholders. According to Du, Bhattacharya and Sen (2010), “findings from both marketplace polls and academic research suggest that key stakeholders such as consumers, employees and investors are increasingly likely to take actions to reward good corporate citizens and punish bad ones”. The realisation of this has made companies to do everything possible to see that they are not left behind in CSR activities. Thus, Awqaf too shall not be left behind in taking advantage of this emerging scenario to get donations for their various causes. In Malaysia, Islamic banks have over the years engaged in marketing of cash Waqf under their custody.

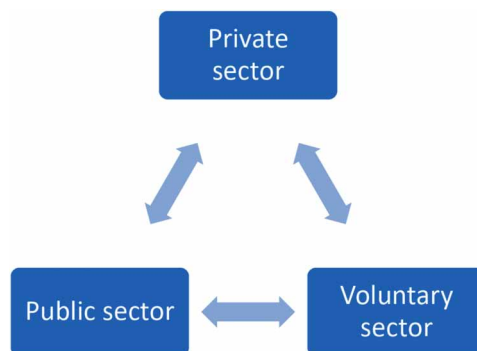
There are many other innovative mechanisms of reviving Awqaf that are yet to be tested. Islamic banks shall spearhead the convergence process of their corporate social responsibilities initiatives with Waqf. There are concrete evidences to support the assertion that this is currently taking place in the Islamic banking and finance industry. Islamic Research and Training Institute (IRTI) is currently championing the introduction of smart Waqf. The Smart Waqf uses block chain technology to issue 'cash-waqf tokens' that are lent on qardh-hassan (benevolent loan) basis to small and micro business enterprises. Later on, merchants who accept these tokens in exchange for goods or services are effectively contributing to the cash-waqf. These merchants can then trade the tokens with other small business to obtain other supplies of goods and services. Hence, merchants are supporting qardh hassan without paying any money.

Waqf can learn a lot from the modern marketing and branding techniques adopted by conventional trusts and charities. Some big trusts that originated from Muslim countries such as Qatar foundation, Mohammed bin Rashid Al Maktoum Foundation and Kuwait fund have been very effective at using media to send their advertising and informational messages across. Awqaf shall use the right communication channels to reach rich Muslims donors residing in non-Muslim countries such as the developed countries of Europe, North America and Australia. Traditional methods of running Waqf will not be enough for reaching these Muslims who are eager to donate their wealth to Islamic courses back in their ancestral lands. Use of modern Islamic marketing and branding techniques will help a lot towards achieving that. The use of advertisement by Awqaf shall be deployed in ethical way using tools allowed by Shariah. Islamic advertisement as a sub field of marketing has been receiving a lot of attention from scholars, Awqaf shall utilized this. Using Islamic finance, Islamic marketing and branding methodology concurrently will go a long way in making Waqf to conform with modern realities. In their advertisements and other promotional programs, Awqaf shall seek the endorsement of well-known Islamic figures. This will go a long way in attracting people attentions and donations to the causes championed by the Waqf. Timing of the advertisement is also important, advertisements of the need for donation to causes championed by Waqf institutions will be very effective during Ramadan and annual Hajj. The role of Ulama in creating awareness on development of Waqf cannot be underestimated here. Being the custodians of Islamic knowledge and guiding light of Islam in today's world, Islamic scholars shall be at centre stage in ensuring the revitalization of the Waqf institutions around the Muslim world. Their role in this is more effective than any marketing, advertising and branding tool will do. While making reference to state of Awqaf in Nigeria, Nuruddeen (2013) observed that 'as torchbearers of knowledge and enlightenment, the Ulama are generally expected to mobilize people into engaging in activities meant to improve community wellbeing. But the apparent failure of

Towards the Creation of Strong Brand Image of Waqf Institutions

Figure 3. Show the highly coordinated and symbiotic structure of an Islamic economy, where the private, public and voluntary sectors work together in unison. This type of relation is truer in Islamic economy than conventional economy due to the ethico-moral foundation of the Islamic system.

Source: Author analysis



the ulama to adequately stimulate the benevolent spirit of philanthropists could be the cause for the underdevelopment and scarcity of charitable public endowments (awqaf)⁷. Ulama shall be in the forefront of efforts to boost the performance, effectiveness and brand attraction of Awqaf around the world. Due to the wider respect command by Ulama a single admonition by pious Ulama is more valuable than quite a number of advertisements (without Ulama input) undertaken through channels such as Internet and print media.

CONCLUSION AND WAY FORWARD

Waqf institutions shall make use of modern media such as television, radio, newspapers and the internet to market their activities around the world and attract donors. This has been found to be very effective by conventional trusts around the world. A situation whereby Awqaf relied on traditional method of communicating with their potential donors will not be suitable for modern high-tech world. Over the years, this has proving to be the major area of weakness of Awqaf institutions. A lot has been written about the potentials of crowds funding technology for sourcing of funds by Awqaf in the Muslim world. This shall not be taken for granted as crowd funding is itself a kind of marketing of Waqf services, telling the general public about Waqf desire for funds for particular causes. Particularly in this internet age where information moves at the speed of light, Awqaf can quickly draw the attention of the world to a particular worthy cause using crowd funding technology. Awqaf shall have their

own individual websites where the public can quickly find information about them, this will go a long way in making them visible and functional. They must diversify beyond their conservative source of generating donations; this will make them less reliant on few donors who diminish (increasingly) as time changes. Awqaf must create the necessary awareness about their activities for the Muslim public to be able to contribute effectively towards their development. There are millions of Muslims that do not know what Waqf mean talk less of contributing to their activities. But, this task shall not be left as only the responsibility of Waqf themselves, government and education institution most spearheaded the process. Awqaf as a system must be taught at schools around the Muslim world. Just like there has been strong and effective efforts to make Islamic finance a reality, Waqf too must be given the same attention and care. This is more so given the fact that Waqf institutions are more effective at addressing the needs of poor Muslims (who are in majority in Muslim countries) than contemporary Islamic banks. The impacts of Waqf shall be felt all around the world, by means of extending their services to vulnerable communities around the world. This can only be possible if there is existence of large Awqaf with millions of Dollars in annual budget. The larger the size and impacts of Waqf, the stronger and effective its brand message. With purposeful branding programs on the ground, Waqf will return to its golden period when it was one of the towering achievements of the Islamic world, being copied all around the world.

AREAS FOR FURTHER RESEARCH

There is need for experts on Islamic marketing and branding to pay more attention to Awqaf as a significant pillar in what is now refers to as Islamic moral economy, the same way they paid attention to the larger Halal market. This shall come in the form of developing a new template of marketing and promoting Waqf, studying managerial functions of Waqf from the marketing perspectives, creation of annual gathering of marketers in Islamic trust, etc. Focus shall be on how possible it is to create unique marketing communication techniques for Awqaf. There is opportunity for borrowing from conventional trusts, for example the marketing and branding strategies they employ, taking into consideration the peculiarities of an Islamic setting. There is also a huge wealth of literature in Islamic Fiqh and history that can be utilized to actualize all these.

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Chapter 5

Waqf and Development: A Study of Economic Potential of Waqf in Bhopal, Madhya Pradesh

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ABSTRACT

Waqf is a Sadaqah Jariyyah, a Capital Gift to Allah which is useful for Sustainable development and beneficial to Muslim, Poor, Marginalised, and disadvantaged communities. The important thing is waqf properties must be used for the benefit of needy. It can be achieved through investing the waqf in infrastructure development through the generation of profits from waqf infrastructure and utilization of Waqf property by common and needy public. The proper management of waqf properties through modern techniques of risk and asset management so that maximum benefits can be achieved through any Waqf property is the need of time. The history of Waqf is very old in Madhya Pradesh and this research is undertaken to study the methods used to commercially develop Waqf lands which are regulated by waqf board of MP located in the state of MP. The researcher is trying to find out the potential of economic development through waqf properties in MP and the welfare which can be achieved of poor and marginalized classes in this chapter.

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INTRODUCTION

Methods of Charity in Islam

Charity is one of the best ways to bring ourselves closer to God and increase our faith. The Prophet (pbuh) said: “The believer’s shade on the Day of Resurrection will be his charity.” -Al-Tirmidhi

There are several different ways to give charity and fulfil this important duty as a Muslim:

- Provide Money to the poor and needy.
- Volunteering your time for the benefit of needy or for religious work.
- Give a Smile to everyone.
- Picking something up out of the road.
- Give Advice where needed.
- Tasbeeha, taking the name of Allah.

Waqf is one of those rare charities which last even after the waqif or Donor is gone. That is why so much importance is given to waqf in Islam.

WAQF: MEANING, IMPORTANCE AND ITS USE

A **waqf** or *mortmain* property, is an inalienable charitable endowment under Islamic law, which typically involves donating a building, plot of land or other assets for Muslim religious or charitable purposes with no intention of reclaiming the assets. The donated assets may be held by a charitable trust. The person making such dedication is known as *waqif*, a donor.

The Origins of Waqf

1. A property used for charitable purpose compliant with shariah norms held in a trust.
2. A charitable foundation created by the Muslim trust fund.

Benefits for the Donor:

- Ongoing and never-ending blessings, even after the donor is no longer alive.
- Offers support to the community and enables the wealthier to fulfil their social responsibility.
- Fosters trust between the community and donor.
- Revival of the Prophet's (pbuh) Sunnah.

Benefits to Society:

- Sustainable development.
- Community-empowerment and poverty alleviation.

It is well known that charitable endowments have a history considerably older than Islam and it is also very likely that Islam may have been influenced by earlier civilizations. Ancient Mesopotamia, Greece, Rome as well as the pre-Islamic Arabs certainly knew of charitable endowments. Muslims were urged strongly to endow their assets in the service of mankind and they knew how to do it from the earlier civilizations, which had dominated the geography they had found themselves in.

Although waqf is not specifically mentioned therein, the concept of *wealth redistribution* is strongly emphasized in the Holy Qur'an. Moreover, there is definitive *Sunnah* evidence that many great personalities of Islam had endowed their properties for charitable purposes. A *hadith* narrated, again, by Abu Huraira has most probably constituted the origin of this institution in the world of Islam: "Abu Huraira reported Allah's messenger (pbuh) as saying: when a man dies, all his acts come to an end, but three; recurring charity (*sadaqa jariya*) or knowledge or a pious offspring, who prays for him".

Although the classical sources have, traditionally, taken into consideration each one of these good deeds, (*sawab*), separately, we prefer to combine them together. For, it will be argued here that such a combination constitutes the essence of the Islamic waqf. Thus, Muslims needed an institution that would enable them to perform all three of these good deeds. This institution was the waqf which can, indeed, assure ongoing, recurring charity for many years, even centuries, after the death of the founder. It can finance scholars whose lasting works would benefit mankind for a long period and the *sawab* that accrue to them would be shared by the waqf's founder who had provided for their sustenance in the first place. Finally, the management of the waqf can be entrusted to the offspring of the founder so that while, on the one hand, careful and loyal management is assured, on the other, the offspring would pray for the deceased for, thanks to his waqf, he or she is not destitute.

Although the Muslims may have been encouraged to borrow from other civilizations without any hesitation, as the aforementioned *hadith* suggests, the actual process of borrowing was not simple. For, whatever institution was borrowed, it had to be moulded and re-shaped so as to conform to the basic teachings of Islam. There were substantial differences in the opinions of the early great jurists concerning the structure and judicial framework of the waqf.

The basic problem pertained to the Islamic law of inheritance: since a founder could entrust the management of his waqf to any one of his offspring and thus initiate a de facto primogeniture, this could alter the basic principles of Islamic law which promulgates a just and fair distribution of property among all the heirs. But for the reasons that will be explained below, the Muslim society needed this institution. So, the great jurists ended up tolerating it.

The legal structure of waqf funds was firmly established during the second half of the second century. At this point, it needs to be explained how a system which did not originate in Islam, not specifically mentioned in the Qur'an and objected initially by many of the eminent jurists, was embraced so enthusiastically and developed to such a phenomenal dimension. There can be *two explanations: historical and economic*.

Economic theory also has its own explanation why the waqf system was needed universally. Indeed, according to the theory there were compelling reasons for such a system to emerge. We had seen above that under the conditions of rational behaviour, public goods would tend to be under produced. This dilemma pertaining to the creation of public goods promotes a demand for the creation of non-market institutions.

Functioning of the System

In a nutshell, a waqf, whether in North Africa or India, functions as follows: a founder who has accumulated private wealth decides to endow his personal property for a specific, often pious, purpose. The amount of the original capital is called *corpus* and it has a specific purpose for which it is endowed and all the other conditions of management are clearly registered in a deed of endowment submitted to the authorities. In this way the privately accumulated wealth of a pious Muslim becomes God's property. The founder strictly stipulates how the annual revenue of the waqf should be spent. This revenue (usufruct) may be allocated completely for a pious purpose (waqf *khayri*), or to a group of beneficiaries. The management of the waqf is entrusted to trustees, *mutawallis*, whose functions may be fulfilled by the founder himself during his lifetime. Thus, there are *four major components of any waqf*: the three groups of individuals; the founder, the beneficiaries, the trustees and the endowed capital itself, or the *corpus*. Unlike the Anglo-Saxon law where there is a confusion pertaining to the status of the trustees, Islamic law considers

these individuals, *mutawallis* who are trustees strictly as managers to whom the waqf is entrusted. While these individuals were the ones who actually preserved the Islamic architectural heritage through the centuries and enabled many waqf to survive, it was also they who ended up being accused ruthlessly and held responsible for the demise of the system. In Anglo-Saxon law the functions of the trustee and the owner is not clearly separated. Trustees are kept under strict control so as to put an end to their “misuse and embezzlements”. No doubt, sometimes these accusations were justified, but often, they were simply used as a scapegoat and served the more sinister schemes of the state. Whatever the case may be, management of waqf still constitutes an unresolved agency problem. Any modern waqf reform therefore, must inevitably encounter this challenge of agency.

Beneficiaries and the Family Waqf

At this point it is important to note that waqf allocated their annual revenues to a myriad of beneficiaries. Moreover, a founder could also appoint himself or his heirs as the primary beneficiary. This type of waqf is known as the waqf *ahli*, or the *family waqf*. The revenue of such waqf is reserved for the benefit of the founder of the offspring. Initially public benefit is of secondary importance here, it assumes primary importance only after nestle expires, i.e., when the future generations of the founder expire and the entire revenue of the waqf begins to accrue to public purposes. Through such waqf it was also possible to avoid Islamic inheritance rules and to bequeath to a specific member of the family. In short, though not sanctioned by Islamic law, primogeniture could be applied in the Islamic world by resorting to the family waqf.

The Original Capital of the Endowment (*Corpus*)

The *waqf* should be established with privately owned capital. Privately owned capital for instance would be the huge waqf established by confiscated property in the Islamic Republic of Iran. Land was also considered as *corpus*. There are two controversies concealed behind this simple question. The first one, pertaining to the private ownership of land, led to an enormously complex relationship along with the state vis-à-vis waqf and the second one pertaining to the type of *corpus*, i.e., movables versus immovable property, led to the *cash waqf* controversy.

The Cash Waqf

The cash waqf was a special type of endowment (funding) which is different from the ordinary real estate waqf in that its original capital, *asl-al-mal* or *corpus*, consisted purely or partially, of cash. The earlier origins of the cash Waqf has come from past eighth century, when Imam Zufar was asked a question regarding how such Waqf should function. In Europe, real estate foundations were originally the only forms of endowment in Cash Waqf. But eventually, it became possible to make an endowment with movables. In the fourteenth century in Germany, monetisation of the economy progressed that led to the possibility to establish a cash foundation as an integral part of a larger one or in other words acted as a primary cash foundation that could be perpetually enlarged by the addition of smaller cash endowments. Zufar replied that the *corpus* of the *waqf* should be entrusted to the entrepreneurs in the form of *mudarabah*.

LITERATURE REVIEW

Waqf or Islamic endowment is a well-known topic in the area of Islamic economics, Islamic finance and Islamic jurisprudence. Waqf is a permanent charity; however, it could be temporary in accordance to the Malikiyyah (al-Zuhayli, 2000). Nowadays, the main issues related to waqf properties or assets are the management and development aspects. Most of the current literatures focus on the development of waqf property rather than the establishment of new waqf property.

Sources for the financing and development of waqf property could be obtained from (al-Misri, 2005). Developing waqf properties according to Abu Zahrah (2007) is essential to make sure that these assets are continuously provided benefits or usufruct to the beneficiaries as stipulated by the founder.

Cizaksa (1998) concluded that waqf institutions of Ottoman Empire were responsible for providing public facilities to common people. The concept of *istibdal* and *ibdal* require the exchanging of waqf assets to other properties.

Modern schemes of developing waqf assets as suggested by Md. Nurdin Ngadimon (2006), Muhamad Kholid (2007), Kahf and Tahir Sabit (2003) is the securitization of waqf through *sukuk*. *Waqf* is a unique act introduced by Islam; it has played significant socioeconomic, cultural, and religious development roles throughout the history of Islamic civilization. In the past, the collection of large number of *Waqf* created great wealth for the Muslim community; however, due to a different historical reason the role of *Waqf* as a useful tool for socioeconomic development has generally been neglected and its role has declined significantly. Muslims government and leaders who misused the *Waqf* properties, its poor management led to the decline of *Waqf*

itself. Thus, the revival of waqf requires government who can manage the funds, funds transparency, and reformulation of the laws governing.

This study done in Bhopal on the available waqf properties provides practical contributions to *Waqf* research by identifying factors which tells us that how waqf endowments can make their waqf properties more beneficial to society. As part of ongoing research; the author will continue to look into this matter. It is suggested that future research conduct a more comprehensive investigation on factors that led to make waqf more profitable and beneficial to the Muslim society.

The Literature on Waqf is Divided into Four Parts:

The History and Creation of Waqf in Islam

The ancient nations used to build *Waqf* properties and made it places for worship. The *Waqf* was not limited those days to places of worship but it was more than that, as one of the rulers of *Nubia* (Punut), during the reign of the fourth *Ramesses* who locked up his land and made a Will, that the revenue of that land is to be used for buying a calf every year and scarified to his soul after his death. *Waqf* was created during the lifetime of our Prophet (Pbuh). Whenever the Prophet (Pbuh) identified any need in his society, he either fulfilled it by creating *Waqf* or encouraged his companions to fulfil it via the creation of *Waqf*.

The belief that “Charity pleases God and brings God’s blessings” influenced most of the decisions made *during the time of the Ottoman Empire*, as the Ottomans were particularly passionate in this regard and excelled in securing its people against poverty. For six centuries, the Ottomans widely succeeded in eliminating poverty through the waqf (foundation) system. Through this system, buildings and land were used to provide education, medical services, food, water and many other essential services to those in need, and to help develop the capital. During the Ottoman period, waqfs were highly developed and played a very important role in the socio-economic order of the empire. It was “the way of life” for the Ottomans, who have since left behind a legacy of their charitable work. Today still the remnants of such projects and ideas can still be seen throughout Istanbul and in parts of Turkey. Some of Istanbul’s waqf institutions such as the Süleymaniye Külliyesi (complex) and Haseki Sultan Imaret are still operating and benefiting society. The Haseki Sultan Mosque, designed by the famous architect Mimar Sinan, was built in 1539 and consists of a madrasa (school), a hospital (Haseki Dar al-Shifa) and a soup kitchen (imaret). Haseki Hürrem Sultan, who was Sultan Süleyman his wife, also had an Ottoman public soup kitchen established in Jerusalem to feed the poor during the reign of Süleyman. The imaret was part of a massive waqf complex built in 1552, and the complex also consisted of a mosque, a 55-room pilgrim hospice and an inn

(han) for travellers. Many Sultans, along with their wives, ordered bathhouses to be built in cities along with fountains that provided clean drinking water to the public.

Another remnant you may come across is the “sadaka taşı”, the charity stone structures that can be hard to notice which are usually found standing in a mosque courtyard or in a discreet corner. Today although it is no longer in use, but some still exist as they have been preserved over the years. The stone pillars of Ottoman were having simple idea that served a great purpose for the society. A rich or able person would donate money by reaching up to the top of the pillar and would leave their charity in the niche. Later, a person in need would come to the pillar, reach up and take just enough money for what they needed, leaving the rest behind for the next person who will be in need. The mentality of Ottoman was to treat all society people equally with grace and with due care. Such type of system in today’s scenario is difficult to imagine. Just imagine a bank within an open account where rich people could deposit money and the poor can withdraw according to their need and will stop begging.

Ottomans also had waqfs for the care and protection of animals. The Ottomans saw the waqf system as a tool in order to help society grow together rather than leaving individuals isolated and alone, unlike today where individuals are left at the mercy of the free market.

Waqf in Building Islamic Civilization

The viewer of Islamic civilization is surprised by the great effect *Waqf* had on the life of the *Ummah*, both in theory and practice. According to Saadallah, Abu al-Qasim, (1998), “*Waqf* is one of the most important aspects of Islamic civilization; it is a foundation that expresses the will of the Muslim and deep sense of solidarity with the Muslim community” Indeed, the growth of *Waqf* in the Muslim world can be attributed to a number of factors. One of the factors that have led many people to make at least part of their property as a *Waqf* was the strong religious believe and charitable desires. Furthermore, *Waqf* has been used as a method to avoid taxation, landowners made parts of their properties a *Waqf* to prevent other claimants from claiming the property (Hosseini, 2013/Arabic source). The *Waqf* also played a major role in the scientific and cultural achievements of Islamic countries, (Hamish, 2008).

Decline of Waqf Creation

According to Mohammed Umer Chapra (2008), the Muslim world exhibited clear signs of decline of waqf by the 18th century; after decades of advancement and prosperity. A reader of Islamic history will easily discover that the *Waqf* represented important elements in the building of society and fulfilling individual needs, it allowed financial realize access to public interests such as teaching students and paying for their studies upkeep, the establishment of hospitals or shelters, the allocation of funds for the construction of *Mosque* and help the needy. However, recently the role of *Waqf* has declined, and wealthy Muslims begin not favouring charitable projects. Mahdiya Amenouh (1426) indicated that the depletion of *Waqf* creation in the lives of Muslims is due to external and internal factors. The foremost is the negative influences left colonization of Muslim countries, especially the French, who transferred the *Waqf* offices from the Muslim governments to higher commissions and hired non-Muslim advisers to work on their administrative and financial affairs. As a result, they have exhausted the *Waqf* coffers by paying salaries to those commission and officers. The British encouraged the immigration of Jews to the region to complete the cycle of control and colonial expansion. The power of authority was transferred from a colonial power to an occupying power, as a result *Waqfs* were liquidated, and the administration and management of *Waqf* affairs went into decline. Indeed, according to Imam Aamar Jawdah (2016) at the end of the 19th century, Muslims were plagued by intellectual, economic, and military invasions. The enemies during those days realized the importance of *Waqf* in assisting the Muslim communities; thus, they worked hard to eliminate the idea of *Waqf* and sequester its funds for their own end. They also tighten the laws in many Muslim countries by restricting the practice and supervision of the *Waqf*.

Mahdiya Amenouh (1426) believed that the decline is due to internal challenges; the government or/and leaders who misused the *Waqf* in a manner contrary to the *Shariah*. They manipulated *Waqf* incomes, in a way that the individual lost the confidence and trust of these institutions. It is stated in *Waqafana* (1427) by Ahmed al-Sharbasi; that “*Waqf* began to shrink due to several reasons; one of which is the control on people’s action. Earlier, the life of a Muslim was generous; they were preparing for this life and hereafter. They were satisfying the demands of the legitimate self in life equally working hard to be near to God Almighty”.

Furthermore, Samia Al- Saati, (2010) stated that “the scarcity of souls to become stingy, and the poor management of *Waqf* institution have led the people to leave practicing it”. Thus, practicing *Waqf* has a significant impact on societal wellbeing, and the current situation might require us to revitalize it. According to Samia Al-Saati, (2010), the absence of *Waqf* has had the greatest impact on the social issuing such as poverty, unemployment, disease, insomnia and declining education. Money and

property secured as a *Waqf* by the rich in the past were spent on the poor, provided jobs to the unemployed, educated the needy, treated the sick, and helped young men and women marry, but the lack of funds on *Waqf* in contemporary Muslim society lead to negative consequences.

Hisham bin Azzah (2015), pointed out that *Waqf* creation in many Muslim countries decline due to reasons such as ambiguity about the size of *Waqf* and location, as well as government intervention in the acts of cessation and administration of *Waqf*. Furthermore, there are no establishments of new endowments (*Waqf*), and the majority of existing *Waqf* are from family inheritance. Imam Aamar Jawdah (2016), narrated from Saad Al-Shathri stated three reasons for *Waqf*'s decline: insufficient of some workers in *Waqf* institution, lack of trust, and lots of some *Waqf* properties as time passes due to the greediness of contain governors and sultans.

The Need for Reform

The *Waqf* has declined significantly in the present era. There is no longer a place for refuge in

Muslim countries and work for the unemployed. In order for the *Waqf* to return to its past glow, the decision makers or/and leaders need to take some actions. According to Samia Al-Saati, (2010), *Waqf* should be organized in a way that not the governments but waqf trusts themselves mange the funds. The governments administering *Waqf* led to the reluctance of Muslims to contribute to the *Waqf*, as they feel that it has been nationalized and used for other than that specified by the *Waqf*. It is necessary to look into *Waqf* management policies, as well as investment of its assets. Efforts to renew the mechanisms of *Waqf* investment help to flourish, develop, return, and increase financing of the banks. The establishment of transparency of *Waqf* money is also very important. It will guarantee contributions and the success of endowment to civilize the nation and develop the country. According to Fouad bin Abdullah Al-Omar and Basima bint Abdul-Aziz Al Maoud (2014), the application of inclusiveness governance rules via adoption of appropriate system, transparency, and disclosure of Waqf money to the main axes of *Waqf* foundation is; regarded as the best practices.

According to Reham Khafaji (2012), any efforts to revive the *Waqf* require reformulation of its laws. In addition to amending several other laws related to the establishment, management, investment, and the role of endowments, such as tax laws, civil society law, education, as well as health laws, the role of government in *Waqf* is essential. Additionally, *Waqf* revival requires an integrated network of sciences to monitor issues and problems, as well as propose development mechanisms linked to the establishment of several research centers and academic programs on *Waqf* studies. These centers must look into how to activate the culture of *Waqf* within

the framework of an integrated civilizational vision based on its *Waqf* mission and interaction with economic, information, social and political transformations (Reham Khafaji, 2012).

It is indicated by Imam Aamar Jawdah (2016) that the most important ways to face the challenge of *Waqf* declination is to spread religious awareness among the nation, awaken the religious feeling of solidarity, revival of jurisprudential councils, broadcasting the path of being good people, applying *Sharia* in *Waqf* management, give the freedom to the *Waqif* to manage their respective *Waqfs*, pay more attention to the existing *Waqf* and develop it accordingly, establishing an effective economic plan that will take care of the Muslim *Waqf*, establishing specialized economic institutions that care of the *Waqf*, and finally the governors, scientists and leaders need to be excellent role models in the creation of *Waqf*.

RESEARCH METHODOLOGY

Research Design

The *design of research* is simple yet effective. In this design the main focus is on pooling the waqf land and managing it properly in financial terms and then distributing the benefits to poor and under privileged persons.

The researcher is trying here to find out what is the rate of return which can be earned on used and unused properties of Waqf in MP through the methodology of ROI. This method is the best method in case of real estate projects and to calculate the benefits from them in financial terms.

Generally, the average rate of return on investment is anything above 15%. When calculating the rate of return on a rental property using the cap rate calculation, many real estate experts agree that a good ROI is usually around 10%, and a great one is 12% or more.

To calculate the property's ROI:

Divide the annual return by the amount of the total investment

$$\text{ROI} = \text{Annual return} / \text{total investment}$$

Return on investment or ROI measures how much money or profit is made on an investment as a percentage of the cost of the investment. ROI shows how effectively and efficiently invested money is being used to generate profits. Investors use ROI to determine how well their investment is performing, but also in comparing their ROI with the performance of other investments. If a property is bought outright, calculating its ROI is fairly straightforward.

MAIN FOCUS OF THE CHAPTER

Waqf in Madhya Pradesh, India

History of Waqf in MP

Like in the Ottoman Empire in turkey in Madhya Pradesh also there are a lot of waqf properties in MP in general and especially in Bhopal because there were very strong and public oriented women Muslim rulers who ruled almost for 150-200 years, the waqf properties were built or donated. The famous Taj-ul-Masjid of Bhopal and lot of Musafir Khanas, public soup kitchens and schools for underprivileged and blind children were established.

Working of Waqf Board

Madhya Pradesh state waqf board is a statutory body constituted by the government of MP under section 14 of the Waqf Act 1995. The waqf 1995 (Act no. 43 of 1995) which came into force on January 1996 by repealing the waqf act 1954, intends to provide better administration of waqfs. There are 23118 waqf estates in MP as of now, like Mosques, Kabrastan and Dargahs etc. The board HQ is situated near Taj-ul-Masjid in Bhopal and is responsible for all the supervision and administration of all the waqf properties registered with the board in MP. The board consists of elected and nominated members. For the better management and to increase the income of waqf properties the board has decided to create District (a geographical unit in the state) waqf committees, Tehsil (a unit under a district) waqf committees and management committees of waqf properties individually.

Legal Status of Waqf in MP

Following are the laws¹ enacted by state legislature of MP and rules made by Govt of MP for the regulation of waqf:

- Waqf Regulation 1964 (English)
- Waqf Properties Lease Rules, 2014
- Waqf (Amended) Act, 2013
- Waqf Act 1995
- Madhya Pradesh Waqf Board Regulation 1964
- M.P. Waqf Scheme 1989 Baray-e-Intezam & Inseram Auqaf
- Waqf Rules 2001
- Waqf Property Exemption from the M.P. Accommodation Control Act, 1961

Table 1. Year wise data of sum earned by the MP waqf board for monitoring²

S. No	Financial Year	Govt Grant	Chanda Nigrani	Other Resources	Total Income
1	2008-2009	54,00,000.00	41,23,500.00	6,40,100.00	10163600.00
2	2009-2010	67,00,000.00	39,30,700.00	3,81,430.00	11012130.00
3	2010-2011	76,00,000.00	66,20,700.00	8,64,862.00	15085562.00
4	2011-2012	80,00000.00	86,79,546.00	26,15,626.00	1,92,95,172.00
5	2012-2013	80,00000.00	81,20,119.00	57,28,551.00	2,18,48,670.00
6	2013-2014	80,00,000.00	1,02,35,778.00	21,80,597.00	2,04,16,375.00
7	2014-2015	84,60,000.00	83,23,610.00	4,10,289.00	1,71,93,899.00
8	2015-2016	99,00,000.00	1,04,55,209.00	4,19,290.00	2,07,74,499.00
9	2016-2017	99,00,000.00	1,25,71,592.00	8,09,352.00	2,32,80,944.00

Data source: MP Waqf board

01 USD = 74.19 INR as on 16 October 2019

Waqf in MP: Present Scenario

The waqf board of MP received a sum of INR12571592/- as chanda nigrani in the year 2016-17 alone.

Economic Potential of Waqf in MP

There are total 23118 waqf properties in MP as a whole and it has got enormous potential to generate returns to help the poor and needy. The rates of land are very high and the *researcher* wants to show that through proper management of these properties a lot can be done for poor people in MP.

Management of Waqf in MP

The Waqf properties of MP and their management with modern methods will be dealt in this chapter.

In order to develop waqf properties and increase their income, the waqf board of MP has taken keen steps and following points are considered.

The commercial buildings are constructed on the urban waqf land lands with the assistance of CWC (Central Waqf Council). So far 06 waqf lands have been developed by the assistance of CWC and 16 urban waqf lands are constructed with the help of CWC. The income generation will increase many folds with this construction and urban waqf properties will also increase. Keeping this success in mind the board is

Waqf and Development*Table 2. Waqf agriculture land in MP (district wise)*

S.No.	Districts	Wakf Land (In Hectare)
1	Morena	289-083
2	Bhind	133-193
3	Gwalior	254-023
4	Sheopur	289-083
5	Shivpuri	67-862
6	Datia	23-235
7	Guna	110-070
8	Tikamgarh	79-954
9	Chhatarpur	57-939
10	Panna	33-139
11	Satna	82-021
12	Rewa	80-811
13	Rajgarh	47-637
14	Vidisha	103-382
15	Sagar	152-890
16	Damoh	78-328
17	Katni Jabalpur	56-742
18	Narsinghpur	29-125
19	Chhindwara	22-726
20	Seoni	30-152
21	Balaghat	73-192
22	Mandla	29-054
23	Dindori	19-054
24	Shahdol	68-871
25	Sidhi	23-024
26	Betul	11-995
27	Hoshangabad	877-115
28	Raisen	388-27
29	Bhopal	21-205
30	Sehore	841-077
31	Harda	877-115
32	Khandwa Burhanpur	87-663
33	Khargone Badwani	46-763
34	Dhar	23-585
35	Jhabua	03-579
36	Indore	429-69

continued on following page

Table 2. Continued

S.No.	Districts	Wakf Land (In Hectare)
37	Dewas	15-344
38	Ujjain	04-597
39	Ratlam	19-921
40	Mandsour	17-948
41	Neemuch	17-948
42	Shajapur	19.921

Data source: MP Waqf board

Table 3. Strategy for management of waqf

Sr No.	Concept	Old	Modern
1	Object (Property) of Waqf	Mainly Fixed assets	Fixed and Moving assets
2	Use of waqf property	Mainly for Health and Education purposes	Modern uses
3	How to develop	No further development is possible	Sustainable growth of waqf object with value added benefits

Table 4. Values of some waqf properties in Bhopal

Sr No	Place of the Waqf Property	Land*	Govt Rate# in INR Per Square Meters (Commercial Use)	Total Value Approx. in INR
1	Near PHQ	3.50 Acre or 15246 sq meters	127500	195 Cr
2	At Hamidiya Road	1.72 Acre or 7492.3 sq meters	90000	67.43 Cr
3	At Koh-e-fiza	1.25 acre or 5445 sq meters	49500	26.95 Cr
4	At Nariyalkheda	2.25 Acre or 9801 sq meters	13500	13.23 Cr
Total				302.61 Cr

Data Source- MP Waqf Board *where 1 Acre=43560 sq feet or 4356 sq meter

**01 USD = 74.19 INR as on 16 October 2019

#Land rates are taken from collector guide lines of Bhopal

trying to motivate local waqf committees to develop waqf lands which are situated at Bhopal, Indore, Gwalior and Jabalpur all the million plus cities of MP.

The board tries its level best to generate more income from the waqf properties by taking the rents per the market rate which more income is expected.

CASE STUDY OF BHOPAL DISTRICT

There are many places in Bhopal where Waqf properties are situated but not used at full potential. The researcher has tried to find out how these properties can be used fruitfully for the benefit of under privileged and poor.

These properties are situated at the places shown in the Table 4 above:

- Near state Police Head Quarters of MP -3.5 acres of land.
- Nariyal kheda-2.25 acre land.
- Koh-e-fiza – 1.25 acre land.
- At Hamidiya road –1.72 Acres of land.

In all these places the land is either encroached or not in the control of Waqf board of MP. Due to this reason the Waqf board is not able to use these properties for the benefit of poor and needy. The official Govt rate of land at these places is very high and the properties amount to several Crore of Indian rupees.

The ROI is calculated on estimates, but these estimates are based on the government rates (the rates are taken from collector guideline rates for commercial purposes) of property in this area hence the values and calculations are authentic. There is a big mall situated within two to five kms area from both the places (taken for study) in Bhopal, which is estimated to be of INR 1800 Cr, on market prices.

We are estimating all the values of our study on government rates which are far below than market rates and hence are more authentic.

Case One

Making a Mall at Hamidiya Road

Hamidiya road is one of the most important and busy roads of Bhopal and it is a major centre of commerce and finance. This road is there for around 100 years from the time of *Nawabi* rule till today. At Hamidiya road there are around 200 shops which is a Waqf property, but these all shops are occupied by several persons and they are there on the basis of a rent agreement with the waqf board. Many of the original tenants are dead now and their legal/Illegal heirs are having their (illegal

possession) *Kabja* on the property. There are many cases pending in various District and High courts and the value of shops is so high that the tenants are not ready to vacate the shops.

There are around 200 shops of waqf board and the cost of one shop is around 27-30 lakhs of Indian rupees. Waqf board is getting a meagre Rs20000/- per month rent from all these shops.

Waqf board is trying to get these properties back from the tenants as these properties are Waqfiya property and are for the benefit of the Muslim population as a whole and not for some selected few. These some selected few are taking all the benefits from these waqf properties and are not ready to distribute the income from these shops between the followers of Islam. This is the reason that waqf board is fighting cases for these properties.

The worth of one shop of 30 sq meters at govt value is INR 27 lakhs and the market value can be of 01 Cr INR or more. There are almost 200 shops there. The value of these shops is around 200 Cr INR as there is not only the commercial land but constructed shops.

The land occupied by these 200 shops is around 6000 sq meters and if a commercial mall is planned on this land by waqf board then the board may get a lot of money.

Method One

Outright Sale of the Facilities in Mall

The Hamidiya road is a commercial place and it's FAR ie Floor Area Ratio decided by the municipal corporation of Bhopal is 2.5. That means the construction can be done till 15000 sq meters and multi storey shopping mall can be made. The market rate is INR250000/- per sq meter at this road. In this way the total value of the mall can be INR 375 Cr.

The cost of construction is about INR 12000 per sq meter and the total cost for 15000 sq meters is INR 18 Cr. Other expenses if any are is about INR 60 Cr still the amount of profit is more than INR 300 Cr for Waqf board in this plan. But in this case of outright sale the property will not be with the waqf board and hence this is not possible according to Waqf rules.

Method Two

To Rent the Facilities in Mall

The established market rent is INR 500 per square meter per month at Hamidiya road. The rent amount will be INR 75 lakhs for 15000 sq meters of constructed area. The construction will be multiple stories hence we can say that at least INR 50 lakhs rent the board can get a month. This amount to INR 06 Cr per year which can be used by waqf board and property will remain with the waqf board only.

The amount of rent what Waqf board is getting now is INR 2000 per month and INR 2.4 lakhs per year, whereas in the *Method two* as shown above the board will get 06 Cr per year.

Now we can see the ROI for this property

To calculate the property's ROI:

Divide the annual return by the amount of the total investment

$ROI = \text{Annual return} / \text{total investment}$

That is INR 06 Cr annual rent or return and INR 18 Cr total investment

$= 06 \text{ Cr} / 18 \text{ Cr}$

Which is almost 33% per year and is very good by any standard

Case Two

Making a Shopping Mall at Near PHQ

The state PHQ is a commercial place in the heart of the city and its FAR i.e. Floor Area ratio decided by the municipal corporation of Bhopal is 2.5. If the board takes a piece of land of 5000 sq meters and construct a mall, the total constructed area will be 12500 sq meters and multi storey shopping mall can be made. The market rate is not decided here as there is no commercial market or centre here in the nearby vicinity.

Method One

Outright Sale of the Facilities in Mall

The cost of construction is saying about INR 12000 per sq meter and the total cost for 12500 sq. meters is INR 15 Cr approx. But in this case of outright sale the property will not be with the waqf board and hence this is not possible according to Waqf rules.

Method Two

To Rent the Facilities in Mall

As there is no established market rent at PHQ area still by taking the rent at INR 500 per meter per month the rent amount will be INR 62.5 lakhs for 12500 sq. meters of constructed area. The construction will be multiple stories hence we can say that at least INR 40-50 lakhs rent the board can get a month. This amount to INR 5-6 Cr approx. per year which can be used by waqf board and property will remain with the waqf board only.

The amount of rent what Waqf board is getting now is nil whereas in the *Method two* as shown above the board will get 05-06 Cr per year.

Now the biggest problem at PHQ is that the land is not with the Waqf board and it is encroached and the case is in the Supreme Court.

To calculate the property's ROI:

Divide the annual return by the amount of the total investment

$$\text{ROI} = \text{Annual return} / \text{total investment}$$

That is INR 05 Cr annual rent or return and INR 18 Cr total investment

$$= 05 \text{ Cr} / 18 \text{ Cr}$$

Which is almost 27% per year and is very good by any standard.

SOLUTIONS AND RECOMMENDATIONS

“Waqf properties are meant for the welfare of the entire community,” said Salim Baig, a social worker who has filed lawsuits against waqf boards. “A few bad managers are ruining the purpose of these lands, and the entire community is suffering, as a result.”

The grave situation in India and in MP:

India will have the world’s largest Muslim population by 2050, according to a recent forecast by the Pew Research Centre. Yet the community, which makes up about 13 percent of India’s population, lags the national average on indicators such as education, employment and political representation. Under Indian law, waqf property or land cannot be transferred or sold, and must be used for the community’s welfare. It is estimated that waqf boards in India hold nearly 500,000 registered properties and tracts of land, making them among the top landowners in the country. Yet several state boards have been accused in recent years of selling waqf land to developers and private buyers for low rates in return for illegal kickbacks as demand for land soars.

A 2006 report by the Sachhar Committee for minorities in India had called for an overhaul of waqf boards and stricter monitoring of properties. Waqf properties make up a land bank worth about 1.2 trillion Indian rupees (\$18 billion), and can generate an annual return of 120 billion Indian rupees. Yet it only yields about 1.6 billion Indian rupees now because of encroachments and poor management, the report said.

Several methods can be used to enhance the productivity of waqf assets. These assets can be rented out to interested parties or used for various economic activities such as agriculture and allied activities. In cases where the above methods are not suitable, then the manager of waqf properties should try to find other alternatives to make the waqf land productive. Waqf manager should also explore other avenues to optimize the usage of endowment land. A key issue in *Waqf* is to manage the waqf assets with transparency, stability, long-term planning and guidance, in this way the prospects for *Waqf* are great and the more we delay this, the more *Waqf* become vulnerable to progress (Hisham, 2013).

The solutions lie in the proper handling of following issues in India and MP:

- Encroachments on waqf properties.
- Mismanagement of waqf properties at board level.
- Mishandling of litigation of waqf properties.
- Wasted interest in waqf properties of waqf authorities.
- Idle lying waqf properties.

As we have seen in the MP where there is approx. 6000 hectares of agricultural land in waqf properties and in case of Bhopal where huge amount of costly urban land is in the form of waqf property is with the waqf boards but the output is almost nil or meagre. The real estate investment can be used as an alternative to develop the endowment land in Bhopal. In both the cases (shopping mall near PHQ and a mall near Hamidiya road) researcher shown that there is a huge potential in real estate development on waqf properties in Bhopal and huge amount can be earned and utilised for poor and under privileged persons. Real estate/property investment on waqf assets can be implemented by constructing commercial buildings such as supermarkets, hotels and residential estates.

CONCLUSION

The Messenger of Allah (Pbuh) said to his companions, “He who has land should cultivate it, but if he does not find it possible to cultivate it, or finds himself helpless to do so, he should lend it to his Muslim brother, but he should not accept rent from him.”

One of the greatest verses that encourages spending in the way of Allah is what Allah said in (2:261) *“Those who spend their wealth in the way of Allah and then do not follow up what they have spent with reminders [of it] or [other] injury will have their reward with their Lord, and there will be no fear concerning them, nor will they grieve.”*

In the light of the above words, the waqf board of MP is progressing. MP Waqf board is a very active board and with a Muslim population of 6.57% (Census of 2011) in the state of MP it has enormous potential to develop the waqf properties as the waqf assets are under its custody. The global multi-dimensional poverty index has ranked Mp the 4th poorest state in India and District Alirajpur is the poorest of 640 districts in India. According to Census figures of 2011 there are 75 million people in MP out of which almost 4.5 million are Muslims. Muslim population is more or less poor and uneducated in this backward state of MP. The Government of MP is trying hard to come out of this vicious circle of poverty and for this the waqf board is trying its best on behalf of the government for Muslims. The waqf board of MP is trying best to implement its policies of poverty reduction and increasing educational facilities via Madarsas for education of poor Muslim students and other property related schemes. Given the exciting and promising real estate growth from 10 to 11.2% in last five years in MP, India the economic development of weaker sections through Waqf is very appropriate. The unproductive waqf lands to be developed, regardless of whether the waqf lands have specific or general characteristics. This

development of Waqf must be done keeping in mind the waqf owner's wish and it must fetch economic return that can be beneficial to poor and needy.

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KEY TERMS AND DEFINITIONS

Revenue Waqf: Economically profitable investments were sometimes registered as investment or revenue waqfs in Seljuk cities. Revenues generated from rooms in inns that had been donated as such waqfs were used, for example, to cover the expenditures of the city's madrasas.

Soup Kitchen Waqf: In the Anatolian Seljuk cities, waqf founders often donated property in the form of buildings, which they allocated for charitable institutions known as imarat (soup kitchen) to serve the entire population. They also donated a portion of their wealth to create an annuity trust whose revenue was used to keep the soup kitchen going by covering its expenses.

Posterity Waqf: Posterity waqfs were established on land allotted to dervishes - the most important agents in the Turkification of Anatolia - starting in the marches or border regions.

Social Security Waqf: These waqfs Operate as the social security institution. These waqfs helped people in distress and need.

Women's Waqf: Women's waqfs also occupy an important place in waqf tradition. It shows women's contribution to social and economic life.

Waqf Libraries: One important aim of waqfs is to promote public education. To this end, public libraries are built as part of the complexes commissioned by the rulers.

Dervish Lodge Waqf: Waqf set up by benefactors to meet the needs of the dervish lodges and ensure they could provide their full line of services is called dervish lodge waqfs.

Waqf Waters: Providing water for public use and drinking is a key waqf objective, and weirs, wells and fountains are common all over the cities of the world.

END NOTES

¹ MP state waqf board

² MP state waqf board data

APPENDIX

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Chapter 6

Towards Knowledge-Based Waqf Organizations

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ABSTRACT

The world is changing at a great pace and acceleration. The role of science, knowledge, and learning has emerged, in developing and adopting appropriate methods to manage and transfer knowledge and experience within an organization and making it available for everyone to share and exchange easily, through knowledge fountains and databases. This chapter introduces the concept of knowledge management to waqf institutions and the potential contribution that can be provided by this in solving many problems and challenges confronting them, in the hope of achieving a qualitative leap in performance and restoring their leading role in societies. There is some evidence that researchers have addressed the issue of knowledge management in the context of waqf institutions. Consequently, this chapter draws attention to the importance of knowledge management for waqf institutions, with the intent of providing a comprehensive understanding of this topic and its association with the organizational performance enhancements, from different angles.

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BACKGROUND

Knowledge management is imperative for organizations, in order to survive in the current-day competitive environment (Davenport & Prusak, 1998). Knowledge management is not a new concept for profit organizations, as they are continuously confronting new challenges and huge competition in the market (Chiu & Chen, 2016; Cho & Korte, 2014; Ho, 2009; Nonaka, 1994; Seleim & Khalil, 2007). Currently, the case is not much different with non-profit organizations as they generally share the same market with their counterparts (Courtney, 2002). Recent studies have shown that NPOs from diverse sectors are implementing and adopting the concept of knowledge management and intellectual capital, for the sake of performance enhancement, innovation and survival (Iqbal, Latif, Marimon, Sahibzada, & Hussain, 2019; Kong, 2010; Masa'deh, Shannak, Maqableh, & Tarhini, 2017; Quink, 2008; Zapata Cantu & Mondragon, 2016).

Although it should be noted that knowledge management implementation and measurement are challenging tasks for all organizations, regardless of whether for a profit or non-profit organization (Holsapple & Singh, 2001; Shahzad, Zia, Aslam, Syed, & Bajwa, 2013; Yu-Chung, Shi-Ming, Lin, Quo-Pin, & Mei-Ling-Tsai, 2005). The implementation of knowledge management in NPOs is still in the infancy stage and differs from one organization to another, due to many criteria and specifications (Huck, Al, & Rathi, 2011; Lettieri, Borga, & Savoldelli, 2004; Zapata Cantu & Mondragon, 2016). As is the case with waqf organizations, taking them as an example of one of the famous Islamic charitable organizations in Muslim history, which used to contribute towards the development of the *Umma* in various aspects. Waqf institutions throughout the Muslim world are suffering from a huge decline in all aspects and their roles in developing societies have drastically decreased (Mansouri, 2013). This significant decline in the role of the waqf in societies has led to the establishment of small charitable institutions and associations, in order to bridge many gaps in the society. However, these charities and associations do not live up to the level of the Islamic waqf institutions, due to their long history, and their bright role in serving and developing societies on the one hand, and due to their huge resources and wealth, as compared to that of other associations and charitable organizations, on the other (Mansouri, 2013). Therefore, this implication from the situation of waqf organizations, highlights the need to consider knowledge management for innovation and organizational performance enhancements.

THE CONCEPT OF KNOWLEDGE

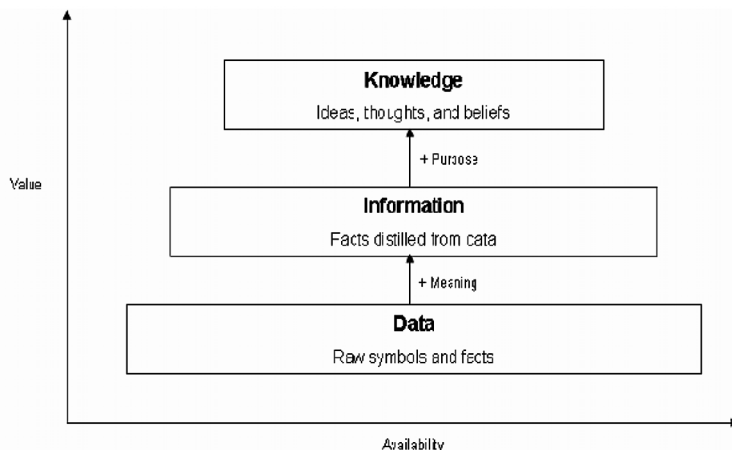
By the beginning of the 21st century, scholars and scientists in the field of management announced the advent of the knowledge-based industries or the knowledge worker age. While machines and heavy equipment remain in factories, knowledge resides within the person and goes with him. This has introduced a contemporary business era for all organizations worldwide, regardless of being public, private, for profit or non-profit, where the consideration is given to employees with knowledge, skills, valuable and renewable intellectual capital or the so called “gold-collar workers”. Yet traditionally, most organizations and businesses focus on the management of tangible assets and resources and ignore the management of knowledge assets. Unlike physical resources and assets, knowledge cannot be vanished or depleted when being utilized or sold. Indeed, knowledge is expanded and prone to further development and growth when organizations consider investing in it (Frey, 2001).

The term “Knowledge” represents the meaningful links people make in their minds between information and the way it is used in specific contexts (Ichijo, Von Krogh, & Nonaka, 1998; Von Krogh & Roos, 1996). Also, knowledge can be regarded as the output of accumulated experiences, generated through perception, or thinking and reasoning, and which has been kept in the memory (Brauner & Becker, 2006). There exist in literature different perspectives with regard to the knowledge concept, such as (a) the hierarchical view of data, information and knowledge; (b) the operational levels of knowledge; and (c) the subjective and objective view of knowledge.

Based on the hierarchical view, knowledge is explained in accordance with data and information concepts, where data is regarded as unrelated facts, yet to be interpreted by an individual. However, information is perceived to be data linked with other data, for the sake of adaptation and for facilitating the meaning and understanding, thereby presenting it in a meaningful and understandable way (Davenport & Prusak, 1998; Wickramasinghe, 2007). More specifically, when information is unified and integrated into a knowledge base, stored and kept in the memory, it turns into knowledge that is useable for different purposes. So, knowledge is created through a systematic accumulation of information (Wickramasinghe, 2007). Thereby, it should be noted that the three concepts of data, information and knowledge are not identical (Davidson & Voss, 2002). Figure 1 provides a clear description of three above-mentioned concepts. Additionally, Alavi and Leidner, (2001) stated that the key distinguishing feature between information and knowledge does not lie in the structure or content, nor in the utility or accuracy of information and knowledge, but in the fact that knowledge is personalized information, and that information resides in the individual’s mind.

Figure 1. The hierarchical view of data, information and knowledge

Source: Adapted from Davidson and Voss, 2002



The second approach in defining the knowledge concept can be traced back to the work of Anderson, Finkelstein, and Quinn, (1996) who segregated the concept of knowledge into three operational levels:

- “Know what” or the so-called the cognitive knowledge which represents the fundamental disciplinary knowledge, obtained through formal qualifications, studies and training.
- “Know how” which represents the stage of practical application. This is the stage where the obtained learning at the “Know what” stage is translated into action. Also, it is a stage where most professional knowledge enhances and adds value to an organization through the ability of translating knowledge, on the theoretical basis, into practical effective execution.
- “Know why” or the so-called “understanding the system”. This stage represents the profound understanding and knowledge of the networking of the cause and effect relationship underlying the area of concern. It enables experts to step beyond the stage of executing tasks for the sake of solving more complicated and complex issues and to create new solutions for anticipated problems and challenges.

The third approach of defining the concept of knowledge categorizes it into objective and subjective (Sabherwal & Becerra-Fernandez, 2003). According to the objective perspective, knowledge is regarded as an independent object of individual perception, which can exist and reside in various forms and locations (Hedlund, 1994). Thereby, the objective perspective considers knowledge as an object that can be kept and manipulated (Carlsson, El Sawy, Eriksson, & Raven, 1996). On the other hand, the subjective perspective considers knowledge as part of individual perception, which keeps developing through social interactions and creation of concepts and meaning (Venzin, Von Krogh, & Roos, 1998). Based on the subjective point of view, knowledge should be exclusively bound to individuals; or else it should be regarded as information and data (Brauner & Becker, 2006).

Thereby, knowledge is embedded, and can be found only in the mindset of individuals (knowledge base), while information and data can be stored in external storages and devices, such as books, internet, databases and so on. This distinction between the two perceptions of knowledge is crucial, due to the accessibility differences issue. While data and information can be easily made accessible for individuals, regardless of their location and time, the subjective perspective indicates that knowledge can be accessed only if the individuals who possess it are available, able, and willing to display and share their knowledge (Brauner & Becker, 2006).

Based on different views of the concept of knowledge, different perceptions of knowledge management have emerged (Carlsson et al., 1996). For instance, if knowledge is regarded as an object, knowledge management should be concentrated on establishing and managing the stocks of knowledge (Alavi & Leidner, 2001). However, if knowledge is considered as a subject, knowledge management should be directed towards the enhancement of individual learning and understanding through the provision of information, or building core competencies, understanding the strategic advantages of know-how, and establishing intellectual capital (Alavi & Leidner, 2001).

THE CONCEPT OF KNOWLEDGE MANAGEMENT

As quoted from Frey, (2001) knowledge management (KM) is a holistic cluster of sustainable, proactive, conscious and comprehensive organizational and business activities, that encompasses enterprise-wide processes, techniques, and professional practices and interactions. These activities are directed toward; creating, identifying, collecting, indexing, codifying, organizing, evaluating, making visible and actionable, accessing and leveraging institutional knowledge for conservation, distribution, and reuse. In other words, KM is a system or a framework that integrates people, processes and technology to achieve sustainable results, by increasing performance

through learning (Gorelick & Tantawy-Monsou, 2005). KM aids in the planning, organizing, motivating and controlling of people, processes and systems within an organization, in order to ensure that its knowledge-related assets are continuously improved and effectively employed (Rajesh, Vidyasagar, & Varma, 2011).

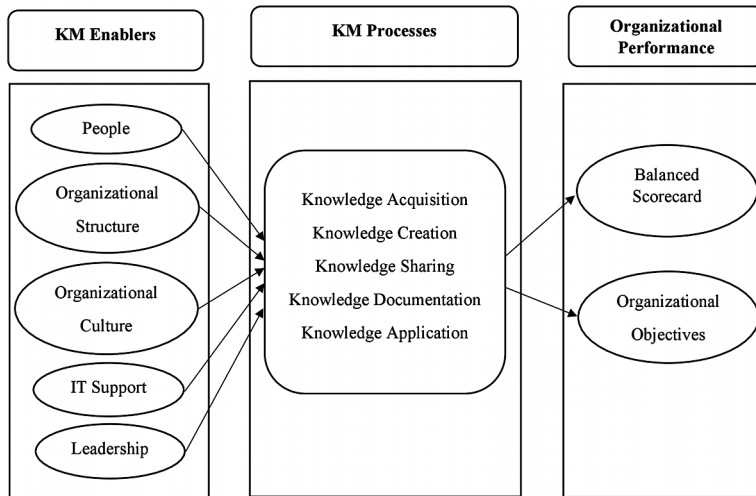
KM is a wide-ranging concept that emphasizes on three main factors for managing knowledge, namely; KM enablers, KM Processes, and organizational performance (Beckman, 1999; Demarest, 1997; O'Dell & Grayson Jr, 1999). KM enablers (infrastructures) are regarded as organizational mechanisms, aimed at fostering knowledge on a continuous basis (K Ichijo, Von Krogh, & Nonaka, 1998). They are also identified as influencing factors that play a vital role in stimulating knowledge creation, knowledge protection, and facilitating its sharing within the organization (Stonehouse & Pemberton, 1999). Beijerse, (2000), p. 165, defines it as the management of information within an organization, through directing the strategy, structure, culture and systems and the capacities and attitudes of people, with reference to their knowledge. It is the achievement of the organization's goals by making the factor knowledge productive.

The importance of KM enablers lies in their played role as a supporting backbone for the organization, which enhances the performance and efficiency of KM processes (Sarvary, 1999). Therefore, if organizations introduce a knowledge management initiative without considering the support of KM enablers, they will soon realize that the investment in KM has not generated the expected outputs they strived for (Nahm, Vonderembse, & Koufteros, 2003; Walczak, 2005). Researchers in the field of strategic management have introduced a variety of influencing factors as preconditions to effective knowledge management processes (Quink, 2008). Factors such as organizational culture, organizational structure, technology, people, leadership and so on (Lee & Choi, 2003; Quink, 2008; Zaim et al., 2007).

KM processes combine the main activities such as creation, storage, sharing and knowledge application, that represent a structured coordination in charge of managing knowledge efficiently (Alavi & Leidner, 2001; Beckman, 1999; Gold, Malhotra & Segars, 2001). KM processes can also be defined as the process which, through creating, gathering, managing and utilizing knowledge, supports achieving the objectives and thereby improves organizational performance (Darroch & McNaughton, 2003). Quintas, Lefere, and Jones (1997), define it as the process of constantly managing all kinds of knowledge to meet current and emerging needs, to identify and utilize and gain knowledge assets to develop new opportunities. Researchers in the field of strategic management have recognized many processes of KM such as; knowledge acquisition, knowledge creation, knowledge documentation, knowledge transfer and knowledge application (Filius, De Jong, & Roelofs, 2000; Ramadan et al., 2017; Seleim & Khalil, 2011).

Figure 2. Comprehensive model of KM enablers, KM processes and organizational performance

Source: Adapted from Gold et al., 2001; Choi and Lee, 2003; Lee and Lee, 2007; Ramadan et al., 2017



THE IMPORTANCE OF MANAGING KNOWLEDGE IN ORGANIZATIONS

Though knowledge may be hard to classify, measure and understand, it certainly has critical influence over the outcomes of businesses and organizations (Soo, Devinney, Midgley, & Deering, 2002). There exist numerous reasons and motives for managing knowledge such as; it is considered the most crucial resource for competitive advantage accomplishment (Ding & Li, 2010; Drucker, 1993; Kong, 2008; Nonaka, 1991). Furthermore, KM is regarded as a strategic tool or activity which enables organizations to manage the resources they are held responsible for, in the current rapidly changing environment (Ho, 2009). Also, the flow of knowledge and interdepartmental networking or across different organizations, are considered the essential key of successful innovation processes (Ding & Li, 2010). At the same time, it has been long proven that efficient and effective KM would result in a positive influence over organizational performance (Cho & Korte, 2014; Gold et al., 2001; Iqbal et al., 2019; Lee & Choi, 2003; Lee & Lee, 2007; Zack, McKeen, & Singh, 2009).

Most importantly, the processes of KM can play a significant role in lessening the loss of knowledge resulting from the leaving of, or rapidly aging, workforce and other aspects of human resources such as; maintaining and attracting younger workers (Liebowitz, 2006; 2016). The loss of knowledge due to workforce departure

is a big challenge confronting all organizations, particularly non-profit organizations (NPOs) where this is not a new issue, yet now enhanced efficiency and innovation are becoming increasingly significant for the NPO sector (Jaskyte & Dressler, 2005; McDonald, 2007). Nowadays NPOs are commonly operating in an extremely competitive environment, characterized by high service demands from society, increasing contract competition between public organizations and NPOs, declining volunteer support, and most crucially the cutting of budgets and tightening of government funding sources. Therefore, these pressures and difficult hurdles require NPOs to act and operate in a comparable way to for profit organizations aiming at competitive advantage through continuous innovation and efficiency (Craig, Taylor, & Parkes, 2004; Dart, 2004; Jaskyte, 2004; Jaskyte, Byerly, Bryant, & Koksarova, 2010; Lyons, 2001; Ramia & Carney, 2003; Tuckman, 1998).

CURRENT ISSUES IN THE MANAGEMENT OF WAQF INSTITUTIONS AND REFORM TRENDS THROUGH THE LENS OF KNOWLEDGE MANAGEMENT

Most waqf institutions throughout the Muslim world suffer from many issues and challenges that restrict their performance and hinder them from fulfilling their intended role. Most problems confronting waqf institutions are related to administration, management and liquidity and can be linked in one way or another to knowledge management. Among which are government supervision and control over Awqaf (plural of waqf). Most waqf institutions in the Muslim world are under the ministry of Awqaf and religious affairs, which expose them to the direct intervention of the state and governments (Mansouri, 2013; Mesdour, 2008). This intervention in most cases exposes Awqaf to neglect, poor performance and efficiency and so on, due to multiple tasks of governments and state institutions.

For instance, Mesdour, (2008) in his study about the Algerian experience in the management of Awqaf, called for urgent reforms and separation of Awqaf from other states religious affairs for the sake of performance enhancement and Waqf empowerment, as is the case with the ministry of Awqaf in Kuwait which introduced the General Secretariat of Awqaf as an independent entity to oversee and manage the Awqaf in Kuwait in 1993 (Kahf, 1999). And the example of Warees company which is an independent and private endowment asset management entailed with the management of Awqaf in Singapore. Warees acts as Waqf agent of *Majlis Ugama Islam Singapura*¹ (Muis). Worth noting that the General Secretariat of Awqaf in Kuwait and Warees in Singapore; are considered among the best and successful examples of Waqf institutions nowadays.

Moreover, government supervision and control over Awqaf will result in the issue of centralization that might worsen the case of management even more (Mansouri, 2013). This is because, it entails waqf institutions to seek permission hierarchically from government departments before taking minor actions that are considered as a daily routine for the operation of an organization. What is worst, most waqf institutions lose the “organizational spirit”. As well-known institutions that used to contribute towards the development of societies throughout history. Their active role as fully established and independent entities that used to bridge the gaps in societies, and contribute even to the economy of states, has been reduced to low levels. In addition to the Absence of the concept of governance and its foundations due to the subordination of the Waqf Foundation to the complex government ministries (WBG, INCEIF, & ISRA, 2019). This makes it difficult to rationalize and make decisions that serve the interests of Waqf in societies. Taking the case of MUIS as a good example, where they established an enhanced Waqf dispute resolution framework in August 2016 aiming at strengthening governance by enabling waqf agents (*Mutawallis*) to solve disputes amicably, and without legal proceeding, for the best interest of the Waqf.

Besides, most Waqf institutions which are directly supervised and controlled by states and governments, suffer from issues related organizational structure. This latter is directly linked with crucial factors such as professionalism and leadership (Bakar, Hussain, & Hamed, 2017). In other words, most Waqf institutions controlled by the state, are designed, shaped and administered in a way which hinder the performance and discourage creativity and innovation. Among the few recent studies stressed on the issue of organization structure in waqf institutions, the study conducted by Bakar et al. (2017) in the case of Waqf institutions in Malaysia, which most of them are managed by the State Religious Islamic Councils (SIRCs) in the country. The study was based on interviews with Waqf employees for the sake of exploring and identifying differences in the organization structure of waqf management in Malaysia. Among their important findings is that; most SIRCs do not have the authority to hire more staff, nor to change their organizational structure.

In the same context, Nurul Azma and Muhammad Nasri, (2015) conducted a study to assess the performance of *Perbadanan Wakaf Selangor*² (PWS) as a separate entity established out Majlis Agama Islam Selangor³ (MAIS) in 2009, to oversee the management and development of Awqaf in Selangor. The finding indicates that changing the organizational structure has resulted significantly at the performance enhancement of PWS, particularly in the collection of cash Waqf. On the other hand, the non-stimulating environment for learning, development and the exchange of experiences and knowledge among workers play a key role in the underdevelopment of Waqf institutions in many regions. The system of closed rooms and separated interests play the role of barrier in the dissemination of knowledge among members

within an institution, as in the case of government departments and many related Waqf institutions.

Another issue confronting waqf institutions, resulting primarily from the direct intervention and control of governments over Awqaf, is the issue of the lack of qualified and trained labor (Al-Salahat, 2003; Bakar et al., 2017; Mansouri, 2013; WBG et al., 2019). Although, waqf employees cannot be blamed to the extent of being responsible for the performance of waqf institutions, as most of them consider themselves performing a routine job on a daily basis in a comparable way to state government departments. This mindset might cause waqf employees to look for promotion and other benefits, rather than solving the outstanding issues related to Awqaf, and looking after innovation and performance enhancements. This is because the problems confronting Awqaf are considered too difficult to be solved by the waqf employees themselves, or in other words, these problems are beyond their capability, which requires the existence of an integrated system that considers a learning environment, qualified, trained and skilled workers along with government and political will and other factors, for the sake of achieving performance enhancements. In addition, most waqf institutions are not considered technology-based institutions or rely less on the advancement of technology. Also, they have poor communication and documentation systems. Furthermore, most waqf institutions still rely heavily on the paper work that dissipates worker efforts (Mohammed Al-Humaidan, 2006).

THE IMPLEMENTATION OF KM WITHIN WAQF INSTITUTIONS: THE WAY FORWARD

There exist a number of barriers that stand as a stumbling block for KM implementation within organizations (Daghfous, 2003). To name but few, organizational blindness due to the stagnation of knowledge embedded in procedures over time, which is referred to as the situation where staff and employees believe that current practices are the best (LaMonica, 2001), or the situation where people stop learning. In addition to the absence of governments and political will, organizational culture that discourage knowledge sharing, ambiguous reward systems, lack of communication, insufficient time for learning and training and the complexity of technological systems (Davenport & Prusak, 1998; LaMonica, 2001).

The essential key of waqf institutions successful implementation of KM relies at first on the realization of core capabilities, unique features and specifications (Daghfous, 2003). Core capabilities are best referred to as the organizational resources, abilities or processes that are hard to imitate which make a company different from other competitors for the sake of achieving market success (Rumelt, 1987; Schoemaker, 1992). In the case of waqf, core capabilities can be defined as the

organizational resources, abilities or processes which make a waqf institution unique from other organizations and helps in achieving societal and economic aspects in a sustainable way. There is a significant body of research which direct institutions in turning KM into a core capability such as the four dimensions framework introduced by Leonard-Barton, (1995). First, skills and knowledge which are specifications and techniques related to the firm along with scientific understanding. It represents knowledge integrated into everyone's job and specific workplace knowledge and skills, where if competitors can imitate products of a company, specific firm skills and tacit knowledge cannot be imitable and separated from employees (Davenport & Prusak, 1998; Sbarcea, 1998). In the case of Waqf, organizations should seek having professional and highly qualified employees willing to share knowledge and learn on a continuous basis and contributes towards innovations and performance enhancements.

Second, physical systems which represents systems built by the company over time and where skills and knowledge stored such as software, databases and so on (Tiwana, 2002). Third, managerial systems which represent the organized routines and procedures that guide resource accumulation and deployment such as innovation and improvement systems (Leonard-Barton, 1995). Fourth, values and norms which represent the patterns, behavior and beliefs within an organization that help defining the acceptance level of new initiatives and techniques. In other words, it reflects the culture and basic assumptions of the company founders. In the case of waqf, organizations should focus on retrieving the essence and spirit of waqf through setting waqf values and establishing a learning environment in which all individuals are commitment to excellence, failures and risk taking are tolerated, and outside ideas are welcomed.

Distinction has to be drawn between core capabilities which mirror the identity of an organization, and other capabilities which are referred to in this chapter as KM enablers and KM processes. These capabilities are meant to add value to core capabilities that in turn give a company its competitive edge (Daghfous, 2003). It worth nothing that the up-mentioned capabilities could be best applicable to fully established and independent entities. Therefore, governments and states are highly encouraged to introduce waqf under a separate institution or entity to oversee all matters related to waqf and to act for the betterment of its interests.

To sum up, as stated earlier KM is a system or a framework that integrates people, processes and technology to achieve sustainable results by increasing performance through learning (Gorelick & Tantawy-Monsou, 2005). The concept of KM can be separated into two main categories namely; KM enablers (infrastructures), and KM processes. KM enablers are believed to act as a backbone of KM processes. In other words, successful implementation of KM processes relies heavily on the presence of KM enablers, which are believed to contribute positively towards performance

enhancements eventually (Cho & Korte, 2014; Ho, 2009). Based on a significant body of literature, researchers have recognized a number of elements constituting KM enablers (Gold et al., 2001; Iqbal et al., 2019; Lee & Choi, 2003; Lee & Lee, 2007). Among which are; organizational structure, organizational culture, people, technology support and so on. Similarly, researchers have recognized a number of KM processes such as; knowledge acquisition, knowledge creation, knowledge sharing (transfer), knowledge documentation (codifying), knowledge application, and so on (Ramadan et al., 2017).

It should be noted that KM practices are applied implicitly or to varying degrees in waqf institutions. However, most do not consider it a key source of competitiveness, survival and continuity. Considering the issues and challenges confronting the management and performance of most waqf institutions throughout the Muslim world, realizing the importance of KM might provide some sort of solutions for the above-mentioned issues and obstacles. For instance, waqf institutions should consider which type of organizational structure might best support their performance and assist them in meeting their objectives. Organizational structure covers the aspects of both centralization and decentralization and knowing the impact of each type of them over the performance, would be of great importance for the operation of waqf institutions.

Similarly, as part of KM enablers, organizational culture covers the aspect of (trust, collaboration, learning, etc.). Building an organizational environment, which supports continuous learning and improvements at the individual level, through training, seminars, workshops, etc., would result in having highly qualified and skillful workers. Also, an organizational environment which supports the culture of trust and collaboration among employees, would result in efficient achievement of organizational objectives. Therefore, the concept of KM might help waqf institutions in retrieving the “spirit of organization”.

In addition, establishing an IT support (technology) system within waqf institutions would facilitate the work of employees, enhance communication skills, build a strong networking system, acquire new knowledge, and establish the best practices of the sector. These would bring waqf institutions together across borders and intensify efforts to serve the interests of the waqf and to overcome the challenges. Implementing the concept of KM would entail waqf institutions having a working environment which facilitates knowledge sharing within different departments and among workers. This would support the process of innovation. Also, knowledge sharing with external bodies and organizations operating in the same environment, would improve the networking of an organization, which would in turn result in acquiring new knowledge and competitive advantage in the market. Being an institution, which acquires and creates its own knowledge and practices, would necessitate documentation for the sake of protection, learning, anticipation and so on. Although, not all forms of

knowledge could be documented. However, documenting what is possible might help waqf institutions in many aspects such as, integrating new workers, time and cost effectiveness, innovation, facilitating knowledge application and learning from the best practices in the sector.

CONCLUSION AND RECOMMENDATIONS FOR FUTURE STUDIES

This chapter has broadly demonstrated the concept of knowledge management, and simultaneously the role of knowledge management infrastructures (enablers) and processes; in particular, what the requirements are that should be met for better implementing knowledge management within an organization. Furthermore, this chapter discussed the advantages and importance of adopting and implementing knowledge management in waqf institutions. Next, by screening a number of literatures in the field of knowledge management, this chapter introduced a conceptual framework that could be adopted by waqf institutions, and empirically tested in future studies, to explore and investigate the current practices of knowledge management within waqf institutions in different countries. This will provide a comprehensive view on where to start in improving the performance of waqf institutions. Implementing the concept of knowledge management would be of high importance since it treats waqf institutions as independent supervisory units with huge resources. In other words, it introduces the institutional or organizational notion to waqf, instead of units related directly to ministries or departments, as is the case with most Awqaf in Muslim countries. In addition, this concept focuses on the internal organizational aspects of an organization, which determines its strengths and weaknesses, rather than emphasizing on the external aspects. While this chapter provides a comprehensive understanding and view with regards to knowledge management practices within an organization, it is advisable for waqf institutions, academicians and practitioners to consider each construct of the model individually and to study it deeply, to enable further adaptation within the specifications of waqf institutions. And finally, to facilitate its implementation in waqf institutions throughout the Muslim countries.

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Towards Knowledge-Based Waqf Organizations

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KEY TERMS AND DEFINITIONS

Knowledge: Is an outcome of accumulated experience acquired through facts, information, perception and thinking.

Knowledge Management: Is a wide-ranging concept that emphasizes on three main factors for managing knowledge, namely; KM enablers, KM Processes, and organizational performance. KM is regarded as a strategic tool that assist organizations in managing the resources, they are held responsible for, in the current rapidly changing environment.

Knowledge Management Enablers: Are best known as a supporting backbone or influencing factors for the success of knowledge management processes.

Knowledge Management Processes: They are referred to as the processes of acquiring, creating, transferring, documenting and applying knowledge.

Waqf Institutions: Are best understood as NPOs that are responsible for managing *waqf* funds and properties (endowments) in Muslim countries.

ENDNOTES

¹ *Majlis Ugama Islam Singapura* = Islamic Religious Council Singapore


² *Perbadanan Wakaf Selangor* = Selangor Waqf Corporation

³ *Majlis Agama Islam Selangor* = Islamic Religious Council Selangor


Chapter 7

Waqf Education for Economic Growth: An Indian Perspective

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ABSTRACT

The foundation of waqf (religious endowment), an act of establishment of a charitable trust, often in the form of a property or any legitimate fund-generating estate – for which public utilities are designated as recipients of the yields, among different purposes – laid the foundation of an independent means of financing for education across the Muslim world. In recent years, overall cost of education has been increasing, despite intervention from the government in the form of grants and soft loans. In general, parents and students alike face the burden of ever-increasing fees to enroll in the higher education learning institutions while the education institutions themselves also face increasing costs to operate and provide quality education. Waqf is an Islamic financial instrument which can be utilized in solving various educational issues in India. It is a known fact that waqf education institutions are significant assets in the development of skill and knowledge amongst the Muslim communities.

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INTRODUCTION

“Central Wakf Council, India is an Indian statutory body established in 1964 by the Government of India under Wakf Act, 1954 (now a sub section the Wakf Act, 1995) for the purpose of advising it on matters pertaining to working of the State Wakf Boards and proper administration of the Wakfs in the country. Wakf is a permanent dedication of movable or immovable properties for religious, pious or charitable purposes as recognized by Muslim Law, given by philanthropists. The grant is known as *mushrut-ul-khidmat*; while a person making such dedication is known as Wakf”.

The concept of waqf for education to ensure a more reasonable and sustainable education in the country. This paper focused on growth of higher learning institutions through a waqf perspective to make higher education more accessible towards the economic development of country. The waqf concept has been utilized for diverse purposes like eradication of poverty, providing shelter and also for educational empowerment and economical development of the country. In general, the fundamental objective of waqf concept is to provide assistance to the needy and poor people.

“Waqf is an Islamic financial instrument which can be used to resolve educational problem. It is a well-known truth that waqf learning institutions are major resources in the improvement of knowledge amongst the Muslim communities in country like India”. It offers opportunities not only to obtain knowledge but also guide to Muslims towards good deeds. This paper will assess the early growth of educational waqf in Islamic civilisation during the days of the Prophet Muhammad (pbuh) and the present day educational waqf system in India.

BACKGROUND OF WAQF INSTITUTION

“The origin of the Waqf is traced to the Prophet Muhammad (Peace be upon Him) and his companions. Of the two mosques, Quba Mosque and the mosque of the Prophet Muhammad (Masjid Al Nabawi) are examples of Waqf. Moreover, Umar bin Khattab (May Allah (SWT) be pleased with him) has donated a piece of land in Khaibar as Waqf”.

“Besides *waqf* for worshipping purposes, the most important *waqf* in the history of Islam was the development and dissemination of knowledge through educational institutions. This type of *waqf* had been introduced since the time of the Prophet Muhammad SAW, whereby the Prophet’s mosque in Madinah Al-Munawwarah was not only used for worshipping. Prophet Muhammad SAW used the mosque to develop the understanding of *sahabah* regarding the teaching of Islam. Most of these activities took place after the Maghrib prayer or it could be in other times. After Muslims grew not only in the vicinity of Medina, the mosques in many places

besides Medina had been used by the *sahabah* as the center for Islamic teaching (Ramadhan Al-Buthi, 1991)”.

“The *waqf* deeds not only focused on the establishment of school and madrasah, but also the establishment of library that collects a lot of books, which are very important in the development of knowledge and education. This library has existed since the time of Umar al-Khattab RA. However, the establishment of a large library that consists of books and research activities was done by Harun Al-Rashid of the Abbasiyyah caliph. He donated his wealth to build the library known as Baitul Hikmah in Baghdad. The library is considered to be an early prototype of an Islamic university model developed in various parts of the Islamic world (Ahmad Salabi, 1973)”.

All the basic principles of the classical Islamic law, pertaining to waqfs, particularly that of the Hanafi School are also valid in India.

Legal Provisions of Waqf Institutions Under Indian Waqf Act

“The earliest known waqf in India can be traced back to the last years of the twelfth century when Muhammad ibn-Sam, one of the Ghurid Sultans, established a waqf in his name. After the establishment of the Delhi Sultanate (1206) many other waqfs followed. One of these was the waqf endowed for the maintenance of the tomb of Sultan Qutb Uddin. Sultan Muhammad bin Tuqlaq had appointed Ibn Batuta, the famous Arab traveller, as the trustee of this particular waqf”.

“Central Waqf Council is a statutory body under the administrative control of the Ministry of Minority Affairs was set up in 1964 as per the provision given in the Waqf Act, 1954 as Advisory Body to the Central Government on matters concerning the working of the Waqf Boards and the due administration of Auqaf. However, the role of the Council was expanded significantly under the provisions of the Waqf (Amendment) Act, 2013. The Council has been empowered to advise the Central Government, State Governments and State Waqf Boards. The 12th Council was constituted on 4th February, 2019 as per provision given in Sub Section (1) and (2) of Section 9 of the Waqf Act, 1995. The Council has been empowered to advise the Central Government, State Governments and State Waqf Boards. It will now issue directives to the boards/ State Government to furnish information to the Council on the performance of the board particularly on their financial performance, survey, revenue records, encroachment of Waqf properties, Annual and Audit report etc under section 9 (4) of the act”.

Difference Between Waqf and Trust

A waqf may be constituted only for those purposes which are recognized as religious, pious or charitable in Islam whereas, a trust may be constituted for any lawful object. However, it must be noted that the Indian Trusts Act is applicable also to Muslims.

Central Waqf Council is a statutory body under the administrative control of the Ministry of Minority Affairs that was set up in 1964, as per the provision given in the Waqf Act, 1954, and was responsible for:

- To implement Educational and Women Welfare Schemes for skill development and to empower the poor, specially Women.
- To undertake awareness programmes to promote the interest of the Council and to sensitize the Waqf institutions about their new roles and responsibilities.

CONCEPT OF WAQF

Waqf is the endowment of resource in perpetuity and preserving it for the benefit of certain philanthropic acts and prohibiting the use or disposition of it outside the specified objectives of the *waqf* and the wishes of the endower. From an economic point of view, freezing or holding *māl* prevents its consumption and provides a continuous extraction of its usufruct for the benefit of the objectives of the *waqf*.

The *waqf* term means *stop* and *detain*. We can define waqf as an institutional term as giving goods and for charity purposes without buying rights. So, it can be thought as giving up private property

rights. This definition is important, because the waqf goods do not belong to state or individuals. We can see the waqfs as social property (Aydn, 2003:314).

The waqfs were established primarily to meet the people's needs. The waqfs that are founded for moral and material needs have been ongoing for centuries. Thus, the establishment of waqfs cannot be connected only material purposes or only moral purposes. They are the institutions that provide moral and material integrity (Kurt, 1997:508).

LITERATURE REVIEW

History and Developments of Waqf

According to Muhammad Ridhwan Ab. Aziz (2012), since the beginning of Islam, in the early seventh century, a lot of learning activities were financed by *waqf* and charitable assistance. *Waqf* in education is not an innovative growth in Islam. It is a past truth that Muslim civilization depended significantly on *waqf* for the financial support of education at the entire stage.

The concept of contributions and benevolence in Islam “that is principally established with the purpose of helping the unfortunate and needy with the means of nourishment and fundamental requirements of life” could be traced back in several verses of the holy Quran and prophetic background as well (Mahmud, 2006).

The wealth should be circulated among all the members of the society (al-Hashr, 59:7) and should also be purified through charity (al-Taubah, 9:103). The charity is divided into “voluntary charity called *sadaqa*, including *waqf* involuntary charity called *Zakat* (Bonner, 2005)”.

“Nik Hassan (2008)” repeated that it had been confirmed in the ancient times, mainly during the Ottoman Empire, that *waqf* and economy was highly connected in a optimistic way. As the *waqf* foundation was flourishing, the country’s financial system. The better the amount of *waqf* assets, the larger the choice of private sector participation and the more improvement the nation. There is a positive relationship between dynamic private sector’s involvements in the economy with public financial growth.

The Muslims have willingly given out of their wealth for the assistance of others in the form of *waqf*. In the history of Islamic civilization, it is clear that “the scope, effect, magnitude and viability of *waqf* has been far greater than any other voluntary institutions in Islam such as *sadaqah*, *hibah*, *wasiyah*, *qard*, and *nadhr* (Islahi, 1996: 367)”.

Importance of Waqf

“*Waqf* as an element of disbursement in the path of Allah also inspire the circulation of wealth in the society as envisaged by the Holy Qur’an” (al-Hashr [59]:7). The inspiration towards *waqf* given by the Prophet and the assured permanent and the hereafter rewards which motivated Muslim community. This motivation could efficiently keep away from “hoarding and idle wealth” leads to economic progress.

“All classes of extremely needy people such as the poor, widows, divorcee, orphans, handicaps, olds, terminally-ills, or may be from the normal group of people who are in the need of financial assistance for some specific purposes, projects, tasks and undertakings such as for the studies, researches, marriages, pilgrimages and whatsoever is considered as *Shariah*-compliant deeds and acts and comes under waqf” (Abu Zuhra, 1972).

“The objectives of the welfare-related *Waqf* are concerned they are non-exhaustive”. The *Waqf fund* may be specified and used for the purpose of promoting all kinds of human prosperity if not the purpose contradicts and violates any of the *Shariah* rulings (Ibn-e Qudama, 1998).

“*Waqf* is multi-functional and multi-purpose faith-based institution. It is voluntary act of charity under the label of *ṣadaqah* and *infāq* (provisioning)”. The waqf organizations have played a fundamental role in helping the community and social services needs. The *waqf* foundations supported as “financially self-sustainable voluntary charitable public institutions that were legally irreversible and semi-autonomous in their administrative structure (Argun, 2013)”.

The contribution in form of waqf used for a variety of public welfare services, to communities and was solely focused on the welfare of the community.

The Need of Waqf Funds for Educational and Economic Empowerment

“India is the second largest populous country of the world and is home to more than one hundred fifty million Muslims. The number of Muslims living in the country is second largest as a whole and comes just after Indonesia in terms of biggest Muslim population in a country (Zissis, 2007)”.

India can boast to be the country with the largest number of waqfs. The total has been estimated as exceeding 250,000. Indian Muslim Awqaf or Trusts are running 2,500 secular and technical schools, colleges, and orphanages and at least 60,000 madrasahs and 200,000 mosques (Rashid, 1987: 93; Rashid, 1997).

It is important to note that educational institutions have played a major role for the growth of the general public. “Education is a key factor to alleviate poverty in society and continuously improve its well-being. Education in general has been the second largest user of Waqf revenues (Zheng, 2014)”.

“Higher education Institutions are faced with increasingly competitive and commercial environments turned to the strategy of addressing the quality of service delivery and related factors as a way of obtaining a competitive advantage in the current competitive developing time. (Brown & Mazzarol, 2009)”.

Waqf endowment became a pillar in the religious, social, cultural, scientific, economic and political life of Islamic society. Even non-Muslims in Muslim countries established waqf for the benefit of their communities. For every conceivable enterprise of social benefit there was a waqf. There were waqf for mosques, universities, schools, hospitals, orphanages, houses for the poor, food for the poor, the blind, battered / abused women, soup kitchens, wells, aqueducts, fountains, public baths, watchtowers, bridges, cemeteries, salaries, pensions, guest houses, libraries, books and animal welfare (Imtiaz, 2009).

The cost of education, in particular higher and tertiary education, has been on an ever increasing trend and in countries such as the USA, where it has been well documented that the rate of increase in higher education costs has consistently outstripped the rate of inflation. The situation is no different in Malaysia, and this trend is worrisome because the increasing cost of higher education may lead to less people being able to afford higher education and may be forced to forgo it altogether. In other words, higher education will be an elite product which can only be afforded by the wealthy.

Prospects of Economic Growth

“*Waqf* could be regarded as a fundamental economic institution for purpose of generating economic activities whilst at the same time ensuring that the benefits will accrue to certain parts of the society (Alhabshi, 1991)”.

“*Waqf* is designed for the socio-economic development of both the Muslim and non-Muslim communities. It is a system for financing community development (Hodgson, 1974). *Waqf* provides a socio-economic system whereby the endowed capital is preserved in perpetuity while the income generated from investing the bequeathed capital is used as a perpetual donation for the designated beneficiaries”.

“Basically, waqf is not a part of government income or expenditure, rather it is a charity given voluntarily by well-to-do Muslim people in the society to serve public interests and enhance their welfare. Having financed by waqf fund, the government therefore can save a great amount of its budget and expenditure which initially planned for public interests. This budget then could be effectively channeled to other important development activities. It is in this sense that waqf institution can replace the government’s burden and responsibility and reduce its participation in the economy (Nik Hassan, 2008: 12)”.

“*Waqf* is therefore a peculiar combination between the act of saving and the act of investment. It operates by taking certain resources off consumption and simultaneously putting them in the form of productive assets that increase the accumulation of capital in the economy. The *waqf* implies a sacrifice of a present consumption opportunity for the benevolent purpose for providing income and services for the society and following generations (Kahf, 1998: 6)”.

RESEARCH METHODOLOGY

To achieve the objectives of this study, content analysis is adopted to review the literatures on perspective of waqf education and economic growth obtained from secondary information such as articles, published journals, books, manuscripts and mainly from the various schemes (educational and economical) implemented by ministry of minority affairs, Government of India.

THE WAQF SCHEMES OF INDIA

Central Waqf Council Ministry of Minority Affairs, Government of India

- Shahari Waqf Sampatti Vikas Yojana (SWSVY).
- Quami Waqf Board Taraqqiati Scheme (QWBTS).
- Educational Scheme.

Shahari Waqf Sampatti Vikas Yojana

Shahari Waqf Sampatti Vikas Yojana (Former Scheme for Grants-in-aid to Waqf Development of Urban Waqf Properties).The Scheme for the “Development of Urban Waqf Properties. Under this scheme the Council has been providing loan assistance through the respective State Waqf Boards for taking up economically/ commercially viable buildings on Waqf land, such as commercial arcades, Marriage halls, Hospitals, Cold Storage etc”.

Quami Waqf Board Taraqqiati Scheme (QWBTS)

This scheme introduced “new components of award for Mutawali/Management committees of waqf properties in order to give recognition to excellence in management of waqf institutions and encourage Mutawali/Management committees to adopt the best practices in computerization of their operations contributing towards improvement in functioning of the waqf institutions”.

Educational and Women Welfare Scheme

The Council has decided to implement following two programs:

1. Coaching for the Muslim Students for competitive examinations for jobs which are based at graduation level in consultation with Jamia Millia Islamia, New Delhi, Jamia Hamdard, New Delhi and Aligarh Muslim University (AMU), Aligarh.
2. Training Program for women for their empowerment through NGOs in the trades of (i) Tailoring and Knitting (ii) Food Processing (iii) Embroidery and (iv) Cloth Printing.

SCHEMES FOR EDUCATIONAL AND ECONOMIC EMPOWERMENT: THE INDIAN GOVERNMENT'S EFFORTS TOWARDS MAKING HIGHER EDUCATION ACCESSIBLE

Educational Empowerment:

1. Scholarship Schemes.
2. Maulana Azad National Fellowship (MANF).
3. Padho Pardesh - Scheme of Interest Subsidy on Educational Loans for Overseas Studies for the Students Belonging to the Minority Communities.
4. Naya Savera - Free Coaching and Allied Scheme.
5. Nai Udaan - Support for Students for preparation of Main Examination who clear Prelims conducted by UPSC/SSC, State Public Service Commission (PSC) etc.

Economic Empowerment:

1. **Skill Development:**
 - a. Seekho aur Kamao (Learn & Earn).
 - b. USTTAD (Upgrading the Skills and Training in Traditional Arts/ Crafts for Development).
 - c. Nai Manzil.
2. **Special Needs:** Nai Roshni - The Leadership Development of Minority Women.

Educational Empowerment

Scholarship Schemes

1. *Pre-matric Scholarship Scheme:* The scholarship at pre-matric level will “encourage parents from minority communities to send their school going children to school, lighten their financial burden on school education and sustain their efforts to support their children to complete school education. The scheme will form the foundation for their educational attainment and provide a level playing field in the competitive employment arena. Empowerment through education, which is one of the objectives of this scheme, has the potential to lead to upliftment of the socio economic conditions of the minority communities”.
2. *Post-matric Scholarship Scheme:* It provides that a “post-matric scholarship scheme for meritorious students from minority communities would be implemented. The objective of the scheme is to award scholarships to meritorious students belonging to economically weaker sections of minority community so as to provide them better opportunities for higher education increase their rate of attainment in higher education and enhance their employability”.
3. *Merit-cum-Means Scholarship Scheme:* The objective of the Scheme is to “provide financial assistance to the poor and meritorious students belonging to minority communities to enable them to pursue professional and technical courses”.

Scope: The scholarship is to be awarded for studies in India in a Government or private institution, selected and notified in a transparent manner by the State Government/ Union Territory Administration concerned. It will cover technical and professional courses at undergraduate and post graduate level.

Maulana Azad National Fellowship

The objective of the Fellowship is to “provide integrated five year fellowships in the form of financial assistance to students from minority communities, as notified by the Central Government to pursue higher studies such as M. Phil and Ph.D. The fellowship awarded to research students pursuing regular and full time M. Phil and Ph.D. courses”.

“Padho Pardesh”

Scheme of Interest Subsidy on Educational Loans for Overseas Studies for the Students Belonging to the Minority Communities

The objective of the scheme is to “award interest subsidy to meritorious students belonging to economically weaker sections of notified minority communities so as to provide them better opportunities for higher education abroad and enhance their employability”.

The Scheme is applicable for higher studies abroad. The interest Subsidy shall be linked with the existing Educational Loan Scheme of Indian Banks’ Association (IBA) and restricted to students enrolled for course at Masters, M.Phil and Ph.D levels

“Naya Savera” for Free Coaching and Allied Scheme for Minority Communities Students

The scheme aims to “empower the students belonging to minority communities and prepare them for competitive examinations, so that their participation in government and private jobs improves. The scheme provides financial support for free coaching to notified minority students in selected coaching institutions”.

The objectives of the scheme are to assist students belonging to the notified minority communities by way of special coaching for the following:

- Qualifying examinations for admission in technical/ professional courses such as engineering, medical, law, management, information technology etc. and language/aptitude examinations for seeking admission to foreign universities.
- Competitive examinations for recruitment to Group ‘A’, ‘B’ and ‘C’ services and other equivalent posts under the Central and State governments including public sector undertakings, banks, insurance companies as well as autonomous bodies.

“Nai Udaan”

Support for Students clearing Prelims Conducted by UPSC/SSC, State Public Service Commission (PSC) etc.

The objective of the Scheme is to “provide financial support to the minority candidates clearing prelims conducted by Union Public Service Commission, Staff Selection Commission and State Public Service Commissions to adequately equip them to compete for appointment to Civil Services in the Union and the State Governments and to increase the representation of the minority in the Civil Services by giving direct financial support to candidates clearing Preliminary Examination conducted by Union Public Service Commission (UPSC); State Public Service Commissions (SPSCs) for Group A and B (Gazetted Post) and Staff Selection Commission (Combined Graduate Level) for Group ‘B’ (Non Gazetted posts)”.

Economic Empowerment

Skill Development

Seekho aur Kamao (Learn & Earn)”

The scheme will aim at “upgrading the skills of the minority youths in various modern/traditional vocations depending upon their educational qualification, present economic trends and the market potential, which can earn them a suitable employment or make them suitably skilled to go for self-employment”.

Target Group:

1. The trainee should belong to minority community.
2. The trainee should be between 14-35 years of age.
3. The minimum qualification of trainee should be at least Class V

“USTTAD (Upgrading the Skills and Training in Traditional Arts/ Crafts for Development)”

India is known for its “traditions and culture, Minority communities in India are known for their traditional skills, arts & crafts” but due to forces of competitive market and globalization and also due to deteriorating socio-economic condition of master craftsmen/artisan, these skills are not being pursued by the young generation. Ministry of Minority Affairs is of firm conviction that these arts/ crafts are needed to be preserved especially traditional skills, arts & crafts of the minority communities. “USTTAD scheme aims to preserve heritage of traditional arts and crafts of minority

communities and build capacity of traditional crafts persons and artisans and establish linkages of traditional skills with the global market”.

Nai Manzil

Provide “education bridge program to eligible minority youth, to obtain open schooling certification of class 8th / 10th. Impart high quality skill training including soft skills leading to productive employment. Provide job placement support to assist sustainable employment to those students who opt to the labour market”.

Target group: School dropout minority youth from BPL families in the age group of 17-35 years

Special Needs

Nai Roshni: “The Scheme for Leadership Development of Minority Women”

The objective of the scheme is to “empower and instill confidence among minority women, including their neighbors from other communities living in the same village/locality, by providing knowledge, tools and techniques for interacting with Government”.

EDUCATION AND ECONOMIC GROWTH

Education directly affects economic growth insofar as it is essential to improve human capital. An economy’s production capacity depends on different factors. These include physical capital, technology and the number of workers, as well as their quality. This quality is largely determined by what is called human capital (the stock of knowledge, skills and habits). An increase in workers’ educational level improves their human capital, increasing the productivity of these workers and the economy’s output.

Education in India means the process of teaching, learning, and training of human capital in schools and colleges. This improves and increases knowledge and results in skill development hence enhancing the quality of the human capital.

Tilak (2007) conducted a study on post-elementary education, poverty and development in India. The study shows that post elementary education is important for reduction poverty, in improving infant mortality and life expectancy, and for economic growth

Table 1. Status of physical and financial achievement of educational and economic empowerment schemes from 2015-19 for all minority group

Schemes	Financial Year							
	2015-16		2016-17		2017-18		2018-19	
	Physical In lakhs	Financial In Rs crs	Physical In lakhs	Financial In Rs crs	Physical In lakhs	Financial In Rs crs	Physical In lakhs	Financial In Rs crs
Pre-matric Scholarship			30	749.43	48.74	983.85	56.12	1250.81
Post-matric Scholarship			5	361.43	6.21	369.01	6.54	405.75
Merit-cum- Means Scholarship			0.60	323.36	1.6	316.57	1.01	267.84
Maulana Azad National Fellowship	0.16	44.87	0.08	40.00	0.12	45.59	0.16	97.85
Padho Pardesh	815	4.15	727	4.00	1136	17.00		24.00
Naya Savera	16427	44.86	8110	40.00	11862	45.59	7997	36.17
Nai Udaan	0.01	3.97	0.008	4.00	0.014	6.21		8.00
Seekho aur Kamao (Learn & Earn)	1.23	191.96	0.53	204.93	1.2	199.80		
USTTAD		16.9		19.7		21.8		
Nai Manzil				117.97		93.71		93.73
Nai Roshni								

The economic growth of India averaged 1.67 percent from 1996 to 2016. Total gross enrollment in primary education was 108 percent (some students were repeating), 74 percent in secondary education and only 25.5 percent in tertiary education (mainly due to high poverty level).

In the area of economic activity, there is very low participation of Muslim women compared to all others, which is bound to adversely affect the overall economic status of the community. On the other hand, a far higher percentage of Muslims is engaged in self-employment. Since a large section of the Muslim workers are engaged in self-employment, skill development and credit related initiatives need to be tailored for such groups.

Table 2. Population trends for major minority groups in India (1951–2011)

Religious Group	Population % 1951	Population % 1961	Population % 1971	Population % 1981	Population % 1991	Population % 2001	Population % 2011
Buddhism	0.74%	0.74%	0.70%	0.70%	0.77%	0.77%	0.70%
Christianity	2.30%	2.44%	2.60%	2.44%	2.32%	2.34%	2.30%
Hinduism	84.1%	83.45%	82.73%	82.30%	81.53%	80.46%	79.80%
Islam	9.8%	10.69%	11.21%	11.75%	12.61%	13.43%	14.23%
Jainism	0.46%	0.46%	0.48%	0.47%	0.40%	0.41%	0.37%
Others/Religion not specified	0.43%	0.43%	0.41%	0.42%	0.44%	0.72%	0.9%
Sikhism	1.79%	1.79%	1.89%	1.92%	1.94%	1.87%	1.72%
Zoroastrianism	0.13%	0.09%	0.09%	0.09%	0.08%	0.06%	not counted

Source: 2011 census of India

Table 3. Population trends for major minority groups in India (1951–2011)

Religious Group	Population (2011) %	(2001-2011)]	(2011) (%)	(2011) (%)
Hinduism	79.80%	16.8%	73.3%	41.0%
Islam	14.23%	24.6%	68.5%	32.6%
Christianity	2.30%	15.5%	84.5%	41.9%
Sikhism	1.72%	8.4%	75.4%	36.3%
Buddhism	0.70%	6.1%	81.3%	43.1%
Jainism	0.37%	5.4%	94.9%	35.5%
Others/Religion not specified	0.90%	n/a	n/a	n/a

Source: 2011 census of India

Education's direct effect on a worker's productivity, developing economies benefit from workers with a primary and secondary education as this helps them imitate the technologies developed in richer countries, thereby also increasing the productivity of their physical capital and workforce.

ANALYSIS

It is an established fact that Muslims who constitute the largest Minority comprising about 13.4 percent (as per census 2001) of the total population and about 73 percent of the total Minority population of the country are one of the most marginalized and deprived communities in India in terms of economic, health and educational indices. Literacy rate and work participation rate amongst the Muslims is low as compared to other minority communities. Majority of them are engaged in traditional and low paying professions, or are mostly small and marginal farmers, landless agricultural laborers, small traders, craftsmen etc. The other Minority communities on the whole enjoy a comparatively better socioeconomic status notwithstanding the poverty in some segments, especially amongst Christians and Buddhists, Mazhabi Sikhs and section of Parsis.

Islam is the second-largest religion in India, with 14.2% of the country's population or approx. 200 million people identifying as adherents of Islam (as per census 2011, Table-2). It makes India the country with the largest Muslim population outside Muslim-majority countries. The literacy rate and work participation (Table 3) indicates the effect of waqf education towards the growth of Muslims in India and educational level which improves human capital, increasing the productivity the economy's output with comparison to 2001.

SUMMARY, CONCLUSION, RECOMMENDATIONS & IMPLICATION OF THE STUDY

In India for educational activities there are different sources of waqf funds and schemes implemented by Central Waqf Council along with legal trust and endowments formed to channelize Philanthropic activities. Different nations adopted their own "governance structure and have specific law" under which they are registered. It is clear from this study that waqf fund has effectively updated the education system in India and provides opportunity to the poor and needy. Thus, it is suggested that waqf foundation for education foundations promotes the use of waqf as it is able to bring justice and benefits to the general public.

Waqf foundation has played a noteworthy "socioeconomic role throughout history of Islamic civilization. It was the way that fundamental services were given at free or subsidised cost. This has unquestionably had numerous significant impacts to the general economy of India. The waqf system can achieve the ultimate objectives of economy by charitable activities and helps to reduce government spending which causes a reduction in budget deficit, interest rate. Waqf could also "restore distribution

of income and wealth and play a vital role in eradication poverty”. Lastly, waqf will improve the general economic progress of the country like India,

Waqf is able to provide new opportunities and paths for society to play an energetic role communally and support practical and quality training yet executed and conveyed in a reasonable way. An effective execution of the of the *waqf*, provide ways to decrease the “chargeable price to learner and / or subsidise the cost of providing education, which can be passed-on to students in the form of reasonable fees, or if absolutely successful, only token fees being charged for higher education courses. *Waqf* had and still has significant role in supporting the field of education and its development in India.

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Chapter 8

Servant Leadership and Nonprofit Management

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ABSTRACT

This chapter analyzes servant leadership theory from the perspective of Islamic nonprofits. It is one of the rare management science approaches to examining Islamic nonprofits and waqfs. Definitions and characteristics of servant leaders are derived from major studies on servant leadership, and outcomes for nonprofit organizations are discussed based on available evidence in the literature. Servant leadership is compared to other major leadership theories and examined in cultural context. Although the studies in the West dominate the servant leadership literature, it is argued that the philosophy of a servant leader is deeply rooted in other cultures and faiths, particularly Islamic tradition. The author examines whether servant leadership fits the leadership definitions in recent studies on Islamic leadership. There is also a comparison of the Organizational Leadership Assessment (OLA) for servant leadership and the Islamic Leadership Inventory (ILI). The author points to gaps in the literature and provides suggestions for future research.

INTRODUCTION

Nonprofit organizations are private, self-governing organizations established for a charitable or social cause. These organizations focus on providing service and creating value rather than making money. The success of nonprofit leadership lies in the leaders' ability to engage, motivate, and coordinate individuals in the organization. As socio-economic institutions for charitable work, nonprofits have

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been an essential part of Islamic tradition. They are called “waqfs” particularly when there is an endowed trust. There is a great accumulation of literature in the disciplines of theology, history, economics, and sociology about financial activities of Islamic nonprofits, and how they can work in today’s socio-economic environment. However, when it comes to administration of these institutions, there are limited number of studies that examine issues such as leadership, organizational structure, and management. A search on academic databases with the keywords “waqf leadership” or “waqf management” reveals very few to none results. There are some studies on waqf accountability, but these focus on accounting and financing practices of waqfs. Yet, issues such as fairness and consistency in employee management, organizational ethics, workplace leadership, and decision making in waqf operations needs have not been researched yet.

Nations and organizations have their cultural differences and Islamic nonprofits are subject to certain religious rules; however, there are not much difference between Islamic nonprofits and other nonprofits when it comes to administrative issues such as fairness, accountability, institutionalization, and employee psychology. Just like any nonprofit organization, Islamic nonprofits are in general governed by a board of trustees and have employees in administrative and staff positions who are subject to the same employment rules and regulations with workers in other nonprofit organizations. There are training and certification programs on Islamic waqfs such as cash waqfs; however, these curricula include courses on only economics, finance, accounting, and law. Principles of management and leadership are overlooked and it is often assumed that a person with certain business skills and experience would make a great leader. Similarly, there are nonprofit leadership awards granted around the Islamic world and the criteria for these awards are based on organizational practices and outcomes rather than the leadership skills of the individual who is leading the organization. This chapter examines servant leadership as a model for leadership in Islamic nonprofits and contributes to this book by bringing a management science perspective to waqf management and leadership.

Researchers as well as people involved in nonprofit work are questioning which leadership style would better fit the work environment of nonprofit. Among several leadership theories, servant leadership is commonly referenced as a fit-for-purpose leadership style. As opposed to leader-centered leadership styles such as transactional or authoritarian leadership styles, servant leadership is follower-centered. Although there is an increasing interest in follower-centered leadership theories, follower perspectives have generally been neglected in Islamic leadership studies (Ogunbado, Ahmed, Abu Bakar, & Abu Bakr, 2016). In one of the rare studies, Noor (2018) conducted a qualitative study on sharia bank employees and found that followers expected leaders to have trusty behavior (imaniah), Islamic ethics (akhlaqia) and innovative behavior (mujaddid). There is further need to examine the characteristics

of a leader from the perspective of nonprofit members and employees. Also, cultural context should be taken into consideration while examining the definitions and characteristics of a leadership style.

This chapter examines organizational leadership based on a general understanding of human psychology and nonprofit work and argues that Islamic nonprofits and waqfs must be held accountable for not only how they finance or treat external stakeholders but also how they are governed and treat their employees. The chapter provides a review of literature on servant leadership, examines the main characteristics of servant leader, and discusses the potential outcomes of servant leadership in a nonprofit organization. In addition, servant leadership is examined in cultural context, and compared with other major leadership theories. Servant leadership is also examined from an Islamic perspective based on available studies on this issue. The Organizational Leadership Assessment (OLA) for servant leadership is compared to the Islamic Leadership Inventory (ILI). Besides analyzing similarities and differences, this chapter points to the gaps between servant leadership literature based on modern definitions of Greenleaf (1970) and Spears (1995), and servant leadership studies based on Islamic tradition.

BACKGROUND

The nonprofit sector is growing in numbers and economic volume all around the world and recent studies show that public charities alone had a growth rate of 19.5% in the last decade (McKeever, 2015). While the growth has made the global and local environment for nonprofits more complex, there is an increasing emphasis on performance, accountability, and transparency (Mensing, 2017). These issues are among the key duties and responsibilities of leadership of nonprofits; however, recent studies reveal that there is “a gap between demands on leaders and their ability to meet those needs” (Callanan, Gardner, Mendonca, & Scot, 2014). People can come to leadership positions at nonprofits without acquiring crucial leadership skills to meet current and future needs of their organizations. Indeed, recent surveys show that many professionals in the nonprofit sector ‘find themselves thrust into managerial and leadership positions without the knowledge and skills necessary to be effective’ (Hopkins, Meyer, Shera, & Peters, 2014, p. 420). Nonprofits and waqfs have existed since the very early days of Islam as a result of the strong charity and service emphasis in the Islamic tradition. In today’s Muslim majority countries many traditional waqfs are run by governments under religious endowment (awqaf) administrations. There are also increasing number of non-governmental waqfs established by Muslims all around the world. Although external conditions such as laws, rules, and regulations vary depending on where these nonprofits are established or operating, there is a

great similarity in their internal matters such as employee relations, leadership, and communication. Customer or member relationship practices of for-profit and private organizations have often been adapted by Islamic nonprofits. However, employee relationship and leadership practices have been overlooked. Servant leadership model can provide a framework and guideline for leadership in nonprofit organization such that leaders can work towards the benefits of other individuals and the organization rather than simply being authoritative, individualistic, opportunistic, or self-serving.

There is a variety of stakeholders involved with nonprofit organizations and it is the leadership's responsibility to address the diverse, even competing, expectations of the stakeholders. The voluntary nature of work, diverse sources of funding and performance expectations make the leadership's role even more difficult. The focus of leadership studies has gone beyond the transactional versus transformational leadership comparison and there is an increasing amount of research on follower-centered leadership models. Among these, there is a growing interest in servant leadership and argumentation for its fit with the characteristics of the nonprofit sector (Keith, 2015). Robert Greenleaf coined the term "servant leadership" and suggested that "it begins with the natural feeling that one wants to serve, to serve first. Then conscious choice brings one to aspire to lead" (1970, p. 7). Although modern management literature on servant leadership is based on Greenleaf's work in 1970s, the idea and practice of a servant leader has roots in world's largest religions including Islam, Christianity, Judaism, Buddhism, Hinduism, and Confucianism (Parris & Peachey, 2013). There are many statements from historic leaders and thinkers in these traditions that emphasize servant leader (Sendjaya & Sarros, 2002). Rather than being leader or organization focused, servant leadership takes followers into focus and expect leaders to go beyond their self-interest. The leader is the first among equals and gets things done by using persuasion rather than power. The motivation beyond such a leadership model is suggested as the need to serve (Luthans & Avolio, 2003) and servant leaders commit to the growth of their followers, the organization, and the community. Each individual in the organization has a unique value; therefore, servant leader treats each individual respectfully, and encourages personal growth and autonomy. Islamic nonprofits often evaluate their leaders based on personal success, competency, expertise, or charisma and organizational outcomes are seen as the sole accomplishment of the leader. However, the success of an organization relies on personal growth and accomplishment of all individuals, not just the leaders. Servant leadership focuses on followers or employees who make the vast majority of an organization and are the most valuable assets of an organization.

Regarding the scholarly work on management practices of Islamic nonprofits, current literature have focused on the "analysis of three interrelated issues in accounting, namely recognition and measurement, disclosure, and enforcement" (Hassan & Lewis, 2014, p. 227). When it comes to corporate governance of Islamic

nonprofits, shura (mutual consultation), hisba (verification), and religious audit are evaluated as the basic building blocks. The issues such as accountability, transparency, decision making, governance, and communication have been traditionally examined by scholars of economics and law. “Participation” is commonly mentioned in reference to economic participation of external stakeholders, particularly customers; however, participation of internal stakeholders, particularly employees, in decision making and administration has been overlooked. Management science has a lot to contribute to the studies on Islamic nonprofits on issues such as decision making, interpersonal relations, teamwork, leadership, organizational psychology, and strategic management. Nonprofit organizations have values that guide the organizational strategy, mission, and vision. These are defined by the organization’s senior leadership and research shows that there is not an ideal list of values or some values are superior to others (Lee & Jackson, 2017). What is important is the authenticity of these values and the extent to which an organization is aligned with these (Collins & Porras, 1994). Some examples of these values are caring, altruism, integrity, and sincerity. Schein (2010) argues leaders can shape the culture of their organizations by acting on espoused values. The values and characteristics defined in servant leadership studies can provide a framework through which a servant leader can implement an organizational culture of understanding, caring, and giving.

SERVANT LEADERSHIP THEORY

A recent survey on 1141 nonprofit leaders compared four major leadership models: transactional leadership, transformational leadership, charismatic leadership and servant leadership (Sargeant & Day, 2018). The study revealed that 53.7% of the nonprofit leaders associated themselves with servant leadership and servant leadership is a significant predictor of the degree of leadership engagement achieved and institutional engagement achieved. Servant leaders are found to be attentive to the needs of their team, take an active role in supporting them in their work, and encourage others within the nonprofit to join them in offering that support. While nonprofit leaders tend to identify themselves with servant leadership, it is important to define fundamental characteristics of a servant leader and measure how people fit into this definition.

While some leadership theories focus on the *traits* or *actions* of the leader, servant leadership relates to the *character* of the leader which can be attributed to historic and religious leaders as well as contemporary leaders. After 40 year of managerial work at AT&T, Greenleaf coined and conceptualized servant leadership in modern literature with three articles: *The Servant as Leader* (1970), *The Institution as Servant* (1972a), and *Trustees as Servants* (1972b). Besides his corporate career, Greenleaf

was involved with leadership studies and gave lectures at major US universities. He founded the *Center for Applied Ethics* in 1964 and renamed it to the *Robert K. Greenleaf Center for Servant Leadership* in 1985. This center has been pioneering the research on servant leadership since then. Greenleaf (1970) argued servant leaders are motivated by their need to serve and are genuinely concerned with the growth and well-being of followers. In contrast to putting organizational goals before individual goals, Greenleaf believed that organizations themselves can work as servants to enable employees' growth and wellness. On the other hand, Greenleaf did not give an exact definition of servant leadership and warned that it would be difficult to apply and operationalize servant leadership (1977).

After Greenleaf, Spears is the second most referenced author for servant leadership (Parris & Peach, 2013). Spears led the Greenleaf Center for 17 years and established the *Larry C. Spears Center for Servant Leadership* in 2008. Spears took Greenleaf's work further and defined 10 characteristics of servant leadership (1995) (Table 1). These characteristics define how a servant leader would behave in an organization. Nonprofits often have large number of volunteers and employees around their leaders. If a leader receptively listens to his or her followers, this would make the beginning of a healthy relationship as followers feel acknowledged, cared, and valued. A servant leader is expected to show empathy to followers as well; however, Spears emphasizes that understanding and empathy should not lead to accepting low performance. In addition, nonprofit organizations often work to help and heal others in the community whereas their own employees may need care and healing. A servant leader can help followers with their search for wholeness and help with physical, emotional, intellectual, and spiritual wellness. There are many self-centered leaders in today's world, but the nature of the nonprofit work suggests that a leader should have awareness of his followers and develop holistic view of situations. Furthermore, nonprofit leaders may not have or may not prefer legitimate or coercive power. A servant leader relies on persuasion and convincement which may better fit the voluntary nature of work in nonprofit organizations. A servant is expected to show stewardship and sincere commitment to the growth of people so that he or she can build a community among individuals in a nonprofit.

Given how the definition of servant leadership fits the nature of leadership in nonprofit environment, there is the question of how can we measure the degree of servant leadership in a person's actions. Laub (1999) developed the first measure of servant leadership and constructed the *Organizational Leadership Assessment (OLA)* instrument by reviewing western literature for the definition of servant leadership and conducting a Delphi study with 25 experts on the characteristics of servant leadership. the OLA instrument categorizes characteristics of servant leadership under six major clusters: A servant leader *values people, develops people, builds community, displays authenticity, provides leadership, and shares leadership*. In

Table 1. Characteristics of servant leadership

Characteristic	Description
Listening	Automatically responding to any problem by receptively listening to what is said, which allows them to identify the will of the group and help clarify that will.
Empathy	Striving to accept and understand others, never rejecting them, but sometimes refusing to recognize their performance as good enough.
Healing	Recognizing as human beings they have the opportunity to make themselves and others 'whole'.
Awareness	Strengthened by general awareness and above all self-awareness, which enables them to view situations holistically.
Persuasion	Relying primarily on convincement rather than coercion.
Conceptualization	Seeking to arouse and nurture theirs' and others' abilities to 'dream great dreams'.
Foresight	Intuitively understanding the lessons from the past, the present realities, and the likely outcome of a decision for the future.
Stewardship	Committing first and foremost to serving other's needs.
Commitment to the growth of people	Nurtures the personal, professional, and spiritual growth of each individual.
Building community	Identifies means of building communities among individuals working within their institutions, which can give the healing love essential for health.

Source: (Spears, 1995)

addition, Page and Wong (2000) conducted an extensive literature review and identified eight dimensions under *Servant Leadership Profile*. These dimensions were later reduced to five (Wong & Davey, 2007): *serving and developing others, consulting and involving others, humility and selflessness, modeling integrity and authenticity, inspiring and influencing others*. Other researchers have also developed scales to recognize and measure how a person's leadership styles matches with the construct of servant leadership. van Dierendonck (2011) conducted a systematic literature review on servant leadership and identified seven measures of servant leadership. The author categorized these measures and distinguished six characteristics of servant leaders: *Empowering and developing people, Humility, Authenticity, Interpersonal acceptance, Providing direction, and Stewardship* (Table 2).

All of these characteristics match with the expectations of employees and community members from a nonprofit leader. A nonprofit leader is expected to empower and develop individuals by sharing knowledge, giving responsibility and power, and encouraging self-directed decision making so that they can learn and take action. Employees and community members also expect a nonprofit leader to have humility which is about modesty, putting employees first, sharing the leadership, and acknowledging that the leader and the organization can learn and benefit from

Table 2. Key characteristics of servant leadership related to measurement dimensions

Key Characteristics	Laub (1999)	Wong & Davey (2007)	Barbuto & Wheeler (2006)	Dennis & Bocarnea (2005)	Liden, Wayne, Zhao, & Henderson (2008)	Sendjaya, Sarros, & Santora (2008)	Van Dierendonck & Nuijten (2011)
Empowering and developing people	Develops people	Serving and developing others • Consulting and involving others		• Empowerment • Trust	Empowering • Helping subordinates grow and succeed	• Transforming influence	• Empowerment
Humility	• Shares Leadership	Humility and Selflessness	Altruistic calling	Humility	Putting subordinates first	Voluntary subordination	Humility • Standing back
Authenticity	Displays Authenticity	Modeling integrity and authenticity				Authentic self • Transcendental spirituality	Authenticity
Interpersonal acceptance	Values people		Emotional healing	Agapao love	Emotional healing	Covenantal relationship	Forgiveness
Providing direction	Providing leadership	Inspiring and influencing others	Persuasive mapping	Vision	Conceptual skills		Courage • Accountability
Stewardship	Builds community		Organizational stewardship • Wisdom		Creating value for the community • Behaving ethically	Responsible morality	Stewardship

Source: (van Dierendonck, 2011)

other employees in the organization. Besides empowerment and humility, what is more critical is authenticity so that the leader displays his or her true self and acts with sincerity. A nonprofit leader is expected to accurately represent himself or herself both publicly and privately and keep any promises he or she makes. Honesty and integrity are also part of the character definition of authenticity. These three characteristics enable close relationship between leader and followers, and what comes next is interpersonal acceptance. As the leader learns about the others in a nonprofit, he is expected to show empathy, warmth, compassion, and forgiveness to employees so that everyone feels that they are accepted and valued in the organization. There might be even need for healing for those employees who have made mistakes or experienced difficulties.

In nonprofit world, it is not enough to just understand and accept individuals; a critical component of servant leadership is providing direction to each employee by considering his or her knowledge, ability, experience, and needs. Therefore, a servant leader can develop healthy dyadic relations with employees in a nonprofit organization and guide them towards their performance goals. Stewardship comes to

play at this point such that the leader chooses to serve rather control and command. A servant leader acts as a caretaker and builds a community in the organization by showing morality and wisdom. It is important to mention that these characteristics are required all together for a true and holistic practice of servant leadership.

Outcomes of Servant Leadership

This section provides potential outcomes of servant leadership based on available studies in the literature. Most of the studies on servant leadership has been descriptive or anecdotal in nature rather than empirical (Parris & Peachey, 2013). However, there are also limited number of empirical studies that show that servant leadership increases the well-being of followers by increasing employee job satisfaction (Chung, Jung, Kyle, & Petrick, 2010, Jenkins & Stewart, 2010; Mayer, Bardes, & Piccolo, 2008) and organizational commitment (Hamilton & Bean, 2005; Han, Kakabadse, & Kakabadse, 2010; Pekerti & Sendjaya, 2010) while reducing employee turnover (Babakus, Yavas, & Ashill, 2011; Jaramillo, Grisaffe, Chonko, & Roberts, 2009) and creating a positive work climate (Black 2010; Neubert, Kacmar, Carlson, Chonko, & Roberts, 2008).

The relationship between the servant-leader and the followers is based on recognition, mutual care and learning from each other (Greenleaf, 1998). Such a relationship is expected to be reciprocal in nature such that the leader's behavior determines the followers' behaviors and attitudes and an upward spiral mutually elevates the relationship (Burns, 1978). Russell and Stone (2002) argued that the servant leader and follower engage in a mutual process of raising one another's motivation based on a feedback loop. The positive outcomes of this relationship are expected to go beyond the dyadic relationship and influence the organizational climate. When a servant leader acknowledges a follower's abilities and seeks to learn from him or her, the follower feels respected and trusted. LMX theory (Dansereau, Graen, & Haga, 1975) suggests that relationships of this kind are characterized by mutual trust, respect, and dependence. Liden and Maslyn (1998) defined four dimensions for a high-quality relationship between a leader and a follower which are affect, loyalty, contribution, and professional respect. To build such a relationship, a servant-leader should trust the followers' intuitive sense to discover what is right and rely on persuasion, explanations, reasoning, and appealing. Through these efforts a servant leader can create a consensus in the teams he or she leads and individuals would follow him or her "voluntarily, because they are persuaded that the leader's path is the right one for them" (Greenleaf, 1998, p. 44). The right mixture of autonomy and direction is expected to empower followers in a nonprofit and get them engaged in challenging tasks.

When a servant leader acts with humility, authenticity, and interpersonal acceptance, a safe psychological climate is created for the employees in a nonprofit such that employees feel safe to use their knowledge and take action. Knowing that there is room for learning and making mistakes, employees trust the leader and bond with him or her. Feelings of trust and fairness are critical elements of a safe psychological climate. When this climate is created, employees are expected to display positive behaviors such as organizational citizenship behavior. Graham (1995) argued that servant leadership positively influences organizational citizenship behavior because it encourages moral reasoning and helping behavior for followers. Similarly, Reinke's (2003) study on a sample of civil servants showed that servant leadership and trust in management had a correlation of .84. In addition, Ehrhart (2004) determined servant leadership as a potential antecedent of organizational citizenship behavior based on the evidence in his survey showing that servant leadership had a direct effect of .29 with helping dimension of organizational citizenship behavior and .22 for conscientiousness dimension of organizational citizenship behavior.

The ethical orientation of servant-leaders and their sensitive manner increases job satisfaction through perceived organizational justice and overall psychological need satisfaction (Mayer et al., 2008). The relevance between servant leadership and organizational commitment was reported in studies in South Africa (Dannhauser & Boshoff, 2007), and Philippines (West, Bocarnea, & Maranon 2009). Irving and Longbotham (2007) conducted a study on nonprofit organizations and found significant correlations between servant leadership and perceived team effectiveness. Leaders' behaviors of valuing team members, being supportive, fostering collaboration, having clear communication, and engaging in honest self-evaluation were found to increase team effectiveness. Likewise, the meta-analysis of Burke et al. (2006) revealed that empowering leadership was essential for team effectiveness primarily because it encouraged team learning.

Grant (2013) argues that servant leader are "givers" rather than "takers". He defined givers and takers in organizational context according to how they interact with others. Takers focus on receiving more than giving and put their own priorities ahead of other employees and even the organization. Takers think of the workplace as a highly competitive environment and focus on outperforming their peers, whereas givers view the workplace as a collaborative environment. Givers focus on the needs of others, share knowledge and offer assistance. Grant argues that givers can be ambitious and goal oriented and they "succeed in a way that creates a ripple effect, enhancing the success of people around them" (p. 10). Therefore, when givers succeed, the others around them as well as the organization achieve success as well. Giving is the core of nonprofit work and it does not require extraordinary acts of sacrifice. The reward, promotion, and evaluation systems in a nonprofit support the servant leader's call for giving and serving. Grant's (2012) other study shows that when

leaders demonstrate their own desire to give and serve while creating a framework to support employee volunteerism, employees volunteer 45% more hours per year. Accordingly, nonprofit leaders must first demonstrate their own desire to give and serve, and then, expect other to display caring behavior.

Servant Leadership Versus Other Leadership Models

Servant leadership is similar to several leadership models developed in the literature; however, it is unique with its combination of the key leadership characteristics. One of the earlier leadership models is transformational leadership (Bass, 1985) which is similar to servant leadership such that it encourages supportive behavior, empowerment, and intellectual stimulation. However, while transformational leadership focuses on organizational outcomes, servant leadership focuses on individual outcomes. Also, transformational leadership involves charismatic power which may lead to opportunistic behavior and narcissism. Servant leadership, on the other hand, focuses on humility and authenticity. An empirical study comparing transformational leadership and servant leadership revealed that transformational leaders are directed toward organizational goals whereas servant-leaders focus on the needs of their followers (Parolini, Patterson, & Winston, 2009).

Another leadership model is authentic leadership (Avolio & Gardner, 2005) which focuses on self-awareness and relational transparency. The notion of “authenticity” and the willingness to learn is part of servant leadership; but it entails more characteristics such as empowerment, stewardship, interpersonal acceptance which are missing in the definitions of authentic leadership. In addition, ethical leadership model (Brown, Trevino, & Harrison, 2005) also has similarities to servant leadership on its core values such as integrity, caring, and trustworthiness; however, the focus is on normative behavior based on a definition of ethics whereas servant leadership focuses on the needs and expectations of actual individuals. Another similar leadership model is Level 5 leadership introduced by Collins (2001) which overlaps with servant leadership regarding humility and providing direction. Authenticity and interpersonal acceptance are not in the Level 5 leadership definition and a Level 5 leader may be focused on organizational success rather than development of individuals. Likewise, the characteristics of a self-sacrificing leaders (Choi & Mai-Dalton, 1999) is similar to servant leader; however, the “sacrifice” is generally for the organization (Matteson & Irving, 2005) rather than the followers.

Servant Leadership and Cultural Context

The literature on servant leadership is mostly based on the research of American scholars; however, it is a concept deeply rooted in many other cultures (Dannhauser & Boshoff, 2007; Hannay, 2009; West et al., 2009). Winston and Ryan (2008) used of the Global Leadership and Organizational Behavior Effectiveness Research Program's (GLOBE) humane orientation construct and argued that the concept of servant leadership is a global concept rather than a Western one. They found leader characteristics such as humility, service, care, concern, benevolence, and altruism were found in the African, Hindu, and Middle Eastern traditions as well. Among many characteristics, Winston and Ryan (2008) argued that *humane orientation in a culture* is closely related to the idea of servant leadership. Humane orientation is defined as "the degree to which an organization or society encourages and rewards individuals for being fair, altruistic, friendly, generous, caring and kind to others" (Kabasakal & Bodur, 2004, 569). The countries that have high scores on humane orientation are Zambia, Ireland, Philippines, Qatar, Malaysia, Thailand, Denmark, Egypt, Morocco and Canada. Humane orientation and servant leadership are argued to be driven by similar cultural values such as concern and caring about others, being sensitive, friendly, and tolerant (Kabasakal & Bodur, 2004). Consequently, it is expected that leaders in these cultures will pay more attention to interpersonal acceptance, employee empowerment, and stewardship.

Although, there are variations of servant leadership philosophy in many cultures, it is important to consider the overall cultural context for all aspects of servant leadership model. Hofstede's (2011) six dimensions of culture provides a useful framework for examining cultures in different nations. Hofstede defines *Power Distance* as "the degree of inequality among people which the population of a country considers as normal: from relatively equal (that is, small power distance) to extremely unequal (large power distance)" (Hofstede, 1993, p. 89). In a low power distance context, there is close relationship between a leader and a follower which enables empowerment and mutual feedback. If both sides are comfortable with providing and receiving feedback, they are open to changing themselves, and sharing power and responsibility. Thus, it is easier to act as a servant leader in cultural contexts where there is small power distance. Hofstede's second dimension of culture is *Individualism* which he defines as "the degree to which people in a country prefer to act as individuals rather than as members of groups" (Hofstede, 1993, p. 89). The servant leadership model defines work as a joint effort and requires the leader and the followers to work together closely. Particularly, the leader is expected to act with altruism rather than individualism. Therefore, servant leadership model is a better fit for societies with low to moderate individualism.

For the third dimension of culture, Hofstede (1993) identifies tough values like assertiveness, competition, performance, and success with *Masculinity*, whereas more tender values such as service, maintaining warm personal relationships, care for the weak, and solidarity with *Femininity*. Servant leadership requires leaders to understand the needs and expectations of their followers and consider their development before his or her own success. Service, care, solidarity are terms often used among characteristics of a servant leader; therefore, it is commonly accepted that servant leadership has a feminine characteristic. Cultures with low to moderate masculinity would provide a conducive environment for displaying servant leadership. The fourth dimension of his cultural construct as *Uncertainty Avoidance* which is defined “as the degree to which people in a country prefer structured over unstructured situations” (Hofstede, 1993, p. 90). Servant leadership focuses on employee empowerment and transferring authority and responsibility to employees. Therefore, an employee should be willing to accept responsibility, embrace change, be open to learning and working on unpredictable or unfamiliar issues. This model would work in cultures with low to moderate uncertainty avoidance.

The fifth dimension is *Long-term versus Short-term Orientation* which Hofstede explains as “On the long-term side one finds values oriented towards the future, like thrift (saving) and persistence. On the short-term side one finds values rather oriented towards the past and present, like respect for tradition and fulfilling social obligations” (1993, p. 90). Servant leadership focuses on employee’s current needs and expectations as well as his or her development in the long run rather than short-term performance indicators for the leader or organization. The leader’s stewardship, mentoring and coaching aims to maximize an employee’s long-term potential. Therefore, servant leadership would work better in cultural environment with a long-term orientation. Hofstede recently defined the sixth dimension of culture as *Indulgence* which refers to allowing “relatively free gratification of basic and natural human drives related to enjoying life and having fun” (Hofstede, Hofstede, & Minkov, 2010, p. 294). A servant leader is expected to have empathy and awareness towards employees and provide freedom and flexibility to them so that they can discover themselves and improve rather than restraining them with strict rules and orders. This attitude would work better in a culture with indulgence.

Overall, servant leadership seems to fit best in a culture with small power distance, low individualism, femininity, low uncertainty avoidance, long-term orientation, and indulgence. When we check Hofstede’s country analysis based on 6 dimensions of culture, none of the countries in today’s world is a perfect fit for this definition. Power distance and individualism seem to be opposite forces in many national cultures. Nonetheless, Sweden and Netherlands seem to provide the best cultural environment for servant leadership. These two countries have small power distance, low masculinity, low uncertainty avoidance, long-term orientation, and indulgence.

When we check Islamic countries, we see a diverse group rather than a monocultural block. Nonetheless, low individualism, femininity, and low uncertainty avoidance is commonly seen in Muslim majority countries. However, most of these countries are associated with high power distance, short-term orientation, and low indulgence. Hofstede (2011) emphasizes that the analysis based on these six dimensions aims to create awareness and make comparisons rather than give strict definitions. In addition, organizations have their own cultural characteristics that may be more influential than those of the national culture. There are also multicultural nonprofit organizations that cannot be defined within a single national identity. Therefore, it is important for nonprofits to create an organization culture that fosters servant leadership while being aware of the characteristics of national cultures. Organizations can work toward reducing power distance, individualistic or opportunistic behavior, and uncertainty avoidance while encouraging indulgence, long-term orientation, and feminine or caring behaviors to create a better environment for servant leadership to be effective.

Servant Leadership and Recent Theories on Islamic Leadership

The leaders of nonprofit organizations in the Islamic tradition include people in the governing bodies such as board of trustees as well as paid employees such as managers, directors, and senior executives. Leadership in these institutions entails the process of gathering, inspiring and persuading volunteers in an effort to fulfill a shared vision. Islamic scholars define leadership in Islam as a trust (*amaanah*) and emphasize that leaders are required to guide, protect and treat the followers with justice (AlSarhi, Salleh, Mohamed, & Amini, 2014). Islamic leadership is also evaluated as a psychological contract between a leader and his followers that the leader will try his or her best to guide and protect the followers and to treat them justly (Ahmad & Ogunsola, 2011; Beekun & Badawi, 1999). However, available studies on waqf management focuses on economic side of waqf management such as asset or resource management. There is an abundance of resources on cash or land management of Islamic nonprofits. On the other hand, there is a trend to consider employees as a “resource” in the recent decades and most of today’s waqfs or Islamic nonprofits have “human resources” departments. There is a lack of research on the management of human resources in nonprofits; however, just like physical resources or tangible assets, human resources can produce value and positive outcomes if there is right management and leadership.

There are many references to leaders’ “service” responsibilities in the fundamental scriptures of Islam and the whole waqf system is based on the understanding of service to community. Some scholars argue that the philosophy of a “servant” leader is deeply rooted in Islamic literature and tradition (AlSarhi et al., 2014; Beekun &

Badawi, 1999; Chowdhury, 2002; Sarayrah, 2004). Islam's holy book, the Qurán, says "...you are the best people ever raised for the good of mankind because you have been raised to serve others..." (3:111) and "...and they give others preference over themselves even though they were themselves in need..." (59:9). Also, Prophet Muhammad says, "the leader of a people is their servant" and "The leader of people is a guardian and is responsible for his subjects" (Muslim 33:24). These are just some of the examples of how Islam looks at leaders and their responsibilities towards their followers. A review of the literature on prophet Muhammad and the first four caliphs reveals that they excelled in humility, showing respect, listening and caring, sharing, and benevolence (Sarayrah, 2004). They also used persuasion as an effective tool in decision-making. These early leaders were also known for their stewardship and healing. All of these examples show that the notion of a servant leader exists in the Islamic literature and tradition. Accountability to superiors or external auditors is often referenced in studies on Islamic organizations. Abbasi, Rehman, and Bibi (2010) extended the definition of accountability in Islamic leadership and introduced "accountability to fellow-beings" as a character of an Islamic leader. The authors' Islamic leadership model required leaders to have a sense of responsibility to employees, act in a righteous and trustworthy manner, and be responsive. Ogunbado et al. (2016, p. 113) suggested that "a good [Islamic] leader should first be a good follower". However, their examination of the literature shows that follower perspectives have generally been neglected in Islamic leadership studies.

Islamic leadership models have often been studied in for-profit (business), government, and education settings. Although the findings of these studies can be applied to Islamic nonprofits, there is a need to specifically examine leadership in nonprofit (waqf) settings. Galanou and Farrag (2015) argued that Islamic leadership is positively and significantly associated with perception of leader effectiveness and innovation outcomes. However, there is an ambiguity in the definition of Islamic leadership. Sharfuddin (1987) proposed an Islamic Administrative Theory that is based on leader's legitimate power, shura (obligatory mutual consultation), naseeha (advice), fairness, efficiency, and merit system. Lukman (1995) identified six general principles for Islamic leadership: sovereignty, mutual consultation (shura), justice, equality, freedom, and enjoining the right and forbidding the evil. Similarly, Aabed (2006) identified ten personal qualities of a Muslim leader, namely, conviction, mutual consultation (shura), knowledge, justice, self-sacrifice, humility, eloquence, patience, leniency, and enterprise. There are lots of overlaps between these definitions of Islamic leadership of those of servant leadership. In addition, Beekun and Badawi (1999) define leadership in Islam as a process rather than a position, and argued that underpinning ideas of servant leadership concept exists in the teachings of Islam. Similarly, Abbasi et al. (2010) defined primary attitudes of Islamic leadership as fairness, accountability, consistency, knowledge, trustworthiness, cooperation, and

moderation. They argued that servant was among the characteristics of an Islamic leader. Furthermore, Ahmad and Ogunsola (2011) emphasize that leadership is not seen as a privilege or position in the Islamic tradition. They argue that leadership is rather defined as a huge responsibility and leaders need to act like servants in order to be able to fulfil their duties. The authors' empirical study on academic administrators revealed that these leaders associate themselves with servant leadership as opposed to transactional or transformational leadership.

In opposition to self-centered leadership styles such as transactional leadership and value-neutral leadership styles such as transformational leadership, Beekun (2012) suggested a character-based leadership model for Muslim CEOs. This model is based on leadership qualities such as truthfulness, integrity, trustworthiness, justice, benevolence, humility, kindness, and patience and needs further examination in nonprofit settings. Hisham, Palil, and Novalid (2016, p. 38) conducted a survey in Islamic insurance institutions and concluded that "to demonstrate high level of accountability, the leader needs to exhibit principles of altruism, emotional healing, wisdom, persuasive mapping, and organizational stewardship". Egel and Fry (2017) examined spiritual leadership as a model for Islamic leadership model and concluded that there are many similarities in between these theories. They pointed that there is empirical evidence for the positive outcomes of spiritual leadership and there is a need to empirically examine the outcomes of Islamic leadership. The authors suggested that being aware of Islamic leadership model can help non-Muslims to be more productive in Muslim organizations and Muslim leaders can employ spiritual leadership model to motivate employees in a non-religious or multi-religious setting. The authors also argued that what is more important than the leadership model of an individual is the institutional environment that enables a leadership model to work.

Mahazan et al. (2015) developed the *Islamic Leadership Inventory (ILI)* by identifying the themes of Islamic Leadership through qualitative content analysis on the Qur'an, hadiths, classical texts of Islamic leadership, contemporary Islamic leadership literature, and managerial leadership and servant leadership literature. The research team identified 25 separate themes representing Islamic Leadership behaviors. On the other hand, the *Organizational Leadership Assessment (OLA)* instrument (Laub, 1999) is the most referenced instrument for categorizing characteristics of servant leadership. Table 3 shows how these two instruments match each other. There is a matching concept for each cluster of OLA in ILI; however, there are perhaps some differences. *Spirituality and Religiosity* is a major theme for ILI; whereas, OLA and current literature on servant literature tends to use a non-religious terminology. Also, ILI identifies *Outcome Orientation* whereas servant leadership theory does not focus on performance outcomes, particularly organizational outcomes. Furthermore, Mahazan et al. identify *High Self-Reliance and High Self-Esteem* as a combined leadership character of which the former is related to humility and not expecting

Table 3. Organizational Leadership Assessment (OLA) Instrument versus Islamic Leadership Inventory (ILI)

Organizational Leadership Assessment (OLA) Instrument		Islamic Leadership Inventory (ILI)
Values People	• By believing in people.	Patience Justice and Equity Being Impartial Modesty and Shyness Moderation and Balance Good in Communication
	• By serving other's needs before his or her own.	
	• By receptive, non-judgmental listening.	
Develops People	• By providing opportunities for learning and growth.	Advice and Orientation Wisdom and Encouraging Synergy Cheerful
	• By modeling appropriate behavior.	
	• By building up others through encouragement and affirmation.	
Builds Community	• By building strong personal relationships.	Social Responsibility Esprit De Corps Avoid Conflict
	• By working collaboratively with others.	
	• By valuing the differences of others.	
Displays Authenticity	• By being open and accountable to others.	Trustworthiness and Integrity Self-evaluation Flexibility Earnest Non-Calculative Free from environmental-constraints
	• By a willingness to learn from others.	
	• By maintaining integrity and trust.	
Provides Leadership	• By envisioning the future.	Role Model Bravery
	• By taking initiative.	
	• By clarifying goals.	
Shares Leadership	• By facilitating a shared vision.	Empowerment
	• By sharing power and releasing control.	
	• By sharing status and promoting others.	

Source: Adopted from Laub (1999) and Mahazan et al. (2015)

anything from people, whereas the latter one needs clarification with how it will coexist with *Modesty and Shyness*. Lastly, ILI included *Feared when angry* as if the only source of power in Islamic leadership is coercive power. There is need for further studies on ILI to examine sources of power in Islamic leadership such as expert power, referent power, legitimate power, and reward power.

Although there are limited number of studies that examine servant leadership in Islamic tradition, all of the available literature argue that the fundamentals of servant leadership exist in Islamic tradition. Whether it is the 10 characteristics of servant leadership defined by Spears (1995) or the seven characteristics defined

in the OLA instrument, researchers argue that for each characteristic of servant leadership there is a matching value or principle in the Islamic tradition. However, these characteristics have been subject to theological studies and there exists a gap between studies in theology and the ones in management science. In addition, there are serious concerns about how much of the values or principles defined in the Islamic literature are turned into practice in Islamic nonprofits. For instance, Abbasi et al. (2010) argue that the practice of leadership in today's Islamic institutions lack "values" and "accountability". Similarly, Moten (2011) points that leadership from an Islamic perspective which has been neglected or misrepresented. He emphasizes that "Islam makes no distinction between the spiritual and temporal affairs" (p. 342) so that leadership is both spiritual and worldly. There is need for further research on worldly aspect of leadership in Islamic institutions, particularly nonprofits.

CONCLUSION

The available literature suggests that servant leadership fits the nature of work in nonprofit organizations as well as Islamic waqfs. These organizations, whether Islamic or not, should establish clear rules and procedures, and create checks and balances to institutionalize a leadership model such as servant leadership. A recent study on nonprofits emphasize that nonprofits need to "steward" their leaders (Sargeant & Day, 2018). While there is an abundance of conferences and seminars on economics of waqfs, there is also need for more rigorous forms of development such as leadership training and coaching. The development of organizational systems and practices that foster the stewardship of employees will be very beneficial for the philanthropic culture. The literature on servant leadership provides valuable insights for Islamic nonprofit management. There is also need for studying Islamic leadership models in nonprofit (waqf) settings.

Nonprofit organizations should not only cater to the economic needs of employees but should also provide support for their social and spiritual needs. Servant leadership theory provides a framework for how to engage, motivate, and coordinate individuals in nonprofit organizations. In contrast to selfish or opportunistic leadership models, servant leadership focuses on humility, authenticity, acceptance, empowering, and stewardship. All of these concepts are deeply rooted in Islamic tradition; however, servant leaders are rarely seen Islamic organizations, particularly nonprofits. A leadership model in an organization or society relies on the mindset about whom the organization or society values. If the leader is seen as the sole value of an organization, transactional or authoritarian leadership models may be preferred. However, if an organization thinks of its employees as the most valuable asset, follower-centric leadership models such as servant leadership gains attention. Empirical studies

show that servant leadership has lots positive outcomes for organizations such as creating a positive work climate, increasing the well-being of followers, employee job satisfaction and organizational commitment while reducing employee turnover. There is a great need to introduce this leadership style to Islamic organizations in general.

There is a major gap between current leadership studies in management science and the studies on leadership in the Islamic tradition. Islamic leadership studies have generally been descriptive and didactic. Also, Islamic institutions and nonprofits have generally been the subject of history, theology, or economics disciplines. There is a need for empirically examining leadership and management experience at Islamic nonprofits. The few studies that examine servant leadership and the leadership concept in Islamic tradition reveal that the idea and practice of servant leadership is deeply rooted in the Islamic tradition. There is further need for systematic literature reviews and empirical studies to examine how servant leadership relates to the leadership concept in the Islamic tradition. The discussion on traits, characteristics, or behavior of Islamic leadership is mostly based on the sacred sources of Quran and Hadith. There is not any reference to any resource written after the first century of Islam. In the accumulation of great Islamic scholarship, there are probably resources on management and leadership which are perhaps written in Arabic, Persian, or Turkish. There is a need to systematically search, identify, analyze, and translate the historic resources on Islamic leadership.

Organizational leadership is very much related to context and culture. An analysis of Muslim majority countries reveals that the culture in these countries is different than the ideal culture described in servant leadership literature. What is more important is that many common principles of Islamic leadership and servant leadership such as accountability, empowerment, consultation, and advice are often missing in the practice of leaders of Muslim nonprofits. Some Islamic scholars blame colonialism and western influence in education and culture for the leadership issues in the Muslim nations (AlSarhi et al., 2014; Moten, 2011). However, the author of this chapter believes human beings have similar tendencies for being selfish, egoist, corrupt, or abusive. Believing in a value system or having a religious rhetoric does not have much practical value when it comes to accountability or leadership model. Any form of education or training for managers in Islamic nonprofits should include interpersonal skills and principles of Islamic leadership in its curriculum. Likewise, criteria for hiring, promoting, and awarding leaders of Islamic nonprofits should include interpersonal skills and leadership model.

Servant leaders steward the talents of the employees in the organization. Some scholars have even argued that the term “stewardship” should replace “leadership” because it focuses on long term outcomes and “unbuckles us from the language of control and compliance embedded in some definitions” (Carroll, 2005). The

number of descriptive articles on servant leadership is increasing but there is more need for empirical studies to test and validate these. There is also need for studies on organizational outcomes of servant leadership and the applicability of servant leadership in cross cultural settings, mergers, and acquisitions. Furthermore, some researchers argue that servant leadership has its own limitations and disadvantages. Humphreys (2005) argues that the concept of servant leadership is only practical in static environments. Whetstone (2002) further argues that the concept of servant leadership is insufficient to be used on employees or followers who are less naive and are capable of exerting excessive and self-interest influence on leader. There is a need for empirical studies to check these claims and examine whether servant leadership always produces positive outcomes or not.

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KEY TERMS AND DEFINITIONS

Agapao Love: Loving and committing to another person unconditionally such as father's love for his son.

Altruism: Intentional, voluntary, and selfless concern and care for others.

Authenticity: Accurately and honestly representing yourself both publicly and privately.

Benevolence: Inclination or tendency to be kind, thoughtful, helpful.

Empowering: Enabling people with necessary means to learn, make a decision, and take action.

Esprit De Corps: A common spirit or fellowship among member of a team or group.

Humility: Humbleness, putting others first, being free from arrogance.

Naseeha: Advice, guidance, sincere recommendation for the good of a person.

Organizational Citizenship Behavior: Voluntary or discretionary actions and behaviors to help others in the organization and to make the organization better.

Shura: Decision making by consultation and deliberation.

Chapter 9

The Role of Cash–Waqf in Societal Responsibility: Learning From the Multi– Dimensional Approaches of International Organizations

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ABSTRACT

The widespread poverty in the world has required multi-dimensional approaches and efforts to alleviate it and improve the life of the society at both national and global levels. As a result, many agencies, governmental bodies, and non-government organizations (NGOs) were formulated and established for this purpose with their own special objectives, scopes, visions, and missions. Different entities and agencies have taken various approaches and methods in the process of poverty eradication and are undertaking several programs in a large number of communities at the global scale. Meanwhile, the globalizations of poverty mitigation efforts and increasing number of agencies, operating in different communities, have increased the quick prevarication of different beliefs in the same community. One of the reasons for this is that each organization or agency has its own purposes, motives, values, and norms to directly or indirectly achieve by helping the people in need.

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1. INTRODUCTION

The poverty reduction is one of the greatest challenges globally attracting the attention of many international humanitarian agencies since the previous centuries as well as in the recent years (Nations, 2014). Despite these remarkable efforts in the poverty alleviation process, the poverty trends remain relatively high everywhere in the world with extreme impact in the developing countries. More importantly, the World Bank in its World development report since the year of 2001 indicated that poverty is multi-faced concept which covers many issues in human social life ranging from hunger, lack of shelter, lack of clothing, no healthcare, excluded from educational services etc. (World Bank, 2001). Referring to this report of the World Bank, it is very likely to say that many communities in the world are indebted to the so-called poverty recently. Furthermore, the poverty level is measure in every community taking these as a standard in terms of their satisfaction in comparison with other common standards globally like the global poverty line of 1.90 \$ a day as given by the World Bank (Boudet et al., 2018). There are many studies conducted statistically which support the above claim. For instance, Anyebe (2015), argues that in Nigeria only, the poverty rate stands at 70% of the country's entire population. In other words, almost 112 million of Nigerians are living below the international poverty line of 1.90\$ a day. Likewise, Mahembe & Odhiambo (2018), conclude their study by confirming that since 1990 there were around 1.9 billion people living below the international poverty line of 1.90\$ a day in the world. All these numbers show that poverty is a historical challenge facing human well-being and requires effective approaches in its reduction process. Admit this fact, there were attempts and initiations developed and constructed to combat against poverty in the world. Among them, the UN "Post-2015 Development Agenda" is one of the most recognized program internationally. This was an international agenda designed by UN to address the challenges of poverty eradication and sustainable development internationally for every country and society in the world (Council of the European Union, 2015). Alike, Islamic Relief Worldwide (IRW), International Red Cross and Red Crescent Movement, and United Nations Children's Fund (UNICEF) are some international agencies working globally to reduce poverty in the world. For this reason, the recent study aims to conduct case studies examining their contributions and approaches in providing humanitarian relief services. The study also attempts to see to which extend cash-waqf could be structured to serve Muslim World alternatively instead of approaches designed in poverty alleviation process. The researchers use a meta-analysis method to investigate this subject. The remaining study is divided into two main sections, section one gives abroad picture about the waqf institution, more particularly the cash-waqf institution and its historical role in societal and the socioeconomic development. Then the section two examine the multi-dimensional

approaches of the three agencies in the field of humanitarian relief. At the end, the study extracts the lessons which could benefit the *waqf* institutions in their implications in service provision to assist the needy people and poor in the community. After that the paper draws some sound conclusions with recommendations.

2. SHARI'AH LEGAL FRAMEWORK OF CASH-WAQF

2.1. Pillars of *Waqf*

Every *waqf* is formulated by five pillars some of them are like the pillars of any other contract in Islamic commercial law: expression of offer (*sighah*), founder (*waqif*), the subject matter of *waqf* (*al-mawquf*), the trustee (*al-mutawalli*) and the beneficiary (*al-mawquf alaihi*).

2.2. Expression of Offer (*Sighah*)

Necessity of Expression of Offer

The *sighah* implies both the offer and acceptance in *waqf* like in other financial contracts. The expression of the offer is required in *waqf*, however in the acceptance, the expression is not necessary in it. Therefore, the *waqf* is considered valid if the beneficiary does not accept the *waqf* while he has legal capacity to engage into contracts. However, the beneficiary will not be entitled to receive the benefit of the *waqf*, and it will be reallocated to charitable purposes if there are no other beneficiaries sharing with him that *waqf*.

Forms of *Sighah*

The expression of offer in *waqf* (*sighah*) is the evidence to show the consent to allocate an asset or property for *waqf* or to accept it and it can be either verbally or in writing or using any other customary means in line with *Shari'ah* rules.

Expression to Give a Property for *Waqf* in the Future

It is acceptable to fix the *waqf* contribution to a future event for instance "I am giving this property to *waqf* the coming year" (Sharifah Zubaidah Syed Abdul Kader & Nor Asiah Mohamad, 2014).

Perpetuity of Waqf

The basis is that *waqf* is perpetual once it is done. However, temporary *waqf* is also accepted if the founder (*waqif*) clearly mention the period after which the ownership of *waqf* returns back to him (Act, 1985).

2.3. Founder (*Waqif*)

The *waqf* institution can be established either by a natural individual or by a legal entity. Therefore, if the founder of the *waqf* is a legal entity, its declaration should be done by the General Assembly and not only by the Board of Directors (Mohamad, Kader, & Ali, 2012). Moreover, if the *waqf* is founded by a natural individual, this person should possess the following qualities to make the *waqf* valid and legal:

- The founder should not be an insane person (*gayr aqil*), meaning he should be in full possession in his mental capacity which will grant him legal capacity to carry out financial transactions.
- The founder should be also an adult (*balig*), because if he is not adult will be under provision of another person and that prevent him to have legal capacity for certain financial contracts.
- The founder should be a free person (*hurr*) not under slavery for any person, because the slave and what he owns belong to his master (slaveholder).
- Lastly, the founder should be capable of transferring the ownership of the property or asset from himself to the ownership of *Allah* in lawful manner (Elkhatib, 2016).

2.4. The Beneficiary of *Waqf* (*Al-Mawquf Alaihi*)

The beneficiary of *waqf* is the recipient of its benefits or who should get the usufructs of the *waqf* endowment funds. According to Suleiman (2016), *waqf* should not be used for non-permissible activities in Islam, and it should be only used for good deeds without any condition in the contracting period. Approximately, this view was supported by other jurists by saying that it is permissible to give *waqf* to non-Muslim if it is not utilized in forbidden purposes (Nu et al., 2014). Furthermore, the existence of the beneficiaries is not a requirement at the time of the *waqf* endowment (Yusri, 2007), the *waqf* would be automatically transferred to charitable means if the beneficiaries are no more existing.

2.5. The Subject Matter of *Waqf* (*Al-Mawquf*)

The subject matter in *waqf* is the property or the asset allocated in charitable purpose for the sake of *Allah*.

Conditions of Subject Matter

There are some conditions which are required in any *waqf*, otherwise it will be invalid (see AAOIFI “Accounting and Auditing Organization for Islamic Financial Institutions” (2010). *Shari’ah* standard on *Waqf* (#33). Arabic).

1. Valuable, recognized by the *Shari’ah*.
2. Known (clarity of specifications).
3. Full ownership of the property with no encumbrance¹.

Nature of the Subject Matter

The subject matter can either be real estate which includes all movable assets attached to it, subjective to the intention of its perpetuity. Due to this, it is possible to endow movable assets regardless of whether they are attached to the real estate or not (Birkeland, Carr, & Lavin, 2013). Likewise, it is permissible to endow in cash-money because it is also a movable asset. However, it should be used in a way that does not lead to the consumption of its capital, like investing in lawful investments such as *mudarabah* contract, *sharia* ‘a compliant financing. Only the profit earned from the investment is used for *waqf* purposes (Kahf, 2003).

2.6. The Trustee (*Al-Mutawalli*)

The trustee or *al-mutawalli* is the manager for *waqf* funds is defined as a person or a group of individuals or a group of institutions who are nominated by other trustees to manage and develop the *waqf* property (Gundogdu et al., 2010). According to Al-Musali and Ismail (2016), the *mutawalli* is responsible not only to manage the *waqf* property, but also to develop it and must conform with the *Shari’ah* rulings, and then with the stipulated conditions in *waqf* contract if there is no conflict with the provisions of the *Shari’ah*, and public interest. Furthermore, the trustee is expected to form, maintain and manage the given *waqf*, facilitate any financial operation related to *waqf* property or its usufructs. Similarly, as noted before it is the duty of the *mutawalli* to develop and expand the cash-*waqf* either by direct investment, through lawful financing modes (such as *mudarabah* contract) or by indirect investment by dealing with Islamic financial institutions. In brief, the *mutawalli* should manage and

develop the *waqf* property properly, and he cannot violate any term stipulated in the *waqf* contract or conduct any dealing that goes against the provisions of *shari'ah*.

2.7. The Ownership of *Waqf*

Kahf (2016) argues that once the *waqf* is established its ownership lies outside its founder who created it, and its ownership belongs to *Allah*. However, other jurists believe that the legal ownership belongs to *Allah*, while the beneficial ownership belongs to beneficiaries (Hari Candra & Asmak Ab Rahman, 2010).

2.8. Juristic views on Cash-Waqf

According to “Accounting and Auditing Organization for Islamic Financial Institutions”, AAOIFI (2010) *Shari'ah* standard on *Waqf* (#33), Arabic version, it is possible to donate *waqf* in cash. Then this cash must be invested in productive projects to keep it in existence, only the returns from the investment are spent for the purpose in which *waqf* was established. *Shari'ah* compliant financing, investments based on such as *mudharabah* contract could be good choices to invest the cash received for *waqf*. More importantly to this view, Imam Az-Zuhri accepted when he was asked about endowing 1000 *dinar* as an investment with an entrepreneur, so the proceeds obtained from this investment would be transferred to poor or needy (Ahmad, 2015). In addition to what has been mentioned before, it was narrated by *Imam Shafi'i* by *Abu Jafar* that *waqf* on *dinar* and *dirham* is permissible (Diharto, 2016). This opinion of *Imam Shafi'i* is very crucial for the modern applications of *waqf* because most of its contribution is made in cash such as *waqf* certificates or *waqf sukuk*, etc.

3. ROLE OF CASH-WAQF IN SOCIETAL RESPONSIBILITY AND ITS APPLICATIONS

Limited opportunities to support social and communal services, entails the whole Muslim World to realize the cognitive role of cash-*waqf* in the development of the socio-economic and the realization of welfare objectives resulting from different applications of the cash-*waqf* institution. Thanks to *Imam Zufar* who approved the application of cash-*waqf* for the first time since the eighth century, by proposing the investment of the cash-donation through *mudharabah* contract and only the returns were given for charity (Özdemir & Özdemir, 2017). In other words, it is rather argued that the cash-*waqf* application had its origin since the ancient Mesopotamia, Greece and the Roman Empire (Cizakca, 2016). Although the application of cash-

waqf was traced back to this historical period, there is no dispute among researchers that its popularity had to wait until the Ottoman's time. The cash-*waqf* was then approved by the Ottoman *Sultans* as early as the beginning of the fifteenth century and became spread wide among Ottomans and other parts of the Muslim until now (Cizakca, 2016). Referring to the successful and reputable practice of the cash-*waqf* institution since the Ottoman era in its multi-dimensional approaches in responding the public needs, many Muslim countries are recently appreciating the adoption of cash-*waqf* effectively to solve social problems. Hereby, the study gives a brief sketch of cash-*waqf* applications in some chosen Muslim countries to highlight the role of cash-*waqf* institution in handling societal responsibilities. These countries include Turkey, Kuwait, Malaysia and Singapore.

3.1 Cash-*waqf* Applications in Turkey

As mentioned before, since beginning of the 15th century, the Ottoman courts issued the official approval of the cash-*waqf* practice within the empire. This approval had facilitated the endowment of cash-money which was settled for social and goodness purposes (Bulut & Korkut, 2016). Prior the introduction of the cash-*waqf*, the majority of *awqafs* were confined to land, books, furniture, farm animals etc. However, with the initiation of the cash-*waqf* new applications were tied to the *awqaf* institutions such as:

- **Supporting Public Facilities:** The cash-*waqf* institution was utilized during the Ottoman period to finance education, provide public works, health care, as well as religious services. Yet all the educational services financed by the modern Turkish government were part of the cash-*waqf* institution activities during the Ottoman era. Yet at that time, the cash-*waqf* was used to ensure the social security, so its role was vital and general provision of public services free of charge.
- **Provision of Financial Services:** The cash-*waqf* institution was the source of many credit seekers in the society in addition to other financial necessities. According to Çizakça (1998), around 10% of the total population of Bursa, which accounted for almost 60,000 people during the 18th century were borrowing money from the cash-*waqf* institution. Accordingly, he argues that the cash-*waqf* expenditures were mainly for the special services such as: education, nutrition, family duties, realization of social justice and so on.

- **Cash-waqf Profit:** The Turkish used the cash-waqf fund to generate returns through profitable loans and this practice of cash-waqf during the Ottoman time was subject to intensive criticism among jurists and historians in the discourse of cash-waqf. Reason to this criticism, the cash-waqf was violation of the Islamic principle on the prohibition of *riba*.
- **Cash-waqf as a Tool Against Poverty:** The cash-waqf is utilized in Turkey to offer different societal services including poverty eradication projects, interest-free and other public services such as scholarships for students. Interest-free loans were issued with the intention to make borrowers self-reliant within the society. The loans were mostly based on the Islamic finance concept of *Musharakah al-mutanaqisah*, the contract was executed by transferring the borrowers' houses to the waqf institution, but they were still to stay in them. Although this practice was an interesting model for poverty alleviation at that time, it raised several questions towards the legitimacy of cash-waqf among scholars.

3.2 Cash-waqf Applications in Singapore

Singapore witnessed its first waqf application upon the creation of waqf of the Omar Mosque in Kampung Melaka, which was an initiation done by the late *Syed Omar Aljunied* a trader originally from Indonesia (Shinsuke, 2016). In addition to this first contribution there are other endowments to ensure the income for the maintenance of mosques and religious activities. However, the cash-waqf institution was founded in Singapore by requiring each Muslim employee to donate a stipulated amount to the waqf institution every month. This contribution was deducted from around 175000 Muslim employees in Singapore as of the records of 1 July 2005 (Bank et al., 2007). Based on the above information, the cash-waqf institution received an annual contribution up to \$6 million from the Singaporean Muslim employees, which enabled the waqf managers to build 22 mosques in the country with amount of \$130 million.

3.3 Cash-waqf Applications in Kuwait

All *awaqfs* in Kuwait regardless of the nature of their capital are utilized to achieve developmental projects Islamically to meet all societal needs and requirements. To realize this objective, it is required from the citizens to make some contributions with cash-money or any other assets to the waqf institution (Khalil, Ali, & Shaiban, 2014). The Kuwait *Awqaf* Public Foundation (KAPF), is the trustee for these funds and manages them to fulfil societal as well as developmental needs through effective projects. In Kuwait, KAPF strives to meet a set of various objectives enhance the

social life. According to Thoarlim, Rahman, & Yanya (2017), these objectives could be summarized as follow:

- “To restore and revitalize the practice and tradition of *Waqf* by calling for projects which are closer to the hearts of the people and more responsive to their needs”.
- “To renew and modernize the developmental role of the *Waqf*”.
- “To advance the Charity Work by introducing a new model to be followed as an example”.
- “To meet the needs of the society and the citizens in the domains which are not properly subsidized”.
- “To create a balance between external charity work and the internal one”.
- “To bring into effect the popular participation in the call for *Waqf* and managing its projects, and”
- “To start off the *Waqf* work through an “Organization” that fulfils flexibility as well as discipline at the same time”.

3.4 Cash-Waqf application in Malaysia: The Case of Perbadanan Wakaf Selangor

It is a cash-waqf institution based in Malaysia which was founded on the 3th February in 2011, this was result of a preplanned project which started in the year of 2009 (Sanusi & Shafiai, 2015). This was a declaration given by the Royal Highness of Selangor, Sultan Sharafuddin Idris Shah Al Haj Ibni Almarhum Sultan Salahuddin Abdul Aziz Shah on the 30th October 2009. This declaration came as reason to a decision which was taken in 2005 stating that Waqf unit must be transferred to the Selangor Islamic Religion Council, the Royal Highness therefore had declared that the Council should launch its own Waqf entity, which will aim to enhance the effectiveness of its operations and management (Md. Shahedur Rahaman Chowdhury, 2011). The section 8 of the Selangor Islamic Regulation Enactment 2003 set the legal origin of Perbadanan Waqf Selangor. The waqf institution is led the Sultan Selangor, chaired by Dato Ramli bin Mahmud. Tuan Abu Bakar Bin Yang is appointed as a Chief Executive Officer for the management of Perbadanan Waqf Selangor (Art, 2013).

Before the establishment of Perbadanan Waqf Selangor in 2011, all Waqf properties were under the management of Majlis Agama Islam Selangor (MAIS) (“Utama - Laman Web Rasmi Majlis Agama Islam Selangor (MAIS),” n.d.). Hence, the aim of Perbadanan Waqf Selangor was to develop and optimize the waqf properties which have the potential and capability to enhance the economic life of Malaysian Muslim society (Bakar, Hussain, & Hamed, 2017).

The Perbadanan Waqf Selangor comprises four main departments, which are Administrative Department, Financial Department, Marketing and Dakwah Department and Research and Investment Department. However, another Internal Audit Unit was included later as new department (Mohamad Suhaimi, Ab Rahman, & Marican, 2014). The PWS has in total 54 stall assigned in the different respective departments (Abdul Majid Tahir, Murshamshul Kamariah, & Yusuff Jelili, 2018). It offers a range of different waqf products whereby, every product targets a specific segment within the society. For instance, they introduced the Waqf Gold which targets the woman, this waqf allows woman to contribute with their gold accessories or their gold bar (Wakaf, Sosial, & Muslim, 2015). In the same regard the Waqf Art was established targeting anyone who is working in the art ground (Bakar et al., 2017). Accordingly, the inclusion of those working in business areas was done by launching a Corporate Friends Program as a platform, through which business organizations or companies can contribute to the Waqf institution from their annual profit. The aforesaid indicates that the initiation of the Perbadanan Waqf Selangor has increased the rate of the waqf collection in Malaysia. This is because they managed to include every and each segment in the waqf fund collection by creative activities in the waqf applications in several communal sectors which attract everybody to contribute in the appropriate sector to him or her.

4. MULTI-DIMENSIONAL APPROACH IN POVERTY ALLEVIATION

4.1. Case of Islamic Relief Worldwide (IRW)

The Islamic Relief is a centralized Islamic charitable organization based in the United Kingdom (UK) working for the well-being of humanity worldwide. Founded in 1984 in Birmingham, United Kingdom, Islamic Relief has representative full-time branches and offices in over 25 countries, it offers assistance services to poor and needy people in more than 30 countries worldwide (Islamic Relief, 2013). The humanitarian services of the organization targets all people of the world regardless of race, political affiliation, gender or belief (Islamic Relief, 2013b). According to the annual report of Islamic Relief Worldwide in 2013, the organization focuses on sustainable livelihoods, education, health and nutrition, orphans and child welfare, water sanitation and hygiene, emergency relief and disaster preparedness, campaigning, integrated development. The Islamic Relief Worldwide aims to help vulnerable people in meeting their necessary needs, to empower them by providing assistances to them with different services and projects, so they can become self-reliant to live confidently with complete dignity.

Functions and Scopes

This section sheds light on the scope and operation of Islamic Relief Worldwide as enshrined in the organizations vision. Moreover, the section explains how this charitable organization delivers assistances to poor and needy, when and where. IRW has been implementing long-term and short-term projects to provide humanitarian missions and assistances all over the world in many fields ranging from protecting life and dignity, empowering communities, campaigning for change, strengthening the Islamic Relief Partnership, personnel projects (IRW, n.d.). Moreover, Islamic Relief Worldwide as a charitable organization has worked to respond to emergencies for more than two decades around the globe. It works for sustainable development for those communities which are badly affected by disasters and poverty (IRWHA, n.d.).

The Intersectional Approach to Humanitarian Programming

Due to the complex and increase of challenges in different areas of humanitarian reliefs, IRW believes that new approaches are needed to match with the limited access to affected individuals or populations, and funding shortages to encounter the fast-rising emergencies. In this regard, IRW introduces a new approach to meet the needs of vulnerable groups in different communities. This new approach is based on the intersectionality theory, which was initially coined by Kimberlé Crenshaw (Sphere Association, 2018). The term of intersectionality was defined by Crenshaw as “an analytic sensibility, a way of thinking about identity and its relationship to power. Originally articulated on behalf of black women, the term brought to light the invisibility of many constituents within groups that claim them as members, but often fail to represent them”(“The Importance of Intersectional Feminism,” n.d.).

To apply this concept, IRW believes that there should be enough consideration given to access how social and cultural identities such as age, religion, gender, disability and so forth intersect with each other to yield qualitatively distinct understandings relative to influence and access to resources. Moreover, it should be seen that the distinction of these social and cultural identities is one of the mainstreams in humanitarian reliefs. Only a comprehensive evaluation and analysis of these identities would give a systematic approach in poverty alleviation and societal development activities. This new approach of IRW, considers any interventions based one-size-fits-all approach to be ineffective and not only that, rather they do not mostly take into account many considerations about social dynamics. This in turn can cause or lead to some exclusions and even to intensive conflicts in humanitarian circumstances. Referring to the “SPHERE Project”, it is argued that the fact of being young, old, a woman or girl, a person with a disability or of a minority ethnicity does not necessarily main being universally vulnerable. Rather, it is the interaction of dynamics in a

particular context that can reinforce abilities, form flexibility or demoralize access to assistance for any individual or group (Sphere Association, 2018). Moreover, the social and cultural identities were used as a social context in determining the vulnerability. It is confirmed that Characteristics such as sex and incapacity, and the privileges or difficulties that they confer, are generally dependent on a given society's values, beliefs and behaviors rather than biologically determined. In other words, it is not justifiable that vulnerable people are always a given group like women, girls or children in the community as conceived by many people. To avoid unbiased results and outcomes, IRW plans its program based on the intersectional approach in distinguishing vulnerability and overlooking the intersection factors such as geography, culture, and other factors of their like facing many families. In the recent years, UN and other humanitarian agencies have included gender analysis framework into their relief programs for human rights investigations (Nations et al., 2018). Furthermore, IRW has committed itself to the principle of leaving no one behind as expressly mentioned in its vision record of the year of 2018. Therefore, it is highly required to analyze and understand the experiences of vulnerable groups facing intersectional constructions of marginalization in society, through disasters (IRW, n.d.).

Some Experimental Practices of Intersectional Approach

Although IRW is still consolidating and refining his new approach to intersectional programming and supporting tools for effective relief services, it was capable of investing in training programs to help its rollout around the world. As results of that effort, the new approach is being piloted recently in Palestine and Pakistan at IRW's representative offices (Islamic Relief Worldwide, 2014) The adaptation of this new approach gave some positive initial results in the two countries; they are briefly examined in the following subsections.

Islamic Relief Palestine

In Gaza, the social and cultural identities such as gender, age, and diversity analysis adapted by the IRW team to separately consult with disable or elder people, abandoned women and people who are internally displaced (Sphere Association, 2018).

The use of the new approach has enabled the IRW team in Gaza to integrate some exclusive groups in their poverty alleviation. This has been admitted in clear statement expressed by the IRW representative office in Gaza as said: "Previously we used to focus more on collecting disaggregated data and community consultations. By using the new approach, we have been able to uncover information that has enabled us to integrate excluded groups. If we had not used the new approach, we

would never have known about the existence of women who have been abandoned by the community due to their family's association with Israeli military forces" (Sphere Association, 2018). This is on one hand helpful in recognizing who are really in need for relief services. On the other, the new approach has boasted the IRW Palestine in achieving its target programs in poverty alleviation by working alongside with some other local partners to overcome all the shortcomings originated from negative social perceptions.

Islamic Relief Pakistan

The same approach was also adapted in Pakistan by the IRW's representative team. The team focused their analysis on gender factor to see how some genders could have poor access to power and resources in the community even more badly if they are associated with disabilities. Furthermore, the team was able to intensify by their new approach that there are many disadvantages innate in socially created sex standards, particularly when interconnected with another marginalizing factor such as incapacity (IRW, n.d.). After analysis, the team indicated that gender factor is the main reason for the exclusion of certain groups in Pakistan from accessing to power and resources. By the same stand, it is seen that women are more vulnerable in many aspects. Moreover, in Pakistan women have poorer access to healthcare, power, resources and education services (IRW NEWS REPORT, n.d.) Hence, to understand these social and cultural identities is likely helpful in reaching greater results. This is strengthened by views from working fields in Pakistan as said: "Understanding the context in which we operate leads to better outcomes. Cultural reasons may prevent women from leaving the house to access a complaints box, and profound barriers exist where female illiteracy is high. To ensure everyone is heard, we established inclusive community groups in the FATA" ("Get Support | CHS Alliance," n.d.). In short, IRW Pakistan conducted this program through staff and community volunteers who trained on protection and inclusion. Consequently, inclusive community organizations were built for women, men, and children of all ages and abilities to have their voices heard.

4.2. Case of International Red Cross and Red Crescent Movement (ICRC)

The International Red Cross and Red Crescent (IRCRC, hereafter) movement is a humanitarian relief movement worldwide which ties around 80 million people working together to provide helps and assistance to those individuals or communities facing disasters, conflict and health and social problems. It includes the International Committee of the Red Cross (ICRC, hereafter) the International Federation of Red

Cross and Red Crescent Societies and the 191 National Red Cross and Red Crescent Societies (ICRC, n.d.). Although these distinct organizations are independent from each other, they are gathered within the movement by common principles, aims, emblems, statutes and governing organizations (ibid).

The idea of ICRC was born by the Swiss businessman and social activist Henry Dunant in 1859, due to the war that Europe was exposed to in 1859, between France and Austria, Henry found himself in front of the suffering of thousands of injured and killing soldiers in the battle area of Solferino (Bhushan et al., 2008). On the ground there was inadequate army medical services accessible, that pushed Henry to mobilize the local citizens of some small villages with whom he tried to provide basic helps to the wounded soldiers (ICRC, 2015).

Four years later, the International Committee of the Red Cross (ICRC), a private humanitarian institution was created in 1863, in Geneva (Switzerland), by Henry Dunant and Gustave Moynier with the intention to secure the protection and provide assistance for wounded during armed conflicts around the world regardless of race, religion, politic affiliation or other characteristics, working only for the development of humanitarian relief (ICRC, n.d.-a).

In 1919, the International Federation of Red Cross and Red Crescent Societies (IFRC) was founded in Paris as response to the need for close cooperation among Red Cross societies which was shown by the world war I (IFRC, n.d.). It leads and organizes in close cooperation with national societies at the international level.

The National Red Cross and Red Crescent Societies, is available almost in every country offering humanitarian relief services globally, presently 191 National Societies are known and confirmed by the ICRC as full members of the Federation (ICRC, 2015). The ultimate objective of ICRC regardless of its various distinct parts is to ensure the protection and adequate assistance to wounded people in armed conflicts and relief suffering from all human beings by providing enough health services to them or basic services needed.

The Functions and Scope of ICRC

ICRC is one of the world largest humanitarian relief organizations, that works in many countries around the world to respond emergency issues and to help people who are vulnerable to armed conflicts and disasters in conflict zones (ICRC, n.d.-e).

Supporting communities affected by disasters and emergency issues has always stayed on the top of the agenda of ICRC worldwide, it supports people with disabilities to enable them playing an important role in the society in several countries. For instance, the organization has a fund called “Move Ability” a special fund of ICRC to aid people with disabilities, preferably in low and middle-income countries. With this fund, the organization facilitates the necessary convalescence

procedures, and empowers people to speechless the difficulties they confront in their life (ICRC, n.d.-e).

The international Committee of the Red Cross is also working globally to secure the human treatment in helping prisoners, irrespective of the motives for their arrest and imprisonment, because of the economic crisis in many countries, many families are not able to support their relative in prison and that leads to a big loss of energetic lifeline for various prisoners, then they become more secluded than forever (ICRC, n.d.-e).

The ICRC has implemented a broad picture of refugees, to cover all human beings who abandon their communities and move to other countries seeking safety and better life because of ongoing armed conflicts in their countries and other instability issues, and most people are always in distress and need quick protection and humanitarian relief missions (ICRC, n.d.-c).

ICRC Strategy 2020

This is an international strategic plan adopted by ICRC to collectively determine the ICRC societies to move one-step more in tackling all expected challenges to confront humanity in the future periods. It combines prior guidelines and approaches in bestowing restructured essential perceptions to guide National Red Cross and Red Crescent Societies in expressing their own mission declarations and strategic plans in the framework of the unambiguous necessities and vulnerabilities that worry them (“IFRC strategy-2020,” 2020). The elements of this strategy 2020 are outlined in the strategy project paper titled (saving lives, changing minds). These elements are discussed in three chapters in the project paper. The first chapter describes the agency, its advantages, its previous experiences in strategic plan adaptation and the lessons taken from strategy 2010 in addition to the agency global trends and vision. While the second chapter is about what the agency, do exactly by adapting strategy 2020 to aid helpless individuals and to block the fundamental reasons of their weakness. In the same stand, the third chapter deals with the methodology that the agency uses to implement its strategy 2020. Moving forwards, it could be inferred that only the second and third chapters are directly connected to the present paper objectives. For this reason, only these two chapters will be briefly discussed the following subsections.

The Role of the Strategy 2020

Strategy 2020 is intended to help all who look for help to form a further humane, honorable and nonviolent world. It focusses its activities on three comprehensive strategic aims. The first strategic aim attempts to save lives, protect livelihoods, and strengthen recovery from all kind of natural disasters and crises. To achieve this aim, the strategy 2020 believes that any benevolent support must be sensitive to gender, age and other socio-economic deliberations, balanced to the greatness of the situation (“IFRC strategy-2020,” 2020). Help must be delivered first to the most vulnerable people and delivered in a way that respects their dignity (reference). the second strategic aim focusses on the delivery of healthy and safe living. The strategy strives to provide vulnerable people the ability to adapt and cope with recurrent or prolonged disasters and crises, as well as with wider socio-economic changes, which enables them to defend and build on the development gains that have already been constructed. At the same, this strategy is meant to reinforce civic flexibility by aiding people to be as healthy as possible and to avoid or decrease risks wherever they can, so that they may enjoy better and safer living that is also respectful of the environment (International Federation of Red Cross and Red Crescent Societies, 2011). Finally, the third strategic aim is keen to promote the social inclusion and culture of non-violence and peace in the world.

The Methodology to Implement the Strategy 2020

This section is about how IRCRC work to deliver its strategic aims to assist the most vulnerable people. In order to prevent suffering and all vulnerabilities in human lives, IRCRC strengthens its strategy 2020 through three main enabling actions (International Federation of Red Cross and Red Crescent Societies, 2013). The first empowering act highlights the importance of solid National Societies as the basis for all of its activities. The second empowering act is directed at strengthening the consistency and influence of its joint expression. The third empowering act is planned to arrange the whole range of IFRC abilities for increasing access and delivering the best results possible in humanitarian relief (“Search – Red Cross EU Office,” n.d.).

4.3. Case of United Nations Children’s Fund (UNICEF)

After the World War II, there were millions of children suffering in Europe due to consequences of different conflicts and economic crises left behind the war. Then there was a need of creating an emergency agency to meet the challenge facing children in Europe specifically and in other parts of the world generally. In this concern, “The United Nations International Children’s Fund” (UNICEF, hereafter)

as the first international organization founded on December 11, 1946, during the first meeting of the United Nations General Assembly with the purpose of addressing the world's children issues and look after them to grant them meaningful life (UN General Assembly, 2007). At this first session of the United Nations General Assembly, the organization got its name as well "The United Nations International Children's Emergency Fund" unanimously preferred by all participants in the meeting, and this name was later changed to "The United Nations International Children's Fund" but the symbol remained always the same "UNICEF".

Functions and Scopes of UNICEF

Before going through the details and elaborations, it is very important to notice here that UNICEF focuses essentially on the five following areas in all its activities: Child survival and development, Basic education and gender equality, HIV/AIDS and children, Child protection, Children with disabilities (UNICEF, n.d.). In the coming paragraphs each, one of these five areas will be briefly explained to give the reader a clear idea about the organization main functions

UNICEF Strategic Plan 2018-2021

The objective of UNICEF Strategic Plan 2018-2021 is to recognize the necessity for working across sectors with a focus on crosscutting issues of equity, gender and sustainability, the Strategic Plan is expected to increase UNICEF's ability to deliver results for children in four key ways as noted in UNICEF strategic plan project paper (UNICEF, 2018):

- Bring into line the organization's incomes about mutual goals and strategies.
- Supporting the agency's ability to create strategic adoptions.
- Building more effective communication about UNICEF's work for every child to win more support for the cause of children.
- Strengthening the organization's accountability framework.

UNICEF has a targeting strategy named **"strategic plan and agenda 2030"** which is ensured in the Convention on the Rights of the Child, the 5 Goal Areas, 8 Change Strategies and 4 Internal Enablers of the UNICEF Strategic Plan, 2018–2021. These are specifically entered to accelerate progress towards the achievement of the 2030 Sustainable Development Goals – and thus, to help realize the SDGs' vision of a world in which no one is left behind ("Poverty Reduction Begins with Children | UNICEF Publications | UNICEF," n.d.).

The five goal areas of UNICEF strategic plan are sorted as follows: the goal area 1 focusses on the health provision for every child. It is committed to facilitate the rights for every and each to survive and thrive especially the more disabled children. Alike the goal area 1, the second is also keen to guarantee that every child has the right to an education and quality learning opportunities from early childhood to adolescence. While the third one, gives more attention to security areas to make sure that every child has the right to be protected from violence, exploitation and abuse. Furthermore, the fourth goal area, undertakes measurements to guarantee the sanitation for every child. Last but not the least, the goal area 5 tries to sustain an equitable chance in life for every child.

To reach effective and efficient results, UNICEF progress under its strategic plan 2018-2020 through the following procedures that are summarized in the strategy project paper:

- **Emphasize:** Gender discriminatory roles and practices.
- **Mainstream:** Gender analysis in program design and delivery.
- **Achieve:** Gender parity in internal staffing and capacity development.
- **Overcome:** Barriers to the empowerment of adolescent girls.
- **Engage:** With men and boys and change social norms to address the root causes of gender-based discrimination.

5. KEY LESSONS FOR THE WAQF INSTITUTIONS

Although these international are not Islamic so called, they can benefit the Waqf institutions in way to undertake its projects or programs efficiently and sufficiently in the field of humanitarian relief. This is by incorporating some of the methodologies adapted by the international agencies in delivering their humanitarian services. The Waqf institutions can learn from the above-mentioned agencies many adaptations, but the followings are some of the most beneficial focus areas:

- Detection of the real causes of vulnerability of all vulnerable people in order to implement suitable projects for them.
- Using the social and cultural identities such as gender, age, ethnicity, minority and so on to specify vulnerable people in different communities.
- Employing effective and acceptable analytical tools in solving vulnerable problems in any society.
- Conducting workshops and training programs for staffs who are in direct interaction with the people for efficiency and adequacy purposes.

- Giving opportunity to the public and especially the vulnerable individuals to have their voice heard about how to better assist them in meeting their needs.
- Weighting the vulnerability situations to detect the most privileged persons and giving them priority over others in service delivery.
- Adoption of effective auditing system by reporting all financial and operational transactions related to Waqf properties.

6. CONCLUSION AND RECOMMENDATIONS

To sum up, this study strived to examine some initiative contributions in poverty alleviation and humanitarian reliefs globally as well as at national levels. The findings of the study show that cash-*waqf* institution requires further steps to move from traditional application to modern applications and from being operating locally to the international scale. In addition, the findings indicate that only effective application of the cash-*waqf* institution can meet social needs of Muslims as observed in cash-*waqf* applications in the selected countries. The above discussion reveals that the cash-*waqf* institution has the potential capability to serve Muslims over other international institutions once its application is internationalized.

As Recommendation

- Muslim nations should work hand-in hand for the internalization of cash-*waqf* institution.
- Every Muslim individual, corporation and organization is required to contribution for the development of the society.
- The Islam itself, recommends to concept of care and mercy in our societies.
- Future researchers are advised to investigate the subject statistically to give exact numbers of cash-*waqf* contribution in the development of Muslim societies.

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ENDNOTE

- ¹ As in case of option (khiyar). If seller is given the right for khiyar ash-shart (conditional option), then the buyer cannot dispose the purchased asset until the specified period elapses.

Chapter 10

Exploring New Trends of Waqf in the Islamic Capital Market

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ABSTRACT

The financial re-engineering of old concepts is a new trend in the field of Islamic finance. It has been termed as 'New Horizon 2.0' by Shinsuke (2014)—an approach which aims to revitalize original instruments once practiced in medieval Islam to harness the potential of Islamic finance to better meet the needs of communities. It is also in line with the continuous innovative efforts of the industry to apply existing concepts, contracts, and instruments that are Shari'ah-compliant in the modern context to resolve contemporary socio-economic issues. In light of this background, this chapter examines how the age-old philanthropic concept of waqf has been integrated in the Islamic finance industry to revive its applications in contemporary societies. The chapter focuses on the inter-links between waqf and the Islamic capital market (ICM). Accordingly, it examines the new trends of waqf that have emerged in the ICM.

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INTRODUCTION

In the literature, waqf has often been portrayed as an instrument to advance the socio-economic role of Islamic finance (e.g. see Habib, 2011; Shinsuke, 2014). Waqf (plural awqaf) is an endowment trust typically used for charitable purposes. Legally, waqf is defined as “a gift of a corporeal property (*‘ain*) for the benefit of either the donor’s family or someone else or something, in perpetuity or temporarily, as a charity promised and executed normally during the lifetime of the donor, which is not capable of transfer, gift, and transmission thereafter” (ISRA Consultancy, 2016). It has a history rich with achievements in meeting the needs of the poor as well as in promoting economic growth and development.

As Islamic finance has evolved and expanded in the various aspects of finance, the vision of stalwarts of the industry has been to integrate waqf—which is primarily philanthropic in nature—within the mainstream of the Islamic finance industry to strengthen its effectiveness and applications. The aim has been to widen the mobilization of waqf beyond the traditional sectors such as mosques, graveyards, Islamic schools, and drinking water wells to serve different other social purposes relevant to communities today. Moreover, besides using waqf as a mechanism for social investments, the aim has been to spearhead its use in commercial purposes to generate sustainable returns to the waqf beneficiaries.

To revitalize the concept of waqf so that it remains relevant to modern societies, it has required the reinterpretations of fiqh rules and re-examine their applications in Islamic finance (Omar, 2018). One such example is the concept of temporary cash waqf, which has been introduced by the International Shari’ah Research Academy for Islamic Finance (ISRA) and endorsed by the ISRA Council of Scholars in 2016. This has opened up new potentials in the domain of creating new waqf structures.

Mainstreaming efforts in the waqf sector have led to establishing joint cooperation between waqf and the banking industry, the *takaful* (Islamic insurance) sector, Islamic microfinance and the Islamic capital markets (ICMs), respectively. For instance, a banking model of corporate waqf has emerged, such as the Wakaf Selangor Muamalat which has been jointly established by Perbadanan Wakaf Selangor (PWS) and Bank Muamalat Malaysia Berhad (BMMB) in 2012 (Ramli & Jalil, 2015), and Waqaf Perak Ar-Ridzuan and Maybank Islamic Berhad. The waqf-banking model actually interlinks with the Islamic capital market (ICM) as the waqf capital is professionally managed by a fund management company for its investment in Shari’ah-compliant instruments and for generation of *halal* (Islamically permissible) returns for the waqf beneficiaries. Thus, besides waqf being utilized as an instrument of the Islamic social finance sector, attempts have been made to develop its use as an investment strategy to generate sustainable returns for beneficiaries. In the ICM, for example, the modern practice of waqf has seen the development of initiatives such as waqf-

sukuk, waqf-shares, waqf-unit trust, and waqf-real estate investment trust, among others. These latest instruments have come up with innovative strategies to develop waqf as an alternative asset class for mobilization of capital in the ICM.

In light of the innumerable possibilities of reviving waqf to unlock the potential of Islamic finance, this chapter aims to examine the new trends of waqf in the ICM. In particular, it seeks to achieve the following four-fold objectives:

1. Examine the modern conception of waqf from land and immovable properties into movable types of waqf.
2. Explore new trends of waqf structures developed in the ICM.
3. Discuss case studies of modern applications of waqf in the ICM.
4. Deliberate on strategies to be adopted for improving the effectiveness of waqf in the ICM.

The study adopts the qualitative research methodology to achieve the above-mentioned research objectives. It rigorously analyses previous literature to illustrate the innovative strategies applied in the development of waqf-related ICM instruments. It also adopts the case study approach to examine the latest trends of waqf development in various countries.

The rest of the chapter is organized as follows: the second section discusses the evolution in the concept of waqf from a historical social or philanthropic instrument to the modern conception of cash waqf, corporate waqf and other contemporary waqf models. The third section deliberates on the emerging trends of waqf structures developed in the ICM. It also elucidates few case studies of modern applications of waqf in the ICM. The fourth section examines the possible strategies to be espoused for strengthening the effectiveness of waqf in the ICM. The fifth section concludes the discussion.

EVOLUTION IN THE CONCEPT OF WAQF

The concept of waqf was introduced during the time of Prophet Muhammad (peace be upon him). Among the first few waqf properties donated by the Companions are the ‘Well of Rumah’ where Uthman ibn ‘Affan bought the well from Jews and allowed the public to use it; and a piece of land in Khaybar where Umar al-Khattab acquired the land and gave it as *sadaqah* (charity) declaring that the land must not be sold nor inherited nor given away as gift. Umar devoted it to the poor, to the nearest kin, to the emancipation of slaves, to wayfarers, and in the way of Allah (SWT). These two exemplary waqf properties were in the form of immovable assets donated for charitable purposes to assist the public and needy.

With the change of time and space, Shari'ah rules and interpretations on waqf have evolved: from pure immovable waqf properties to other types of waqf assets such as corporate waqf and cash waqf; from the traditional way of using waqf assets to the use of sophisticated Islamic financial instruments, particularly to fund the development of waqf assets; and from mere religious purposes in giving waqf to becoming a philanthropic instrument that could elevate socio-economic development of the Muslim *ummah* (nations) via the institutionalization of waqf within the overall framework of Islamic social finance. This section briefly sheds light on this evolution.

Waqf: From Immovable Properties to Movable Assets

Traditionally waqf is made on immovable assets such as land, wells, mosques, houses, schools and other types of building either for pure religious causes or charitable purposes for the benefits of the public. This is evident from the Sunnah of the Prophet (peace be upon him) who established the mosques of Quba' and Nabawi as waqf properties, followed by the Companions who endowed wells and land, as indicated earlier in the case of Uthman ibn 'Affan and Umar al-Khattab. Later, the wife of the Prophet, Ummu Hafsah gave her jewelries worth 20,000 dirham as waqf for the women of al-Khattab lineage (Ibn Qudamah, n.d.). In fact, this example has been cited as an evidence that cash waqf was introduced during the Companion's era (Ahmad, 2015). Other types of movable assets such as the Qur'an, books and vehicles, seeds and agricultural equipment have been donated as waqf assets.

The following paragraphs highlight a brief development of waqf assets from immovable to cash and corporate waqf being two distinctive structures that require *ijtihad* (intellectual reasoning) from Shari'ah scholars to amplify the development of waqf assets for the betterment of the Muslim *ummah*.

1. Cash Waqf

The concept of cash waqf has been discussed in many *fiqhi* (jurisprudence) books where Imam Malik ibn Anas (n.d.) and Zufar of Hanafi School (Ibn Nujaym, 1997) were among the key proponents amongst classical jurists. According to Ahmad (2015), the concept was thereafter revived during the Ottoman Empire (1301-1922). Cash waqf was approved by the Ottoman courts in the 15th century, and by the end of the 16th century it dominated the waqf formation in Anatolia and Balkan regions. Cash waqf was used to provide seed capital in the form of *mudarabah* to small and medium enterprises, and providing funds for consumption purposes (Cizakca, 1998; Ismail, 2009).

In the contemporary context, major international *fatwa* bodies such as the International Islamic Fiqh Academy (IIFA) of the Organisation of Islamic Cooperation (OIC) and the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) issued resolutions permitting cash waqf. For example, the IIFA of OIC in its 15th meeting in 2004 resolved that cash waqf is permissible as the main objective of waqf is to preserve the corpus while disseminating its benefits. Since money cannot be specified by separation its equivalent amount can be replaced.

Allowing cash waqf entails that the cash is considered as an asset that can be utilized for giving loans or being directly invested in any project, investment activity, or for buying properties to be developed. This ruling has indeed paved the way to broadening a myriad of waqf assets and has benefitted more beneficiaries. In fact, some literature (Jalil and Ramli, 2014) consider corporate waqf as a variant of cash waqf. Similarly, waqf-shares also involve the element of cash waqf as shares are considered as financial instruments/securities. This is evident in Cizaka's (1998, p. 63) proposal for cash waqf to 'be created directly by endowing joint-stock company shares'. His proposal was based on the establishment of Koc Foundation in Turkey by Vehbi Koc who endowed the shares of Koc Holding and entrusted Koc Foundation—as trustee (*mutawalli/nazir*) to manage and administer the waqf assets. Nonetheless, most writers deem this type of waqf as either corporate waqf or waqf-shares (see for example Ramli and Jalil, 2013; Abdullah, 2018).

2. Corporate Waqf

Today's practice of waqf has seen the development of corporate waqf model used by business corporations (Ismail, 2014; Ismail *et al.*, 2016). Jalil and Ramli (2014, p. 3) define corporate waqf as "the creation and management [of] waqf asset and distribution of waqf proceed by a corporate entity independently or collectively with other parties".

According to Jalil and Ramli (2014), there are six models of corporate waqf structures proposed by the late Tan Sri Muhammad Ali Hashim, the pioneer of corporate waqf in Malaysia, that is: (i) business entities or corporations; (ii) banking and financial institutions; (iii) universities; (iv) foundations; (v) cooperatives; and (vi) hospitals or clinics. The authors are of the opinion that these models are distinguished based on the entities which set up the corporate waqf. In other words, different entities can introduce their own corporate waqf based on their organizational structures and needs. To-date, the most popular models that have been practiced in Malaysia are corporate waqf by corporations and Islamic banking institutions. Some public universities have started to explore the idea, but it is still at the preliminary stage due to legal requirements to register the waqf entities with State Islamic Religious Councils (SIRCs) as the waqf trustees.

Based on the first model (i.e. corporate waqf by business entities or corporations), Johor Corporation Berhad (JCorp) in 2006, under the leadership of Tan Sri Muhammad Ali Hashim, pioneered an inaugural corporate waqf in Malaysia when JCorp pledged the shares of its own companies, involving JCorp Kulim (M) Bhd., KPJ Healthcare Bhd. and Johor Land Bhd., as waqf to Waqaf An-Nur Corporation Berhad (WANCorp), a subsidiary of JCorp and a company limited by guarantee (Ramli and Jalil, 2013). This type of waqf is also termed as waqf-shares for the fact that JCorp gave the company's shares as endowment, as explained in the next section.

A banking model of corporate waqf has also ensued, such as the Wakaf Selangor Muamalat which was jointly initiated by Bank Muamalat Malaysia Berhad (BMMB) and Perbadanan Wakaf Selangor (PWS) in 2012. BMMB collects cash waqf from the public and corporates to finance waqf projects in the areas of education and health, and for distribution to the needy. In 2016, Waqaf Perak Ar-Ridzuan was established by Maybank Islamic Berhad in collaboration with Majlis Agama Islam Perak (MAIP) in the collection of cash waqf from the public. Maybank Islamic assumes three roles under the waqf arrangement: collection agent via the online platform (Maybank2u), donor (*waqif*) and fund manager. Funds generated through this waqf programme are channeled for education advancement, entrepreneurship and health care.

In September 2017, the Association of Islamic Banking and Financial Institutions Malaysia (AIBIM), in collaboration with six participating Islamic banks, launched 'myWaqaf', a waqf fund structure that establishes a close collaboration between SIRC's as the waqf trustee and participating Islamic banks which act as the collecting agents and participate in the Joint Management Committee (JMC) of the waqf projects.

Waqf: Dynamism and Innovation in its Approaches

The permissibility of creating waqf by using contemporary forms of wealth such as cash and financial securities has increased the flexibility of waqf and turned it into a powerful Islamic social finance instrument that can promote multidimensional human development initiatives. One of the benefits derived from broadening the range of waqf assets is the wider range of applications that waqf can now be put to use, besides the traditional sectors of education, health and religious activities (Suleiman et al., 2019). In the examples discussed in the section that follows, it can be seen that causes such as——acquisition of farmlands for provisioning of livestock for *qurbani/adahi* (Islamic sacrifice), financing of responsible and impactful small businesses so that they are successful, as well as reviving abandoned or under-utilized waqf assets into productive properties——which represent specific needs of contemporary societies have been given attention to in the waqf structures. Particularly in the case of dormant or unproductive waqf assets, research into modern structures

of waqf has called for an aggressive strategy in managing waqf assets so that old assets can be revitalized as well as new assets created, as evident in the waqf of YAL Saif Charity Trust, at Chancery Lane in Singapore. Before development of the waqf properties between 2000 and 2006, the rental was S\$20,000 per annum. After development of the waqf assets which involved sale of the old assets, *istibdal* (exchange or substitution) and their replacement with other properties, rental income has increased, assets have expanded to 33 units in three-storey residential buildings and assets value has increased significantly to S\$52.8 million. (Abdul Karim, 2019).

Besides, the combination of the concept of waqf with modern financial instruments such as *sukuk*, shares and unit trust that can mobilize funds from a wider base of investors can also play an important role in expanding public participation in funding waqf projects and increasing the supply of continuous waqf funding. Furthermore, viable waqf models aim at solving the sustainability issues faced by waqf institutions. Waqf assets are meant to prevail perpetually; thus, the *mutawalli* (trustee) should ensure that the corpus of the waqf assets are not only preserved in the long term but are also able to generate sustainable returns that can be used in ensuring the survival of the waqf assets. This has beckoned the crucial role played by investment fund managers in safeguarding the value of the waqf investment over time (Hasan & Suleiman, 2016). Professional management of waqf funds can bring about higher performance of existing income-producing assets that not only can guarantee the sustainability of waqf assets but can also provide more facilities to beneficiaries (Suleiman et al., 2019). Managing waqf as an investment strategy can moreover expand the opportunities in creating different kinds of funds associated with waqf such as waqf-unit trust, waqf-property funds, waqf-*hajj* funds, and other kinds of specialized funds.

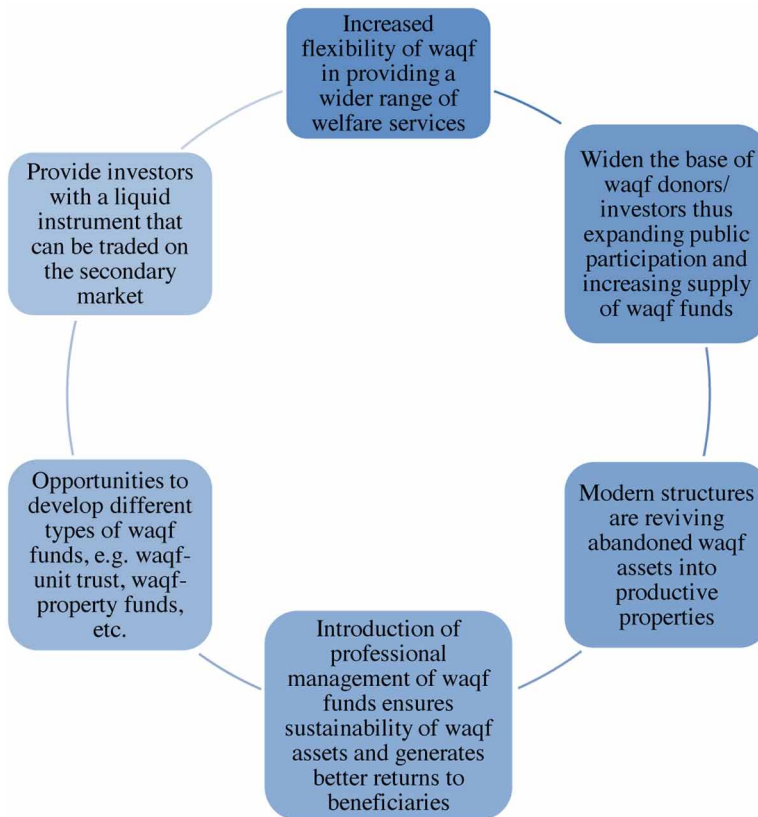
Last but not least, the combination of tradable instruments of Islamic finance such as unit trust and *sukuk* in innovative waqf structures provide investors with a liquid instrument in hand that can be bought and sold in the secondary market. It is unlike investing in physical, illiquid assets where it is difficult to recoup the investment outlay. Figure 1 summarizes the advantages derived from the continuous research in developing feasible, innovative and modern structures for waqf creation.

Waqf: A Social and Development Finance Institution

Waqf should not be regarded as merely a charitable avenue that is confined to religious causes such as building mosques and Islamic schools only. Rather, it is important to instill a mindset shift that waqf plays a vital role as a social and development finance institution.

Figure 1. Benefits of innovative modern structures of waqf

Source: Authors' own



The institution of *waqf* in the Islamic social finance framework provides a useful vehicle to fill the gap in social intermediation. Waqf offers sustainable solutions to various humanitarian problems such as poverty, famine and contagious diseases, as well as aids the victims of natural disasters, civil wars and others. It also provides sustainable resources for education and human capital development as well as infrastructure development. Shaikh, Ismail, and Shafiai (2017) suggest that waqf-based social intermediation via transnational waqf and country-to-country support programs among Muslim-majority countries can improve the underdevelopment problems of Muslims.

In addition, waqf serves as a tool to reduce the costs of micro-financing, hence empowering micro and small enterprises to be successful in their businesses, especially when integrated with other social finance instruments such as zakat and for-profit microfinance (ISRA, 2019).

Emerging Trends of Waqf Structures Developed in the Islamic Capital Market

The modern practice of waqf has seen the deployment of important tools of Islamic finance such as *sadaqah* (charity), *qard al-hassan* (loans without interest), *sukuk* (Islamic investment certificates), shares, unit trust, and venture capital (VC), among others, in the structuring of various waqf models for both social and commercial purposes. This section provides an overview of some contemporary waqf models developed particularly in the ICM sector. It showcases the practical applications of some of these models through relevant case studies.

Waqf-Sukuk

Sukuk (Islamic investment certificate) is one of the fast-growing instruments which is expanding the reach of the ICMs to far-off jurisdictions across the globe. Global *sukuk* outstanding surged by a record of 22 per cent to close at USD530.4 billion as at end-2018 [2017: USD434.8 billion] (IFSB, 2019), making it the second largest sector of the Islamic finance industry. It follows Islamic banking which represents 71.7 per cent or USD1,571.3 billion of the Islamic finance industry's assets (IFSB, 2019).

Leveraging on *sukuk* as a strategy to reinvigorate the waqf sector, waqf-*sukuk* (i.e. *sukuk* based on waqf) has been an innovative instrument that has been structured as a mechanism to raise funds for the development of waqf assets. Funds raised through *sukuk* can be used to develop Shari'ah-compliant profit-generating projects. When the projects are completed, they are then declared as waqf assets. The future benefits derived from these commercially driven waqf assets are then directed towards socially oriented projects whose benefits can then be enjoyed by the waqf beneficiaries in perpetuity.

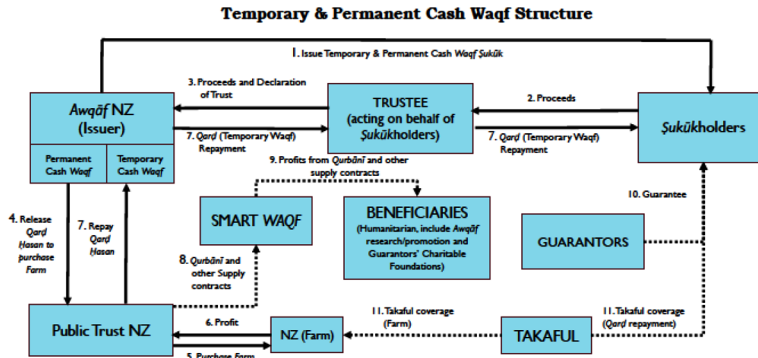
One of such waqf-*sukuk* proposed by ISRA Consultancy (2016) to Awqaf New Zealand (NZ) is for the latter to raise capital globally through *sukuk* issuance with the purpose of acquiring farm lands in NZ (that will form the waqf assets) that will aid in the provisioning of livestock for *qurbani* (sacrifice) during the Eid ul adha festival.

Case Study on Awqaf New Zealand Temporary and Permanent Cash Waqf *Sukuk*

The cash waqf *sukuk* proposed by ISRA Consultancy Berhad to Awqaf New Zealand (NZ) is a ground-breaking structure that is strictly for social purposes. The *sukuk* issuance is to enable Awqaf NZ raise funds to acquire farmlands in NZ that will help resolve the logistics issues in provisioning of livestock for *qurbaniladahi*. The unused parts of the sacrificed animals like wool, skin and bone were expected not to be wasted; but rather be used optimally to generate waqf revenues for the beneficiaries. The *sukuk* was structured to return only the capital of the *sukuk* holders at the time of redemption (based on the concept of temporary waqf) or to waive fully or partially the capital of the *sukuk* holders (based on the concept of permanent waqf). It was not to distribute profits to *sukuk* holders. The model assumes that *sukuk* holders will instead be motivated by the delivery of sustainable social outcomes and philanthropic objectives over the long run. The model introduced a few innovative concepts in the structuring of the waqf-*sukuk*, notably:

- Establishment of a SMART waqf to reside outside NZ that will maintain a contractual relationship with the farmlands acquired in NZ. The SMART stands for: Sustainable awqaf, Measurable social outcomes, Achievable elements in the farm project, Relevant as it turns waste into waqf revenues, and Tradable *sukuk* via the ICM. The farmlands represent the waqf assets that are perpetually held in trust (after the *sukuk* is repaid) for the benefit of the waqf beneficiaries. Revenues generated from these waqf assets will be distributed to the waqf beneficiaries.
- Issuance of temporary and permanent cash waqf *sukuk* that facilitates the repayment of the *sukuk* at the time of redemption. Progressive *fatwa* (legal opinion) was issued by ISRA Council of Scholars who approved of temporary cash waqf based on justifications for the permissibility of temporary waqf and of cash *waqf*. ISRA Consultancy (2016, p. 25) states “Temporary cash waqf occurs when the waqif lends his money for a specific duration and receives it back at the expiry of the period”. In the case of temporary cash waqf *sukuk*, there is return of the capital to *sukuk* holders at maturity; while in the case of permanent cash waqf *sukuk*, no return of capital is required as the funds are donated by the *sukuk* holders as a perpetual waqf.
- A *qard* (interest free loan) structure is adopted to provide a loan (using the cash waqf generated through the *sukuk* issuance) to a NZ entity to purchase the farmlands.

Figure 2. Temporary and permanent cash waqf sukuk structure proposed to Awqaf NZ
Source: ISRA Consultancy (2016, p. 15)



- The introduction of guarantors that provide an unconditional and irrevocable guarantee of the financial obligations of Awqaf NZ in relation to the temporary cash waqf sukuk.
- The procurement of takaful coverage to mitigate defined operational losses of the farmlands purchased and to cover any risks to the loan repayment to sukuk holders (in the case of temporary cash waqf).

The model was first unveiled at the World Foundations Conference held on 23-24 September 2013 in Istanbul, Turkey and later approved as Shari'ah-compliant by the ISRA Council of Scholars (2016). The model has also been approved by the Islamic Development Bank for issuance. Issuance process is currently underway. The model structure is depicted in Figure 2.

Steps involved in the structure are as follows:

1. Awqaf NZ issues temporary and permanent cash waqf sukuk.
2. Sukuk holders subscribe to the sukuk and the proceeds flow to the trustee which acts on behalf of sukuk holders.
3. Based on the Trust Deed, the Issuer (Awqaf NZ) will manage two pools of cash waqf:
 - a. Temporary Cash waqf (repayment of capital is required to sukuk holders).
 - b. Permanent Cash waqf (no repayment of capital is required to sukuk holders).
4. When a farm is identified to be purchased, Awqaf NZ issues a qard (benevolent loan) to Public Trust NZ to acquire the farm and fund its operations.

5. Public Trust NZ enters into a contract with a selected contractor to manage and operate the farm. The proposed contract to be applied here is *al-ujrah 'lā al-'amal* (work with fees).
6. The farm commences operations and surplus profits flow to Public Trust NZ.
7. Public Trust NZ repays the *qard* over time to the Cash Waqf Fund. The Cash Waqf Fund in turn returns the temporary cash waqf contributions to the Trustee who will transfer the amount to the *sukuk* holders who have subscribed to the Temporary Cash Waqf portion of the *sukuk*.
8. There is an ongoing contractual relationship between Public Trust NZ that owns the farm project and SMART Waqf. SMART Waqf will arrange for *qurbani* and other projects with end-customers and commission Public Trust NZ to undertake these projects.
9. Surplus profits from the farm projects are distributed to the beneficiaries.
10. *Sukuk* holders benefit from guarantors that provide an unconditional and irrevocable guarantee, as a continuing obligation, for all of Awqaf NZ financial obligations in relation to the Temporary Cash Waqf *Sukuk*.
11. *Takaful* coverage may also be procured to mitigate defined operational losses of the farm and may also be procured to mitigate any risks to the repayment of capital to *sukuk* holders. (Source: Drawn from ISRA Consultancy, 2016)

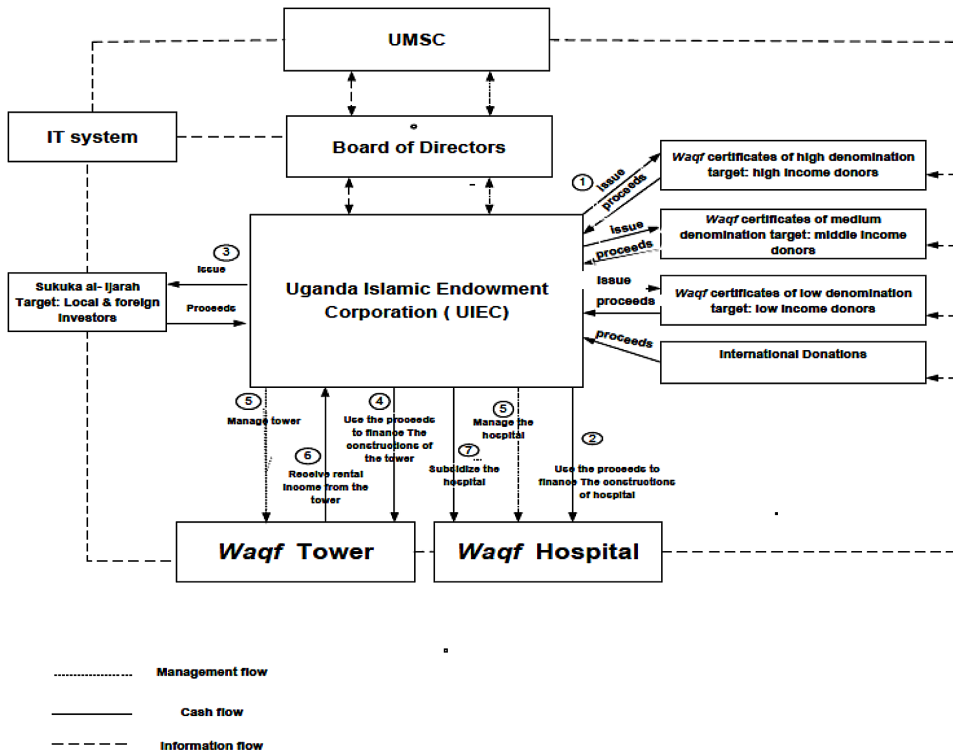
The distinguishing feature of this waqf-*sukuk* structure is the utilisation of *qard hasan* to meet the traditional mindset of fixed-income investors (i.e. *sukuk* holders) who are expecting capital return and guarantee on their investment. *Qard hasan* is therefore applied in two situations, namely:

1. *Sukuk* holders, who subscribe to the temporary cash waqf *sukuk*, give cash on a loan basis.
2. Awqaf NZ extends loans to Public Trust NZ to purchase farms, livestock, machines, buildings, etc.

Nonetheless, the use of *qard hasan* raises a question: if the farm project is not successful, how can the issuer meet the repayment of the *sukuk* holders of temporary cash waqf *sukuk*? The authors are of the view that this issue can be overcome since the structure proposes using the purchased farm as collateral. Hence, in case of any unsuccessful farm projects, Public Trust NZ can sell the farm to get back its capital and then flow back the money to the *sukuk* holders to ensure their capital return.

Cizakca (2016) in turn pointed out a number of issues in his critique of the Awqaf-NZ *sukuk* structure, including the self-abolishment of the waqf at the time when the *sukuk* holders have to be repaid their capital when the *sukuk* matures; the issue of establishing waqf on temporary basis; the permissibility of using waqf

Figure 3. Proposal to finance a waqf-based hospital and build a tower in Uganda
Source: Ahmed (2013)



capital as collateral; and the complexity of the model that involves too many parties, among others. Over and above, the issue of finding commonly commercially driven investors and market players (e.g. lead arrangers) in participating in such a social purpose *sukuk* issuance can be challenging.

Another similar model of creating waqf assets through *sukuk* was proposed by Ahmed (2013) for the development of a waqf-based hospital in Uganda to provide affordable and quality health care services to the poor and needy. The author combined this primary waqf-based hospital project with a secondary commercially driven project, notably building of a tower, that will be leased to the public and whose revenue will be used to meet the operational costs of the hospital. Ahmed (2013) proposed the raising of funds for financing these two projects through international donations, waqf certificates and *sukuk al-ijarah* (lease-based *sukuk*). As shown in Figure 3, the proceeds from the waqf certificates issued in different denominations to target different income-level donors as well as international donations are proposed to finance the construction of the hospital. Proceeds raised through *sukuk al-ijarah*

are, on the other hand, used to build the tower. The rental income generated by lease of the tower is then directed towards subsidizing the cost of the hospital operational expenses.

While the above examples of waqf-*sukuk* in New Zealand and Uganda seek to create new waqf assets, a second waqf-*sukuk* strategy is to use existing waqf properties as the underlying assets for issuing the *sukuk*. The capital raised can then be used to finance the renovation of these waqf assets and turn them into modern, refurbished, highly valued properties.

Two such renowned examples of waqf-*sukuk* are those issued in Saudi Arabia and Singapore, respectively. The *intifa sukuk* issued in 2003 in Saudi Arabia was used to develop a piece of waqf land located near Masjid al-Haram in the center of Makkah for financing the ZamZam Tower (ISRA, 2017, p. 86). The two *musharakah sukuk* issued by Majlis Ugama Islam Singapura (MUIS) in 2002, on the other hand, proved to be a success in the redevelopment of old, neglected and under-utilized real estate properties into prized and desirable prime properties in Singapore (Abdul Karim, n.d.; ISRA, 2017, p. 83-85). MUIS made use of the *fatwa* (legal ruling) issued by the Fatwa Committee chaired by the Mufti of Singapore that allowed the migration of low-yielding waqf assets into higher yielding assets to replace old waqf apartments situated in non-prime locations with a six-storey office building at Beach Road, a prime location. The Islamic concept of *istibdal* (exchange or substitution) was useful in providing a flexible way to most productively deploy the use of waqf assets, which would have otherwise remained under-utilized and under-valued. For financing the purchase of the building at Beach Road and to finance its refurbishment, MUIS issued a waqf-*sukuk* of SGD 25 million. It also issued a second SGD 35 million waqf-*sukuk* for the purpose of revamping an old mosque at Bencoolen Street and converting it into a mixed-use complex comprising a modern mosque, a three-story commercial building and a 12-storey service apartment (Abdul Karim, n.d.; ISRA, 2017, p. 83-85).

Waqf-Shares

The term waqf-shares can have two meanings: (i) where waqf institutions issue cash waqf-certificates (waqf-shares) which are purchased by public donors and the funds raised therefrom are used by the waqf institutions for carrying out social/charitable/religious activities (Ibrahim and Ibrahim, 2014; Khademolhoseini, n.d.); (ii) the pledging of corporate shares owned by the shareholder/*waqif* as waqf and these waqf assets, in the form of waqf-shares, are professionally managed by a corporate entity.

An example of the first scenario is as illustrated in the model proposed by Ahmed (2013) in Figure 3 where waqf-shares are issued by the Uganda Islamic Endowment Corporation (UIEC) to raise funding from the public to finance the waqf-based

Figure 4. Issuance of cash waqf-shares

Source: Adapted from Khademolhoseini (n.d.)

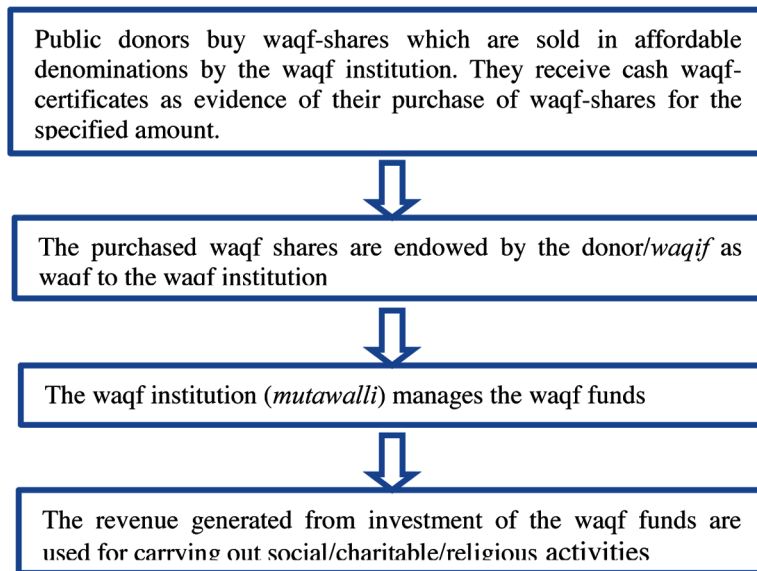


Figure 5. Corporate waqf-shares

Source: Authors' Own

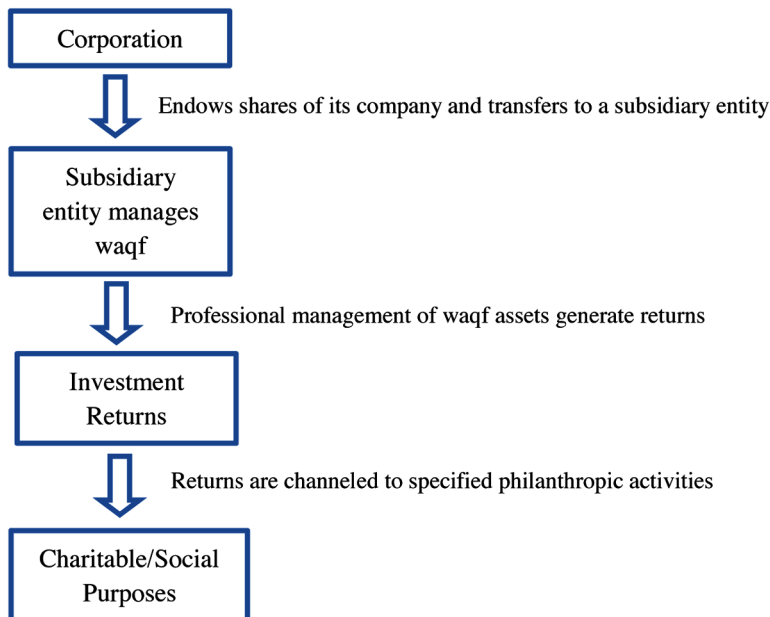
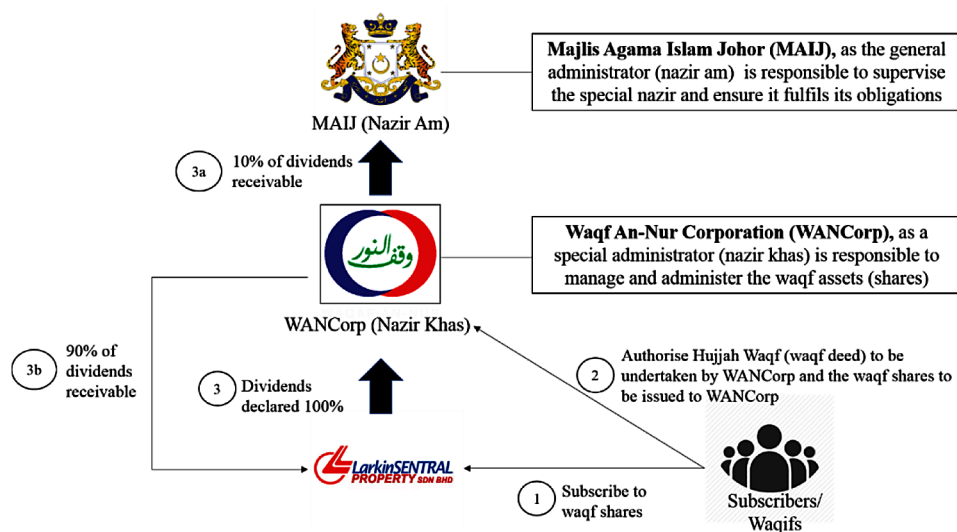


Figure 6. Structure of waqaf saham larkin sentral

Sources: Adapted from Larkin Sentral Property Prospectus (2017); Securities Commission Malaysia (2017)



hospital. Khademolhoseini (n.d.) described the process of issuing cash waqf-shares, as per scenario (i), in Figure 4.

The second scenario is the new dimension of contemporary use of waqf pioneered by a Malaysian company, JCorp which pledged shares of its own companies as waqf, as discussed earlier. Figure 5 describes the process of managing corporate waqf-shares.

Case Study on Waqaf Saham Larkin Sentral (Waqf-Shares of Larkin Sentral)

18 June 2017 marked another milestone for JCorp's concerted efforts in corporate waqf innovation with the launch of waqf-shares called 'Waqaf Saham Larkin Sentral' (Waqf-Shares of Larkin Sentral) by Larkin Sentral Property Bhd (LSPB), a wholly owned subsidiary of WANCorp. Instead of pledging the existing shares as waqf, like what JCorp did in 2006, LSPB issued new shares in a form of initial public offering (IPO) for subscription.

With 850 million new ordinary shares offered at RM0.10 sen per unit to retail and corporate subscribers, LPSB aimed to raise RM85 million to finance the upgrading and refurbishment of Larkin Sentral Terminal—the main and largest public transport terminal in Johor Baru, the renovation of its adjacent wet market, the expansion of shop lots, and the acquisition of land for the construction of a multi-level car park.

Subscribers of the waqf shares, who are eligible to get tax exemption of up to 7% and 10% of aggregate income for individuals and institutions respectively, will endow their shares together with the rights and entitlements to WANCorp—as a trustee, which has also been appointed by the Islamic Religious Council of Johor (MAIJ) as the Special Administrator of the waqf (Nazir Khas) to manage the assets. Dividends received from the waqf shares will be used to assist petty traders from single-mother and low-income groups to pay reasonable rental rates for the shop lots and to provide them with entrepreneurial skills to become self-sustained. Figure 6 illustrates the structure flow of this inaugural waqf-shares structure.

Details of the structure are as follows:

1. Subscribers (*waqifs*) subscribe to Larkin Sentral shares with an intention to endow the shares to WANCorp. The Larkin Sentral shares will be allotted to the *waqifs*. Nonetheless, there will be no issuance of Larkin Sentral share certificates to the *waqifs*.
2. *Waqifs* appoint and authorise WANCorp to undertake the Hujjah Waqaf (waqf deed) with MAIJ (on behalf of the *waqifs* before two witnesses) so that the subscribed Larkin Sentral shares will then be issued and endowed to WANCorp.
3. Dividends received from the Larkin Sentral shares will be distributed based on the following proportions:
 - a. 90% to Larkin Sentral for reinvestment and charitable purposes; and
 - b. 10% to MAIJ where 5% is retained by MAIJ while the remaining 5% is used for charitable purposes.

Despite the innovative structure with noble objectives, the waqf shares were not fully subscribed. The proceeds raised were less than 10% of the targeted amount. As at 17 May 2019, after one-year extended offering period from the first date of issuance, only RM7.861 million were collected. This raised a series of questions: (i) what went wrong? (ii) who to be blamed? (iii) why donors did not subscribe?

Waqf-Unit Trust

The viability of waqf based on unit trust has been studied as a new instrument to develop waqf assets. Unit trusts pool investors' money into a single fund which is managed by a fund manager. The fund manager invests the collected funds in a diversified portfolio of securities and other assets to achieve specific financial goals (ISRA, 2015, p. 524). Unit trust investments allow retail investors to participate with a low minimum investment. Other than individuals, investors can also be institutions. They can buy and sell units easily whenever they choose to. Each unit of investment in the fund represents an investor's proportionate holding of the fund's portfolio. The unit holder is thus entitled to receive a proportionate share of returns generated by the investment fund, after deduction of management fees and any other possible deductions. Returns are in the form of dividends and/or capital appreciation, as the fund increases in value with the good performance of its underlying assets (COMCEC, 2018).

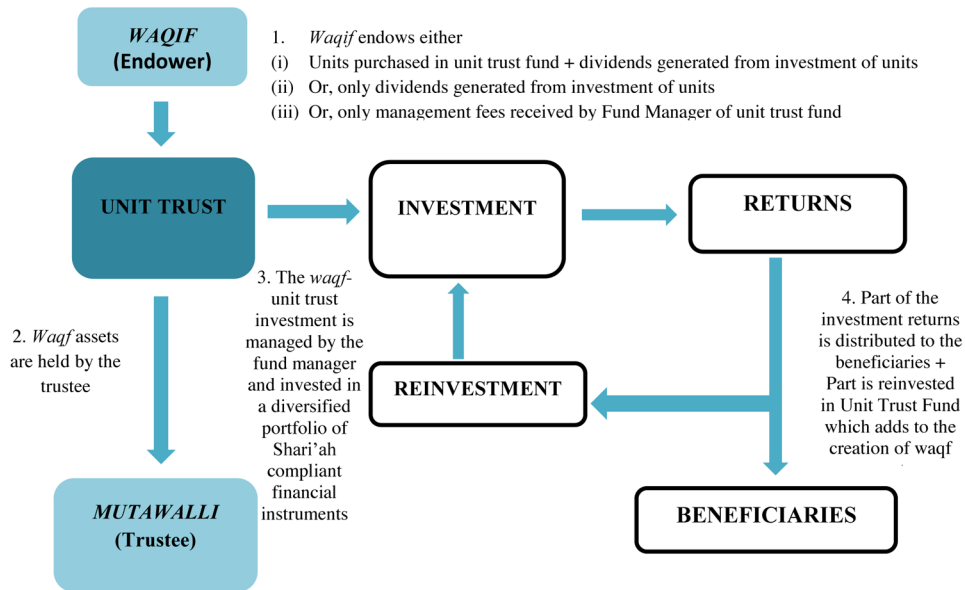
The idea behind the study of the waqf-unit trust model is to explore the prospect of investing waqf assets in highly liquid financial instruments—in this case Islamic unit trusts—to alleviate the issues faced by waqf managers who are left with limited choice but to keep the waqf proceeds in Islamic fixed deposits or other non-flexible instruments and assets (Suleiman *et al.*, 2019). The potential of generating competitive returns from the waqf-unit trust investments and of preserving the waqf capital are key factors that are important for Islamic unit trusts to be developed as a successful and sustainable waqf investment strategy. This is achieved through the adoption of prudent and balanced investment strategies by professional fund managers of unit trust funds. Nazri Chik (n.d.) stated that if the waqf-unit trust funds are invested in the equity market, especially in the equities of public listed companies, it can help in “ummatizing” i.e. distributing the wealth of the nation among the *ummah* (Muslim nation).

Suleiman et al. (2019) proposed five different conceptual models of waqf-unit trust as a mechanism to pool cash waqf from individual investors in the specific context of Malaysia:

1. **Unit Trust Model:** The *waqif* (endower) buys units from a unit trust that he endows. The endowed units (waqf-units) are held by the *mutawalli* (trustee) which in the case of Malaysia is the State Islamic Religious Council (SIRC). The fund manager invests those waqf-units. The returns are distributed to beneficiaries, with a percentage channeled for reinvestment. The returns which are reinvested are used to purchase more units which add to the waqf assets.

Figure 7. Waqf creation through unit trust model

Sources: Adapted from Suleiman et al. (2019); Nazri Chik (n.d.)



2. **Waqf mu'aqqat Model:** Under this model the units purchased by the *waqif* are endowed for a pre-determined period of time. The model works as in the above case, except that when the *waqf* period ends, the ownership of the endowed units is returned to the original owner, the *waqif*.
3. **Cash Waqf for the Purpose of Purchasing Units in a Unit Trust Fund:** This model is similar to the first model except that in this case the *waqif* makes cash *waqf* with the stipulation that the cash proceeds are used specifically for the purpose of purchasing units in a unit trust fund (under first model the *waqif* directly makes *waqf* the units that he purchased). Similar to the first model, however, the units are declared as *waqf* assets and not the cash *waqf*.
4. **Waqf of Dividends:** Under this model, investors invest in a unit trust fund but do not endow the units. The returns, in the form of dividends generated from the unit trust investment, are instead endowed as *waqf*. A percentage of the returns/dividends is also used to purchase other units from the unit trust fund, which later will be declared as *waqf* and held by the *mutawalli*.

5. **Waqf of Management Fees:** This model proposes that the management fees received by the fund managers are endowed, either the partial or full amount. The fund managers give the condition that the proceeds must be used to purchase units in a unit trust fund (hence, the purchased units will be declared as waqf assets, not the cash). Again the units are invested by the fund manager who manages the investment portfolio and the returns are distributed to beneficiaries and/or partially reinvested in units.

Nazri Chik (n.d.) also proposed waqf unit trust as a viable strategy to grow waqf assets. He proposed the endowment of either (i) the total fund (units purchased and dividends), or (ii) the dividends only by the *waqif*. Suleiman *et al.* (2019) added a third dimension to this waqf investment strategy by proposing the waqf of management fees received by fund managers. Suleiman *et al.* (2019) also added the element of temporary waqf where the *waqif* can make waqf for a specified time period, after which the waqf funds are returned back to the endower. Figure 7 elucidates a generic waqf creation model through the unit trust investment strategy, drawn from the ideas mostly shared by Suleiman *et al.* (2019) as well as by Nazri Chik (n.d.).

One practical example of a waqf-unit trust cited by Suleiman *et al.* (2019) is the case of Dompét Dhuafa, a waqf institution in Indonesia, which established the Dompét-Dhuafa Batasa Syariah Waqf Fund in 2004. The fund was managed as a fixed-income fund with most of its proceeds being invested in *sukuk* and Islamic money market instruments. However, the fund is reported to have faced some issues due to which it was converted to a hajj fund in 2006. Dompét Duafa is said to have rebranded the previous Batasa Syariah Fund in 2014 by collaborating with BNI Asset Management to launch the BNI-AM Dana Dompét Dhuafa—a Shari’ah-compliant waqf mutual fund with a special waqf programme. The new fund provides an avenue for unitholders to endow some of their dividends for waqf purposes. As the fund manager, BNI Asset Management also allocates part of its management fees to a waqf fund (Suleiman *et al.*, 2019).

Waqf-Islamic Real Estate Investment Trust

As a sub-category of unit trust investment, Islamic real estate investment trust (i-REIT) is another potential contemporary instrument that Hasan and Suleiman (2016) explore to develop waqf assets. REIT, also called property trust fund, is a collective investment scheme (CIS), similar to unit trusts or mutual funds, which mobilizes funds from unit holders for investment in primarily income-generating real estate (Omar *et al.*, 2012; Securities Commission Malaysia, 2018). For instance, according to the Guidelines on Real Estate Investment Trust issued by Securities Commission Malaysia (2018), at least 50 per cent of a fund’s total asset value must

be invested in real estate and/or single-purpose companies at all times. An Islamic REIT (i-REIT) invests in a diversified pool of real estate properties, in which tenants operate permissible activities according to Shari'ah principles. A unit holder in REITs thus holds a proportionate share in the managed pool of real estate investments. The unit holder is entitled to his share of returns generated from the investment. This represents the dividend payment arising from rental income of the properties and any capital appreciation resulting from holding the REITs units (Securities Commission Malaysia, 2007). Certainly, investing in REITs is much easier than investing in real estate property in the traditional way: individual investors can limit their investment outlay as a smaller amount of money is required compared to purchasing physical properties; they can invest according to their risk appetite; they do not have to get involved in management of the real estate but instead benefit from professional management of their investments (COMCEC, 2018).

Hasan and Suleiman (2016) recommend the integration of i-REITs and waqf to provide an enhancement to abandoned or dormant waqf properties by means of efficient dynamic structures that will, in turn, generate more income for the beneficiaries and increase the welfare of the *ummah* (nation). In this respect, they examine the issues and challenges in combining i-REITs and waqf, one of which is the insufficient number of waqf assets in Malaysia that can be injected in i-REITs portfolios. This is so as the Guidelines on REITs issued by Securities Commission Malaysia (2018) require that the initial size of the REIT should be at least RM100 million. However, the authors see the potential of using *istibdal* (exchange or substitution) to replace the pool of scattered uneconomically-sized *waqf* lands in various states in Malaysia with high quality income-producing high rise buildings in strategic location cities so that they can fit the requirements of having large and sustainable-size investment portfolios to make up the i-REITs investments. The authors also propose the waqf i-REITs to employ the cash waqf mechanism to collect funds from donors-cum-investors to acquire property investments.

Another issue that arises in considering the use of waqf assets in constituting the underlying assets of i-REITs is that the Securities Commission's REIT Guidelines require the true selling of the assets to the REIT company. Whereas Shari'ah principles require that ownership of the waqf assets should not be transferred by buying and selling or *hibah* (gift) as waqf is a voluntary, permanent and irrevocable dedication of wealth to Allah. As an alternative to this issue, Hasan and Suleiman (2016) suggest that the waqf of i-REITs be done at the investor level instead when the unit holders purchase units in i-REITs. The unit holders/investors can channel all or part of their holding units of REITs to *waqf* at the beginning of the issuance of i-REITs or at any time during the lifetime of the i-REITs. The dividend received from the waqf-units will then be directed for the welfare of beneficiaries.

This suggestion is similar to the case of waqf-unit trust as discussed earlier by Suleiman et al. (2019) who proposed that investors donate their unit trust investments, or dividends, or fund manager's management fees as waqf. Even in the case of i-REITs, the rental income received by unit holders can be donated as waqf to buy more units in i-REITs (the i-REIT units then become waqf assets). The authors cited the example of J-Corp in Malaysia that has been actively involved in waqf on shares and i-REITs.

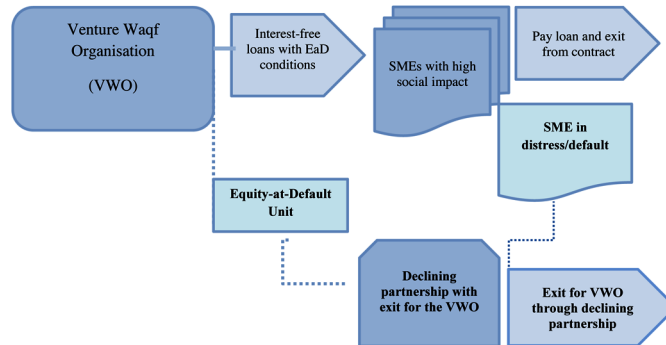
Waqf-Venture Capital

In line with the concept of waqf being blended with prevailing ICM concepts, some researchers have proposed that waqf funds be invested in venture capital (VC) firms to increase social impact (Cizakca, 1992, 2011b; Alias, 2012; Khan, 2019). Alias (2012), for instance, suggests an Enterprise Waqf Fund (EWF) model that combines the cash waqf model with relevant concepts from VC and venture philanthropy to enhance the dynamism of cash waqf. The promoters of the EWF are suggested to be typically individuals or parties from the local community who are well-versed with social-entrepreneurship activities and who would engage with local non-profit organisations (NPOs) as the waqf beneficiaries. The model works as follows:

1. In the first stage, the EWF receives cash *waqf* from several selected high-net-worth individuals, companies or the government. During this stage, which may take five to ten years, the EWF concentrates on fund raising and asset building of the waqf fund.
2. In the second stage, once a large enough waqf corpus is built, the EWF starts the management and investment of the fund. The cash waqf fund is kept intact and only the income generated from its investments are designated to be channeled to waqf beneficiaries. The criteria for constructing the portfolio of NPOs would be organizations with a proven track record of delivering social results and which are seeking to grow their organizations in order to expand the social impact and to achieve sustainability.
3. In the third stage, the EWF provides *hibah* grants (gift) or *qard hassan* (loans without interest) to selected waqf beneficiaries (NPOs) which use the funds to strengthen their internal set-up to become more sustainable so that they can achieve large-scale benefits to society.
4. Drawing from venture capital strategies, the EWF also provides business advice and technical support to NPOs so that, after a specific duration, the EWF exits from the NPOs and leaves the NPOs running as sustainable organizations.

Figure 8. VWO to support responsible small businesses

Source: Khan (2019)



The waqf-VC conceptual model proposed by Khan (2019) is another interesting model to highlight as it recommends an incorporated model of waqf to finance responsible small businesses that enhance human development, serve society, and preserve the ecological balance. In addition to the concepts of waqf, VC and venture philanthropy used by Alias (2012), Khan (2019) merges other ideas including business social responsibility, small businesses, interest-free loans, equity-at-default, and circular economy to promote a new purpose for waqf: that of catalyzing the success of impactful (zero-waste) small and Shari'ah-compliant businesses. In the case of Khan (2019), instead of making NPOs sustainable (as proposed by Alias (2012)), the target beneficiaries are responsible small businesses that contribute in an ecologically sustainable way to the economy.

With a background of a zero-waste circular economy, Khan (2019) learns from the example of Venture Philanthropy Organizations (VPOs) that target making impactful businesses successful to put forward a venture waqf organisation (VWO)—a waqf organisation in the form of a corporate entity. The sources of funds of the VWO could be interest-free loans, charitable grants, waqf contributions, and other legitimate contributions as well as other non-pecuniary resources such as voluntary service, advisory services, training services, voluntary guarantees. The VWO will use the funds and the non-pecuniary resources to provide financing, training, capacity building, business advisory and incubation, accessing markets, subsidizing finance, insurance and guarantees, and research and innovation of small and impactful Shari'ah-compliant businesses.

Khan (2019) also proposes the use of interest-free loans to support responsible businesses, with the condition that in the event of default, the loan is converted to equity (equity at default). This will replace the need for collateral at the start of financing or foreclosure in the case of default, as the defaulted debt becomes a

declining partnership. In the end, when the small business pays back the interest-free loan, the VWO must exit so that it can support other new businesses. Figure 8 explains how the VWO works.

Both models proposed by Alias (2012) and Khan (2019) are still conceptual and have not been put to practice so far. In actualizing the waqf-VC fund, Alias (2012) recommends a number of policy and legal reforms, including performance measurement of waqf, professionalism in waqf management, governance framework, establishment of an oversight body and appropriate legal framework.

Strategies in Improving the Effectiveness of Waqf in the Islamic Capital Market

To continue to make waqf relevant today and increase its potential impact on sustainable economic development, it is important to explore possible strategies to strengthen its effectiveness, especially in the ICM where new waqf structures are being developed. This section briefly describes some strategies in the aspects of waqf awareness and promotion, structuring, investment management and governance.

Waqf Awareness and Promotion

The new ICM-related waqf-structures fundamentally aim to broaden waqf assets and their applications. The structures either create new waqf assets or revitalize existing under-utilised assets to enhance returns and increase benefits to a wide range of beneficiaries. The ultimate objective is to achieve sustainability at three levels: of the waqf assets, of returns generated from the waqf assets for the beneficiaries and of the extensive range of socio-economic services that can be financed by waqf.

One of the challenges in unlocking the potential of waqf is awareness of the public donors on the role of waqf institutions in improving socio-economic development. Waqf assets are no longer limited to physical assets only (e.g. land, buildings) and their applications are not restricted to funding social and religious purposes only (e.g. mosques, schools). This chapter has shown the evolution in the range of waqf assets and the structuring possibilities in the ICM to increase socio-economic impact. The financing of socially responsible small businesses in the context of a no-waste economy, as proposed by Khan (2019) in his waqf-VC model, is a good example of new areas of application of waqf funding.

A change of mindset is also required on the part of investors who, when investing in the ICM, are motivated by financial returns. When it comes to waqf-based financial instruments, the returns are not in terms of profits but rather in the delivery of sustainable socio-economic welfare services to waqf beneficiaries. The returns to waqf donors/investors are in fact more spiritual: in the satisfaction gained for doing

good and in rewards from Allah (SWT) that will surpass the donor's lifetime. The profit-oriented mindset of investors could have contributed to a low subscription rate in the case of the waqf-shares of Larkin Sentral. Shareholders were still expecting returns from the shares despite their commitment to endow the shares to WANCorp. Similarly, one of the issues faced by ISRA Consultancy Berhad in actualizing the issuance of the temporary and permanent cash waqf-*sukuk* proposed for Awqaf NZ is difficulty in getting lead arrangers to help in the issuance. Stakeholders in the Islamic finance industry are still motivated by financial performance; while the waqf sector situates itself in the Islamic social finance sector where the focus is on social returns.

Waqf Structuring

Issues that can arise in the structuring of innovative waqf structures are with respect to Shari'ah, legal and regulatory, tax, and property rights, among others. Abdul Karim (2019) highlights the importance of progressive *fatwas* in the success of the waqf initiatives in the case of Singapore. She emphasizes the need to rely on the *maqasid al Shari'ah* (objectives of Islamic law) and to dare to *ijtihad* (use legal reasoning) for the larger benefit of the Muslim *ummah*. In this chapter, two cases are mentioned where contemporary reinterpretations of *fiqh* rules have led to innovative waqf structures being developed: the waqf-*sukuk* issued by MUIS in Singapore which made use of *istibdal* as an innovative strategy to replace under-developed waqf assets and the temporary cash waqf *sukuk* proposed by ICSB to Awqaf NZ that enables repayment of capital to *sukuk* investors.

To enable the structuring of innovative waqf structures, supportive legal, regulatory, tax and property rights policies are required to incentivize donors, waqf institutions, Islamic finance market players and other stakeholders to partake in waqf initiatives. Reforms required will be according to the specificities of the jurisdictions. In the case of the Awqaf NZ waqf-*sukuk* proposal, for example, legal impediments pertained to land ownership by non-citizens, equity ownership by an overseas person, and overseas lending in New Zealand (ISRA Consultancy, 2016). The Shari'ah structure developed had to take into account these practical issues into consideration. Where needed, legal advice by experts is also required.

Overall, the prevalence of robust and supportive legal and regulatory infrastructure that facilitates the development of the ICM will in turn facilitate the development of ICM-related waqf structures. For instance, ISRA Consultancy (2016) mentions the Socially Responsible Investment (SRI) Sukuk Framework of the Securities Commission Malaysia which is incorporated under the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework (2015) that can be used to facilitate the issuance of the Awqaf NZ waqf-*sukuk*.

Waqf Investment Management

Waqf institutions should be equipped with knowledgeable, qualified, competent, honest and above all *taqwa*-centric people to operate their affairs. People with the right competency and character will be able to take the right decisions in the management of waqf institutions. One key decision relates to the necessity for efficient and professional investment management of waqf assets to ensure preservation of capital of the waqf fund and generate sustainable and higher returns to the beneficiaries. Omar (2018), for instance, points out that the Harvard University Endowment—which is the largest academic endowment in the world, valued at USD38.3 billion as at 2018—is managed by some of the best minds in finance who determine the most optimal asset allocation strategies and deliver the best sustainable returns for the university. According to Harvard University, the endowment is comprised of more than 13,000 funds and represents a perpetual source of income for the university to support its education and research objectives. Adopting a Shari’ah-compliant investment strategy to support the activities of waqf institutions is deemed crucial for waqf funds too.

Waqf Governance

Waqf governance is another strategy that is important in improving its effectiveness as a catalyst in achieving sustainable development. Good governance practices are crucial in the making of efficient organisations (Abdul Latif et al., 2018). Accordingly, elements such as strategic planning, transparency, accountability and annual audit of waqf institutions are essential factors in building credibility in the management of the institution, gaining donors’ trust, ensuring proper management of waqf assets and above all, guaranteeing long term survival of the institution. Alias (2012) goes one step ahead in proposing that waqf trustees should devise a set of metrics to measure the performance of both the waqf institution as well as the waqf beneficiary institutions. The author highlights that donor investors will be interested in gauging the social returns generated by the waqf institution and the portfolio of beneficiary institutions and will demand a concrete method by which this can be shown. Transparency in the reporting of performance and the activities of the waqf institution, on a regular basis and probably online, will not only act as a checkpoint for those running the waqf institution but also for the larger public to assess overall performance.

CONCLUSION

The institution of waqf has historically been seen as a useful vehicle to promote the objectives of socio-economic development. To realize its potential impact on the economy, overtime a number of waqf management models have been developed in the social, banking, *takaful*, and recently ICM sectors. Looking at the progress of the ICM in recent times, especially with the expansion of *sukuk* that is attracting the buy-in of even non-Muslim countries, it is justifiable to look into developing innovative ICM-related waqf instruments to further harness the power of waqf to meet communities' needs. Waqf can in turn serve as a new catalyst to reinvigorate the overall Islamic finance industry to achieve the *maqasid al Shariah* objective of human wellbeing.

Indeed, in recent times a number of success stories of waqf practices have been implemented in different countries such as Singapore, Saudi Arabia, Indonesia and Malaysia which have leveraged on the ICM in their structuring. These latest trends of waqf structures have revived the old notion of waqf which was limited to mostly immovable properties and funding of religious-cum-social purposes such as mosques, religious schools, and cemeteries. This chapter examined the evolution in the modern conception of waqf which led to the utilization of cash waqf, temporary cash waqf, and corporate waqf in innovative structures that could ultimately finance a wide range of socio-economic functions. It has also discussed various proposed models as well as applications related to waqf-*sukuk*, waqf-shares, waqf-unit trusts, waqf-REITs, and waqf-venture capital. Some key lessons can be learnt from the models and case studies discussed:

1. The flexibility of Shari'ah can be relied upon to come up with pioneering structures to serve contemporary socio-economic needs.
2. Professionalizing waqf management and investment is important in enhancing performance of waqf assets.
3. Alignment of waqf structures with local laws and governance aspects is important in facilitating the practical application of the models.
4. The modern structures call for education and greater awareness of the public, investors and other stakeholders on the new concepts of waqf, Islamic financial instruments, and the social objectives of the investment. It is important that investors, especially, understand that the profits generated from the waqf investment will be directed towards the waqf beneficiaries for fulfilling their needs.

On-going research to enhance current models as well as for development of new practical waqf models is crucial for waqf to bring continued benefits for generations to come. Building interlinks across the different sectors—real, social and financial—within the Islamic economic system can serve as the needed platform to realize the *maqasid al-Shari'ah* objective of human wellbeing.

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Chapter 11

International Best Practices in Existing Corporate Waqf Models: A Retrospective – Introduction, Chapter Content, Best Practices

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ABSTRACT

Waqf is being introduced and implemented in a number of innovative structures with contemporary movable asset class. Despite that, there is still a demand for waqf to be more effectively organised and managed. This chapter studies the contemporary establishment of corporate waqf, as exemplified by Waqaf An-Nur Corporation Berhad, Larkin Sentral Property Berhad, and Wareef Endowment Fund. These models are analyzed from the angles of governance, sustainable investment strategy, risk management, and social impact. These mini case studies are benchmarked against the leading Harvard Endowment Fund. The analysis sheds light on their levels of efficiency and effectiveness as well as their issues and challenges. This chapter proposes recommendations for consideration, especially to policy makers and waqf market players. This chapter adopts a qualitative research methodology by using textual and documentary analysis together with semi-structured interviews and discussions with the relevant stakeholders.

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1. INTRODUCTION

The emerging global interest on waqf or Islamic endowment has been spurred by the interest and commitment of global stakeholders towards meeting the United Nations Sustainable Development Goals. Waqf was traditionally known to be religious contribution made towards the development of immovable assets for example the construction of buildings for prayers and procurement of land for cemeteries. Today waqf being introduced and implemented in a number of innovative structures with contemporary movable asset class. Among the examples are cash waqf, deposit cash waqf, waqf shares, corporate waqf and soon sukuk waqf. Lately the intervention of advanced technology like blockchain and smart contract have also helped in areas particularly related to waqf collection and distribution.

Despite the advance development of waqf industry, there are still calls coming from certain sectors that demand waqf to be more organized and managed in a more effective and efficient manner. In other words, the capability and potential of waqf can be further enhanced by establishing key measures that are pertinent to strengthening the governance system, incorporating professionalism in the administration and execution of waqf activities as well as enforcing disclosures in the performance and delivery of the waqf activities. These are paramount as they evidenced integrity of the waqf establishment which are very much needed to minimize trust deficit surrounding philanthropic industry like waqf. The mushrooming of corporate waqf models could be a mechanic to address these concerns for a more structured and disciplined way of governance.

2. CHAPTER CONTENT

Based on the above imperatives, this chapter aims to focus on contemporary issuance of corporate waqf namely Malaysia's Waqaf An-Nur Corporation Berhad (WANCorp) and Larkin Sentral Property Berhad (Larkin Sentral) as well as the Saudi's Alinma Wareef Endowment Fund (Alinma Wareef). These corporate waqf structures including their establishments will be analyzed from the angle of governance which includes their enabling ecosystem like regulation and reporting; their sustainable investment strategy, risk management and business models including Shariah governance and their respective social transformation programs. The insight into these key areas will shed light on their level of efficiency and effectiveness as well as to bring to light issues and challenges gripping these waqf establishments. The study of these mini case studies will be benchmarked against the leading model of conventional trust foundation, Harvard Endowment Fund. Based on the existing operation models and their surrounding issues and challenges, this chapter proposes recommendations

for consideration especially to the policy makers and waqf market players. This chapter adopts a qualitative research methodology by using textual and documentary analysis which includes Information Memorandum, Prospectus, Reports and other relevant documents. Semi-structured interviews and discussions with the relevant stakeholders were also undertaken.

3. WHAT IS CORPORATE WAQF?

Corporate waqf is an initiative that combines classical waqf concept and corporate business efforts (Saad, Sarif, Osman, Hamid and Saleem, 2017). According to Ibrahim, Noor, Shariff and Rusli (2016), the term ‘corporate waqf’ was popularized by Johor Corporation (JCorp) in 2006 when it launched its first corporate waqf scheme, Waqaf An-Nur Corporation Berhad. Meanwhile Securities Commission of Malaysia (2014) describes corporate waqf as a type of corporate instrument where liquid asset like shares or securities endowed as waqf assets and thus enabling the waqf institutions to benefit from the dividend that can finance any welfare project or initiative.

According to Tan Sri Ali Hashim, a trailblazer in the Malaysian corporate waqf industry, there are six models of corporate waqf that could be structured which includes: business entity or corporation, banking and financial institutions, universities, foundations, cooperatives, and hospitals or clinics (Jalil and Ramli, 2014). There are already corporations establishing corporate waqf based on those structures for example Johor Corporation, Koc Holdings, Social Investment Bank of Bangladesh, Tabung Haji Properties, Bank Muamalat Berhad, Larkin Sentral Sdn Bhd, Alinma Investment Bank. Three corporate waqf structures namely WANCorp, Larkin Sentral and Alinma Wareef have been selected for this chapter as they are considered as among the latest and innovative corporate waqf models around.

Historically, the integration of waqf with corporate model has started as early as 1969 in Turkey when Koc Holding through its Foundation administered and managed waqf assets. Most of the waqf fund managed by the Foundation was channeled towards the establishment of waqf institutions. Later in 1997, Islami Bank Bangladesh Limited issued its cash waqf certificate which proceeds is used for the betterment of the underprivileged Muslim in Bangladesh. It is the first Islamic financial institution to administer and manage waqf asset in the form of cash waqf (Jalil & Ramli, 2014). It was only in 2006 that corporate waqf started to make its footprint in Malaysia through the establishment of WANCorp. Despite this slow progress, corporate waqf has imposed into the prevailing opaque waqf practice a more coherent and organized administration and management of public’s donation.

It offers the needed accountability and transparency and more important regaining public trust back into the waqf system.

4. BEST PRACTICES IN EXISTING CORPORATE WAQF MODELS

It is duly acknowledged that while there are jurisdictions that have well-regulated framework for waqf, there are some that are without any regulatory framework. While for the regulated waqf industry, the style and approach of waqf supervision and management are subjected to the laws and policies of their respective jurisdictions. The selected mini studies of WANCorp, Larkin Sentral and Alimna Wareef are formed in regulated territories hence having the features of what would be deemed as best practices of corporate waqf. Hence key areas like governance, sustainable investment strategy, risk management including Shariah compliance, as well as their social impacts are observed in their existing models and deliberated next in the following sub-section.

Waqf Supervision and Establishment

One similar trait of these waqf models is that they are duly registered corporations and that their waqf financial instruments and related activities are governed and supervised by their respective country's capital market authority and state authority namely the Companies Commission of Malaysia, Securities Commission of Malaysia and the Johor Islamic Council for WANCorp and Larkin Sentral; and the Capital Market Authority of Saudi Arabia and the General Authority for Waqf for Alinma Wareef. Being regulated and supervised by these capital market regulators, these corporate waqfs are to conduct their activities professionally and responsibly to ensure that their waqf activities including the waqf proceeds are carried out in Shariah compliant manner and meeting the expectations of the waqf subscribers.

Waqaf An-Nur Corporation Berhad

Waqaf An-Nur Corporation Berhad or known as WANCorp is a company limited by guarantee and is set-up by its parent company, Johor Corporation (JCorp). WANCorp is established for the purpose of managing the endowed assets and shares of the Jcorp Group. WANCorp acts as the *nazir* (manager) to the shares and other securities endowed by JCorp. Hence WANCorp plays an important role in executing JCorp's social responsibilities initiatives ever since the establishment of WANCorp till today.

When WANCorp was initially set-up in 2000, it operated under the name of Pengurusan Klinik Waqf An-Nur Berhad. That name reflected its purpose at that time as it was then managing endowed clinics and dialysis centers under JCorp which services facilitated and operated by KPJ Healthcare Berhad. It then changed its name to Kumpulan Waqaf An-Nur Berhad in 2005 and finally to Waqaf An-Nur Corporation Berhad in 2009. The change of names reflected the diversified and extensive roles and scopes of its responsibilities towards its board members and member of society.

To date, WANCorp owns 9.98% of Al-Salam REIT, 7.1% of KPJ Healthcare and 12.62% of Al-'Aqar Healthcare REIT, the first Islamic REIT in the world. Apart from owning the above-mentioned companies which are listed in the Bursa Malaysia, the Malaysia stock exchange, it also owns Larkin Sentral Property Sdn. Bhd., Capaian Aspirasi Sdn. Bhd. and Teram Travel Sdn. Bhd. where it has at least 75% of ownership of each company, making it as majority shareholder (Waqaf An-Nur, 2019).

Larkin Sentral Property Bhd

Larkin Sentral is a company limited by guarantee and is a subsidiary of WANCorp. In April 2016, the company issued the first cash waqf initial public offering (IPO) in the world. The purpose of the offering is to create awareness of the concept of waqf and to provide opportunity to the public - Muslims and non-Muslims - to contribute towards the socio-development of the society. The proceeds from the issuance of the cash waqf shares will primarily be used to support and facilitate the upgrading and refurbishment of Larkin Sentral Transportation Terminal and Wet Market in Larkin, Johor. Johor is one of the states in Malaysia which is located at the southern end of the Peninsular Malaysia. In addition to that, the proceeds will be used to purchase a piece of land adjacent to the Larkin terminal for the purpose of developing it into the terminal's multi storey car park.

Larkin Sentral and WANCorp are under one parent company, JCorp Group. WANCorp who already managing the endowed assets and shares of the JCorp Group, is appointed to act as the private trustee (nazir khas) for the subscribed cash waqf shares under the supervision of Johor Islamic Council. In Malaysia, each of its State's Islamic Religious Council (SIRC) is appointed as the sole trustee of all waqf properties. They are referred to as public trustee (nazir am). Nonetheless in certain situations, private trustee can be appointed to manage and administer the waqf property under the supervision of the respective SIRC (Larkin Sentral Prospectus, 2016).

Alinma Wareef Endowment Fund

Alinma Wareef is a fund, unlike WANCorp and Larkin Sentral who are corporations. It was established in 2018 under the supervisory authority of the Capital Market Authority and the General Authority for Awqaf. Its fund manager is Alinma Investment. It is an open-ended investment fund that are offered to public. Each unit of the subscription of Alinma Wareef are endowed solely for the benefit of King Faisal Specialist Hospital known as the Wareef Khayriyyah (Wareef Charity). The hospital was established in 1970 on a land donated by the King Faisal and was officially opened in 1975 by King Khaled Ibn Abdulaziz Al Saud. The establishment of Wareef Charity was made in 2012 after the management of King Faisal Specialist Hospital decided in favour of its establishment. In 2015, the Ministry of Labor and Social Development acknowledged Wareef Charity and registered it as a charitable organization with its own legal entity.

Alinma Wareef aims at developing private endowments through participation of individuals and corporations particularly in supporting health care facilities and infrastructures in the Kingdom of Saudi. To sustain the Fund and meet its goals, the fund manager invests in money market, real estate, securities and others in order to spur the growth of the endowed assets. A prescribed portion of the profit or dividend will be distributed annually and continuously to the specified beneficiaries through its Wareef Charity.

The Fund through its Wareef Charity is committed to contribute towards the distribution of health and medical services in the following key areas: supporting and providing specialized medical care, supporting scientific and applied research related to medical and health fields, supporting cultural and scientific activities that contribute to raising awareness of health culture, supporting the rehabilitation of specialized medical competencies, supporting disease prevention programs and helping the needy patients and families.

Harvard Endowment Fund

Harvard University is a private Ivy League research university in the United States of America. It was founded in 1636. Due to its excellence standard in teaching and research, it remains top in the list of the Time Higher Education's World Reputation for years (Time Higher Education, 2018). Importantly, it owns the biggest education endowment fund in the world. It started receiving endowment as early as 1649.

Harvard Endowment Fund is managed by Harvard Management Company, a wholly owned subsidiary of the university. The Fund is made up of more than 13,000 individual funds which are invested as a single entity. Each of the individual funds has its specific intent and purpose as prescribed by its donor. The return from the

investment goes to students' financial aid, funding scientific research projects, and sponsoring professorships of selected academic fields. About 80% of the endowed funds are restricted to beneficiaries as specified by the donors while the balance 20% is for general purposes. As of the end of its 2018 fiscal year, which ended on June 30, the total market value of its assets stood at USD 39.2 billion. This is followed by Yale's University's endowment where its asset was valued at USD 29.4 billion, USD 10 billion lesser than the Harvard's (Fabrikant, 2018). This positive growth indicates the significant role played by endowment vehicle in sustaining and maintaining quality education system in the States especially the higher education establishments.

Governance Structure

Good governance plays a vital role in any successful business. It is important for a company to achieve its ultimate goals and objectives. Its existence is especially important in the public sector because the company is dealing with the public's money. According to Dr Robert Kay MAICD, the governance of an organization affects the risk appetite and ability to innovate (Melouney, 2017). The ensuing discussion analyses the governance structure of the respective case studies.

Waqaf An-Nur Corporation Berhad

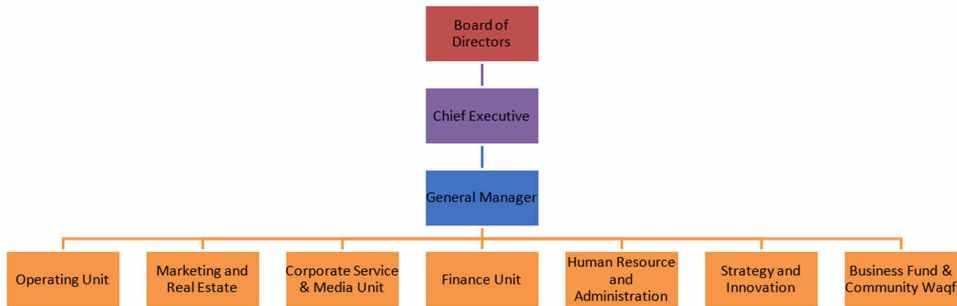
As mentioned earlier, in Malaysia, all waqf properties are subject to the purview of their respective SIRC. It means that all waqf properties must be registered under the SIRC and the SIRC is the duly recognised manager (*mutawallī*) of the waqf properties. However in the case of WANCorp, it is appointed by the Johor Islamic religious council to act as the private manager (*mutawallī khāṣ*) for the waqf assets namely the shares and securities that have been endowed to it by its parent company, JCorp.

Therefore, to ensure that it is playing the role and responsibility of a waqf private manager, its board of directors consist of JCorp and the Johor Islamic religious council. It is an 8-member board of directors comprise of JCorp, Johor Islamic religious council, Larkin Sentral, JCorp's other subsidiaries - Kulim (M) Berhad and KPJ Healthcare, and 3 independent directors. Though Companies Act 2016 requires a minimum of two directors for a public company, the size of the board member of WANCorp signals the importance it gives to governance in its waqf corporate set-up.

Obaidullah (2014) in his paper on Accountability Standards for Islamic Charities Organization, proposed that to gain the trust from the public, Islamic charitable organisation should have at least five board of directors and at least 10% of them are independent directors (as cited in Yunanda, Shafii & Tareeq, 2016). Relating

Figure 1. WANCorp organization chart

Source: WANCorp (2019a)



this to the practice of WANCorp, it has strived to meet such requirement for good governance.

Besides the setting up of its board members which is represented by the interested stakeholders, WANCorp also incorporates a well-organized and structured organization to ensure an efficient and effective management of the waqf assets. Figure 1 below shows the organization chart of WANCorp which constitutes several key portfolios or units namely operations, finance, strategy, marketing, business fund and corporate service.

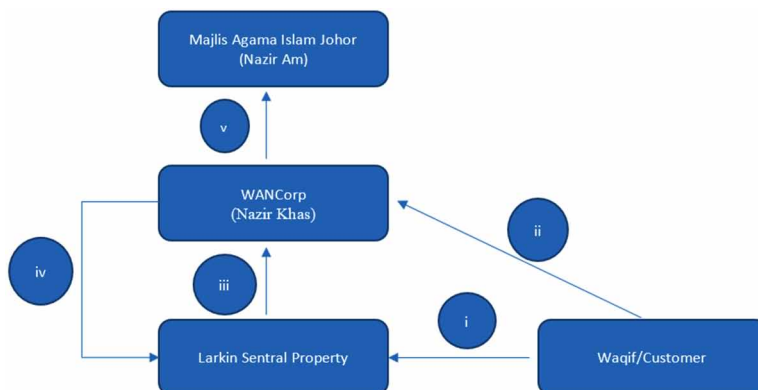
From the aspect of Shariah governance, WANCorp does not establish a special structure or committee to oversee the Shariah compliance. Unlike Islamic banks in Malaysia, the banks are prescribed by the Central Bank of Malaysia to set up independent board of Shariah committee. However, one of WANCorp's directors, Dato' Haji Nooh Bin Gadot is a prominent local Shariah scholar. He was the former mufti of Johor. His presence in the WANCorp will ensure that the practice and activities of administering and managing waqf asset are in compliance with Shariah principles.

Larkin Sentral Property Berhad

As mentioned previously, Larkin Sentral is a wholly owned subsidiary of WANCorp and WANCorp is an entity established by JCorp to manage JCorp's waqf properties. Due to this subordination nature, WANCorp sits on its board of directors together with representatives from the parent company, Jcorp, and its other subsidiaries - Johor Land and TPM Technopark Sdn. Bhd, and two independent directors. At current, the background of the independent directors are business management and law. Their presence adds value to the company by ensuring prudent and proper execution of the mandate given to the company.

Figure 2. The Structure of Mobilization and Distribution of Proceeds

Source: Larkin Sentral Property Berhad, 2016



Unlike WANCorp board that has a representative from Johor Islamic Religious Council, the board of Larkin Sentral does not have any. This is despite the fact that its cash waqf shares received the blessings of Johor Islamic Religious Council and the religious council is expected to receive 10% of the dividend from the Larkin Sentral project. This could be due to the fact that Larkin Sentral is a subsidiary of WANCorp and WANCorp representative is already on the board of Larkin Sentral. Therefore, there is no need or requirement for the official presence of the religious council on the board of Larkin Sentral. Figure 2 shows the interconnection of the relevant parties and their stake distribution.

Explanation:

1. Larkin Sentral issued cash waqf shares and the *wāqif* or donors subscribed to the shares.
2. The donor/subscriber executed a declaration for the purpose of endowing the subscribed shares to WANCorp (*Waqf hujjah*). The effect of such declaration is that the status of the normal shares will be changed to *waqf* shares.
3. 100% of the dividend declared by Larkin Sentral will be transferred to WANCorp as the private trustee cum beneficiaries to the waqf proceeds.
4. From the 100% transferred to WANCorp, 90% will be given back to Larkin Sentral for it to use for charity purposes.
5. The remaining 10% will be given to Johor Islamic Religious Council whereby 5% will be kept by the Religious Council and the remaining 5% will be distributed for charity in education, entrepreneurship and health sectors.

Another best practice of governance by Larkin Sentral is its quarterly publication of report or statement that details out the Larkin Sentral Project's stage of performance or delivery including the collection and use of proceeds. As of May 2019, Larkin Sentral has published several statements or reports in the form of advertisement in the local newspapers. An accounting firm is hired to study and confirm the amount of revenue acquired and the amount utilized before it made them public. Figure 3 below shows a sample of their quarterly reporting where it gave an update of the upgrading and refurbishment work of the Larkin Sentral Project, the amount of proceeds raised from the public offering of the cash waqf shares and the corresponding use of proceeds on a quarterly basis.

The quarterly updates via the reports advertised in the local newspaper informed that most of the upgrading, refurbishment and renovation have been completed. Having said that there were some postponements of certain sections of the work that affected their commencement date and the expected completion date. The affected works include renovation of the façade, the entrance, the floor and the three lift units at the wet market entrance which are due to be completed in the fourth quarter of 2019.

Alinma Wareef Investment Fund

Similar with WANCorp and Larkin Sentral, the management of Alinma Wareef is governed by a board of directors. There are 6 board members including two independent members and all are appointed by the fund manager and the King Faisal Specialist Hospital Foundation. The appointment of these board members are approved by the Capital Market Authority of Saudi Arabia. Each of the board members is qualified and experienced in investment and endowment sectors. The board of directors meet at least twice a year. They shall assume their duties as of the date of their appointment or commencement of the fund. Their membership is for a term of five years and renewable for another five years.

It is interesting to note that the information memorandum of Alinma Wareef clearly mentioned remuneration of the independent board of directors in which each independent board member received up to SAR 20,000 (USD 5,300) a year for each fiscal year. However, it is silent on the non-independent directors. It is assumed that the payment for the non-independent directors is sourced outside Alinma Wareef or alternatively these directors are contributing on *pro-bono* basis.

In terms of Shariah governance, Alinma Wareef has its own Shariah council of scholars, unlike WANCorp and Larkin Sentral. The Shariah council of scholars are also part of the Shariah board of Alinma Wareef's parent company, Alinma Investment Company. This council of scholars is mandated to supervise and monitor all financial and investment activities to be in adherence to and compliance with Shariah principles and rules. Any rulings made by the Shariah council binds Alinma Wareef. Besides

Figure 3. Larkin Sentral's sample reporting by advertising the status of the project and proceeds mobilization

Source: New Straits Times, 2019

34 NST 1classifieds

SUNDAY, FEBRUARY 17, 2019

LarkinSENTRAL
PROPERTY BERHAD
LARKIN SENTRAL PROPERTY BERHAD
(Incorporated in Malaysia under the Companies Act, 1965 and deemed registered under the Companies Act, 2016)
(Company No. 355041-A)

(Unless otherwise defined or the context requires otherwise, the terms used in this advertisement shall bear the meaning ascribed to them in the Original Prospectus dated 18 June 2017 and Supplementary Prospectus dated 17 May 2018 (collectively to be referred to as "Prospectus").)

You are advised to read and understand the contents of this Advertisement together with the Prospectuses in relation to our Offering. If in doubt, please consult a professional adviser.

There are certain risk factors which you should consider. See "Risk Factors" in Section 5 of the Original Prospectus.

LARKIN SENTRAL PROPERTY BERHAD ("LARKIN SENTRAL PROPERTY" OR "COMPANY")
WAQF SHARES OFFERING OF UP TO 300 MILLION NEW ORDINARY SHARES IN LARKIN SENTRAL PROPERTY ("ISSUE SHARES") TO INSTITUTIONS AND INDIVIDUALS AT A SUBSCRIPTION PRICE OF RM0.10 PER ISSUE SHARE TO BE SUBSEQUENTLY ENDOWED (VIA WAQF) TO WAQAF AN-NUR CORPORATION BERHAD

As stated in Section 4.6 of the Original Prospectus, we are required to announce, by way of advertisement, the updates for each phase of the upgrading and refurbishment works, amount of proceeds raised over the duration of the Subscription Period and corresponding use of proceeds on a quarterly basis.

We have, on 17 November 2018, announced by way of advertisement, the updates for each phase of the upgrading and refurbishment works, amount of proceeds raised over the duration of the Subscription Period and corresponding use of proceeds from 1 August 2018 until 31 October 2018. As at 31 January 2019, we have used RM5,516 million out of the RM5,526 million raised as at 31 October 2018.

As at 31 January 2019, we have collected a total of RM5,546 million pursuant to our Offering. The Auditors and Reporting Accountants for the Offering has performed procedures under International Standard Related Services 4400 - "Engagements to Perform Agree-Upon Procedures Regarding Financial Information" on the amount of proceeds raised and use of proceeds for the period from 1 November 2018 until 31 January 2019 in compliance with Section 4.6 of the Original Prospectus in respect of our Offering.

1. Status of third (3rd) phase of the upgrading and renovation of the wet market which includes the upgrading and renovation of the wet market entrance, installation of two (2) new transformers and upgrading of our existing sewerage treatment plant and corresponding use of proceeds:

Description	Commencement date	Completion / Expected completion date	Project manager appointed	Total cost (RM million)	Status as at 31 January 2019	Use of proceeds ^a
Retention fund for second (2 nd) phase wet market bazaar wing B	August 2015	December 2015	TPM Technopak Sdn Bhd	0.23	Retention fund has been released to our contractor using our "Leveraged Pass Term Financing" from Asian Finance Bank Berhad ("Financing").	Not applicable.
Toll lay-by at the wet market entrance	December 2016	February 2017	Johor Land Berhad	0.37	Completed. Payment amounting to RM0.342 million (inclusive of GST) has been made to our contractor using our internally generated funds.	RM0.096 million has been paid to our contractor.
Landscape at the wet market entrance	February 2017	March 2017	Johor Land Berhad	0.19	Completed. Payment amounting to RM0.152 million (inclusive of GST) using our Financing and RM0.032 million (inclusive of GST) using our internally generated funds has been made to our contractor.	RM0.018 million has been paid to our contractor.
Renovation of wet market entrance involving:						
• Escalator, entrance lobby, entrance statement and ramp connecting the transportation terminal and wet market	March 2017	January 2018	TPM Technopak Sdn Bhd	2.00	Completed. Payment amounting to RM0.071 million (inclusive of GST) using our internally generated funds has been made to our contractor.	RM1.202 million has been paid to our contractor.
• Facade, entrance and floor	January 2018	July 2018	To be appointed	2.74	Commencement date has been extended to the second (2 nd) quarter of 2019 and expected completion date has been extended to the fourth (4 th) quarter of 2019.	Not applicable.
• Replacing three (3) lift units	October 2017	April 2019	Johor Land Berhad	1.50	Ongoing. Expected completion date has been extended to fourth (4 th) quarter of 2019.	RM0.174 million has been paid to our contractor.
• One (1) toilet unit	April 2017	May 2017	DASB	0.20	Completed. Payment amounting to RM0.154 million (inclusive of GST) using our Financing has been made to our contractor.	Not applicable.
Installation of two (2) new transformers	October 2017	April 2018	To be appointed	2.40	Preliminary work has been commenced by our Company and expected completion date has been extended to the fourth (4 th) quarter of 2019.	Not applicable.
Upgrading of sewerage treatment plant	March 2016	May 2017	TPM Technopak Sdn Bhd	1.16	Completed. Payment amounting to RM1.260 million (inclusive of GST) has been made to our contractor using our Financing.	Not applicable.
Total				10.79		

Note:
^a We have used proceeds raised pursuant to our Offering as at 31 October 2018 amounting to RM1,490 million for the payments to our contractors in relation to the upgrading and renovation of the wet market in Larkin Sentral.

2. Status of the upgrading and refurbishment of the transportation terminal and corresponding use of proceeds:

Description	Commencement date	Completion / Expected completion date	Project manager appointed	Total cost (RM million)	Status as at 31 January 2019	Use of proceeds ^a
Transportation terminal platform	March 2016	August 2017	Johor Land Berhad	0.82	Completed.	See notes.
Bus holding bays	April 2016	July 2017	Johor Land Berhad	4.40	Completed.	See notes.
Passengers waiting hall	March 2016	July 2017	Johor Land Berhad	2.80	Completed.	See notes.
Bus arrival and departure information system	April 2017	August 2017	Johor Land Berhad	2.96	Completed.	See notes.
Total				10.98		

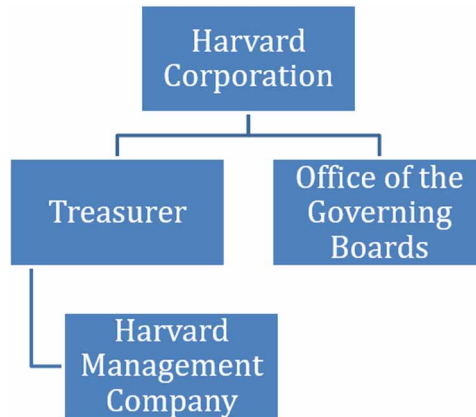
Notes:
^a Payment amounting to RM3,988 million (inclusive of GST) via our Financing and RM4,343 million (inclusive of GST) via our internally generated funds has been made to our contractors.
^a We have used proceeds raised pursuant to our Offering as at 31 October 2018 amounting to RM3,930 million for the payments to our contractors for the upgrading and refurbishment of the transportation terminal in Larkin Sentral.

3. Status of the refurbishment of bazaar and expansion of shop lots and corresponding use of proceeds
The expansion of 20 new shop lots for single mothers and lower income group has been completed. However, the construction work of the walkway connecting the shop lots to Larkin Sentral is still in progress and the expected completion date is first (1st) quarter of 2019. Payment amounting to RM0,395 million (inclusive of GST) via our internally generated funds has been made to our contractor. We have used proceeds raised pursuant to our Offering as at 31 October 2018 amounting to RM0,176 million for the payment to contractors for the expansion of shop lots in Larkin Sentral.
The refurbishment of bazaar which was expected to commence in the fourth (4th) quarter of 2017 is now expected to commence in the third (3rd) quarter of 2019 whilst the expected completion date has been extended from second (2nd) quarter of 2018 to third (3rd) quarter of 2020.

4. Payments made for the consultants' fee in relation to the upgrading and refurbishment of Larkin Sentral
Payment amounting to RM0,341 million (inclusive of GST) via our Financing and RM0,076 million (inclusive of GST) via internally generated funds has been made to our consultants in relation to the upgrading and refurbishment of Larkin Sentral. Additionally, we have used proceeds raised pursuant to our Offering as at 31 October 2018 amounting to RM0,257 million for the payments of consultants' fee in relation to the upgrading and refurbishment of Larkin Sentral.

Figure 4. The governance structure of Harvard endowment fund

Source: Harvard University, 2016



the existence of the Shariah council of scholars, the Shariah governance structure is also assisted by the Shariah audit and review unit. Its role is to ensure that all financial and investment activities are in compliance with Shariah standards and rulings issued by the Shariah council of scholars.

Harvard Endowment Fund

The Harvard Management Company manages the Harvard Endowment Fund. The company's Board of Directors are elected by the Harvard Corporation (formerly known as 'President and Fellows of Harvard College'). The election is based on their expertise in investment, banking, finance and academia. The board members consist of 12 people where 4 of them are ex officio members; Harvard University's President and Treasurer, Chief Financial Officer and Chief Executive Officer of Harvard Management Company. Figure 4 below displays the governance structure of Harvard Endowment Fund which shows the Company reports direct to Treasurer and Harvard Corporation. Harvard Corporation is Harvard University's powerful governing body that decides over the agenda of Harvard University Board including budget and academic position (Dixon and Parker, 2017).

Harvard Management Company manages the fund by partnering with several world class asset managers and financial professionals that are qualified and competent to manage its huge funds. Only one third of the funds are managed by it directly, while the remaining are managed by these professionals.

Among the influential CEOs of Harvard Management is Jack Meyer. He started his tenure in the company in 1990 which at that particular time the total asset value was USD 4.8 billion. In 2015, the value rose to USD 25.9 billion, a quadruple from the initial amount. According to Bloomberg (2004), the average annual return during his tenure was 15.9%, which is considered to be an achievement for the endowment fund.

His successor was Mohamed El-Erian. Leveraging on his working experience in a bond trading company, PIMCO, he aimed to rebuild and reinvent the Harvard Management Company. Although, he had a very short stint in the company of not more than two years, he was able to generate annual return of 23% in 2007. He was nominated as one of the 500 most powerful people on the planet in April 2013 by Foreign Policy (The Muslim 500, 2014).

Jane Mendillo was named as the CEO after El-Erian. The 2008 financial crisis took place during her tenure. Despite the unfavorable global financial woes, she was able to absorb the impact though the asset value dropped drastically. The value of asset returned back to its highest peak during the tenure of Stephen Blyth who became the CEO in 2015.

At the end of 2016, Marc Sedner step in as the CEO. The following year he laid off about half of the 230-employee staffs. He closed all internally managed funds. Despite his drastic actions, Harvard Endowment Fund recorded return of 8.1% for the fiscal year 2017 and 10% for the fiscal year 2018.

Investment Strategy, Risk Management and Business Models

One key commonality in these corporate waqf models is that they are investment and business oriented. Unlike the typical business driven entity, the shareholders of these waqf corporations are waqf beneficiaries. This is in line with the philosophy of waqf that waqf benefits or proceeds will go to the needy and vulnerable. To ensure that they are sustainable, these waqf models are structured with viable underlying investment projects that are able to optimize the return and benefit to the beneficiaries.

Waqaf An-Nur Corporation Berhad

WANCorp is established for the purpose of managing its parent company, JCorp Group's endowed assets and shares. WANCorp earns its income from the dividends of the endowed assets and shares. Figure 5 below shows an excerpt of WANCorp's 2018 annual report that depict the stream of revenues in 2017 and 2018 particularly from dividend, rental, income, capital gain and other operating incomes.

Figure 5. WANCorp's stream of income

Source: WANCorp, 2019b

13. Revenue		
	2018	2017
	RM	RM
Accrued dividends	<u>11,619,573</u>	<u>12,721,520</u>
Rental Income	8,290,084	-
14. Operating Incomes		
	2018	2017
	RM	RM
Other Operating Income	<u>5,531,385</u>	<u>7,180,513</u>
Changes in fair value through profit and		
Loss – unquoted shares	5,181,258	10,283,739
Profit on sale of quoted shares	235,750	-

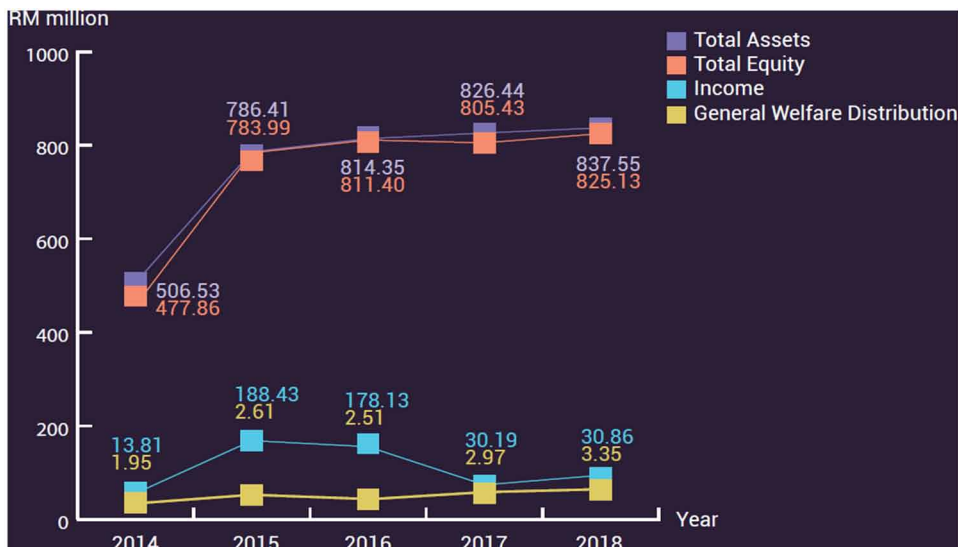
WANCorp can be considered as non-profit organization on the basis that all profit or dividend it received go to beneficiaries so it does not have the typical company shareholders that await for dividend payment. It publicizes its annual report like other for-profit organizations. It is important to note that non-profit organization does not mean that they are not meant for profit. Instead, most non-profit organizations do make profits and reinvest the profits back into the organizations (Wilkinson, 2014). WANCorp makes profit from the payout dividends of its subsidiary, Larkin Sentral, JCorp endowed shares and endowed assets as well as from the capital gain. However, those profits are not for any individual interest, but to the community through its various social charitable programs.

Based on its 2018 annual report, WANCorp has succeeded in increasing its revenue to RM19.9 million in 2018 (USD 4.975 million) compared to RM12.7 million (USD 3.175 million) in 2017 and RM8.3 million (USD 2.075 million) in 2016. This increment is due to the increase of the amount of the dividend received from the endowed shares. As of December 2018, the asset value of WANCorp is RM 837.55 million (USD 209.39 million). WANCorp aims to achieve RM1 billion (USD 250 million) worth of assets in the near future. Meanwhile, net asset value (NAV) of the endowed shares and land is RM640 million (USD 160 million), where the amount is about to triple since the endowment's inception at RM250 million (USD 62.5 million). The figure 6 below indicates the growth of WanCorp's assets, equity, income and general welfare distribution from 2014 to 2018.

To sustain the growth of the endowed assets, *istibdāl* (substitution of waqf assets) has often been used. Despite objection by some Shariah scholars on its application on waqf properties, majority of Shariah scholars in general approve its application for the purpose of solving problems related to waqf properties (Noor and Awang, 2013).

Figure 6. WANCorp's assets, equity, income and general welfare distribution from 2014-2018

Source: WANCorp, 2019c



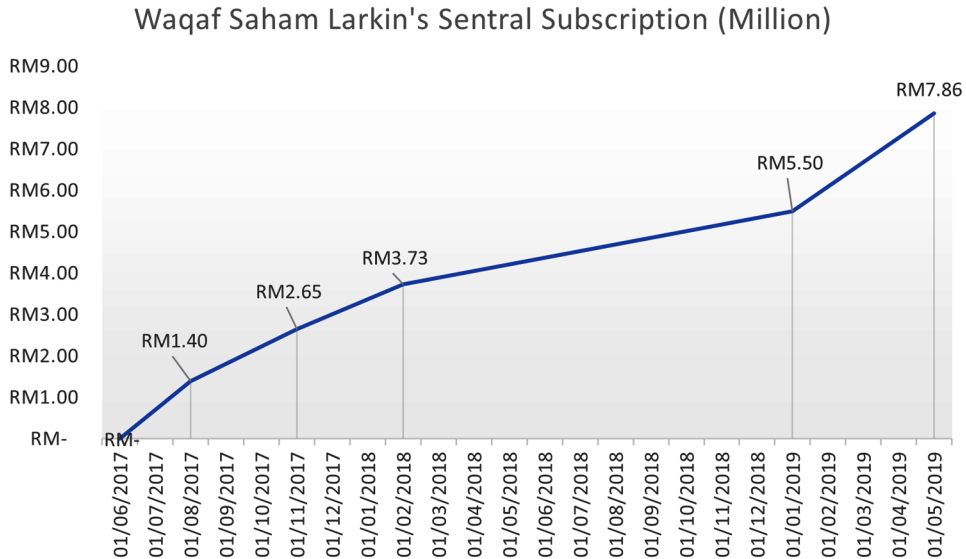
Therefore in 2009, the subsidiary of JCorp, Jland shares was substituted (*istibdāl*) to Al-Aqar REIT due to the privatization of Jland. Apart from that, Selective Capital Reduction (SCR) which was introduced by another JCorp subsidiary, Kulim (M) Berhad exercised *istibdāl* to give better value for the waqf assets. As a result of these substitutions, the value of the asset increased and as of December 2017, the value of waqf assets was valued at RM203.5 million (USD50.875 million) compared to RM51 million (USD12.75 million) in December 2016. The *istibdāl* exercise results to the purchase of Ansar Tower in Johor Bahru, the capital city of Johor, 6 units of shop offices in Johor Bahru and 12 units of double-storey terrace houses in Pasir Gudang at the cost of RM176 million (USD 44 million) (Abu Kassim, 2017).

Larkin Sentral Property Berhad

In 2016, Larkin Sentral made a public offering by issuing cash waqf shares. The offering aimed to raise RM85millions (USD 21.25 million) for its Larkin Sentral Project. The project consists of two phases. First is the upgrading and refurbishment of Larkin Sentral, the main and largest public transport terminal in Johor Bahru. The work involves upgrading the wet market and transport terminals and refurbishing shop lots. While the second phase includes the purchase of a piece of land, adjacent to the terminal and to develop on it a 7 storey parking lot building. 42.6% from the

Figure 7. Subscription of Larkin Sentral's cash waqf share

Source: Mingguan Malaysia, New Straits Times and Utusan Malaysia, 2017-2019.



RM85millions will be allocated for the first phase and 53.6% of it is allocated for the second phase while the remaining 3.5% is for the cost incurred in the public offering exercise.

The public offering of Larkin Sentral was initially approved by the Securities Commission to be for a period of one year commencing from 18th June 2017 till 17th May 2018. However, the same was extended to another one year ending 17th May 2019. This could be due to the lag in the subscription. At the closure of the offering, 17th May 2019, it was reported that Larkin Sentral has able to raise from the public about RM7.861 million (USD 1.97 million) out of RM85 million it planned to raise from its IPO exercise. Figure 7 below depicts the subscription proceeds acquired from March 2017 till May 2019. Though the Figure exhibits some progress and increase in the subscription during that two years period, it is at a very slow pace.

Some may argue that the Larkin Sentral's IPO is a failure due to the meagre amount it managed to raise and the period it took to raise those funds. However, Larkin Sentral's cash waqf shares IPO marks a landmark achievement for waqf industry. It offers new set of asset class, class of investors/subscribers and above all it embodies the spirit of *maqasid* (objective) of Shariah and United Nation's Sustainable Development Goals (SDG). Being the first of its kind in the world, it acts as a benchmark or indicator of charitable or philanthropists' appetite thus guiding other similar initiatives in planning for their waqf program. As mentioned earlier, one of the objectives of Larkin Sentral cash waqf IPO is to create public awareness

about waqf. Hence in a market and society like Malaysia, it is not a surprise with what Larkin Sentral has abled to collect thus far. It requires more education and awareness program to achieve a better result.

To ensure that the Larkin Sentral Project get to complete within the agreed schedule, Larkin Sentral applied and obtained financing for the project. The approval of the financing could be due to the creditworthiness of Larkin Sentral's parent company, JCorp which is the State of Johor's investment corporation. The financing allows for the commencement of the first phase of upgrading and refurbishing work while the fund raising is still ongoing. The first phase was initially expected to be completed by April 2019 however it was further extended towards the 4th quarter of 2019. It may be foreseeable that JCorp will be Larkin Sentral's "lender of last resort" to facilitate the successful accomplishment of the Larkin Sentral project as planned.

Figure 2 earlier described the structure of mobilisation and distribution of dividend in between Larkin Sentral, WANCorp and Johor Islamic Religious Council. As part of its charitable drive, the dividends received by WANCorp will be used to cover the monthly shortfall coming from:

1. The discount of up to 10% of normal market rental rates given to selected Larkin tenants. However, the said discount is subject to timely payment by these tenants.
2. The minimum rental rates for small shop lots in Larkin Sentral that are being rented to single mothers and low-income groups. The minimum rental rate could go as low as half of the market rental rate.

Wareef Alinma Investment Fund

Wareef Alinma is still at a nascent stage as it has not even reached its first year anniversary. Notwithstanding its infancy age, in terms of assets under management (AuM), as at the first quarter of 2019, the value has reached SAR 52.7 million (USD 14.06 million) and SAR 54.05 million at the second quarter. The positive performance is due to the *ghullah* (profit) of waqf has grown by 2.04% in the second quarter of 2019 from the inception date, 1st November 2018. Figure 8 below depicts the progress of its profit making in the second quarter of 2019.

To enable it to continuously grow and be sustainable, Wareef Alinma allocates its investment in the following portfolios as shown in Figure 9.

To ensure steady growth, the fund manager gives much focus on income-generating assets be they equity or murabaha transactions or income-producing real estate assets. It invests mainly on various types of asset classes, including securities, which include listed equities in the Saudi stock market, IPO, priority rights, sukuk, publicly traded fund units, venture capital and local and international index fund

Figure 8. Wareef Alinma's Q2 2019 performance

Source: Alinma Investment, 2019

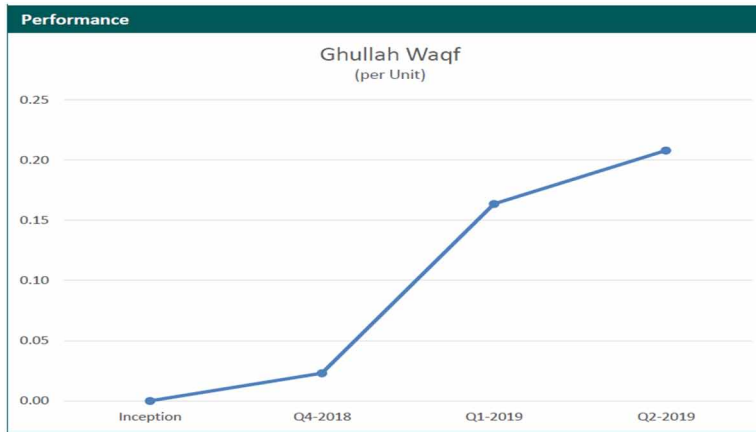


Figure 9. Wareef Alinma investment portfolio

Source: Alinma Investment, 2018

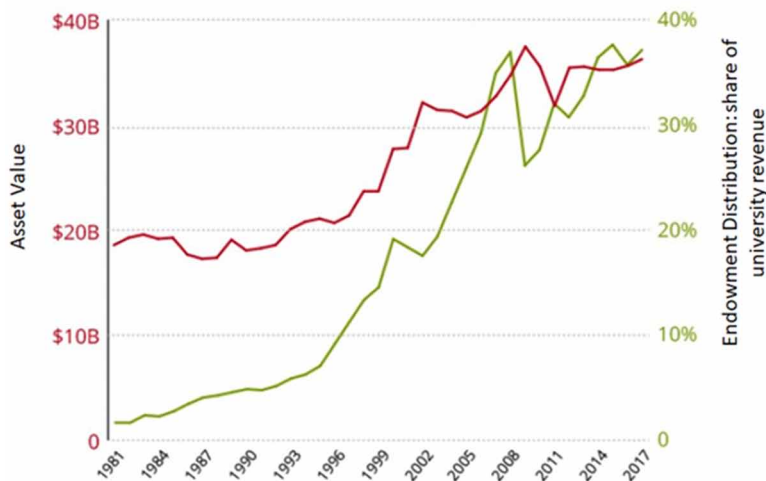
Types	Minimum amount (%)	Maximum amount (%)
Shares include listed companies, initials, initial rights and remaining issues	0	25
Cash and murabahah transactions and investments in money markets	0	100
Murabahah funds, money markets and sukuk	0	40
ETFs and investment funds	0	15
Assets and income-producing real estate funds (including real estate funds)	0	80
Private equity and venture capital investments	0	30

units. It will not invest in non-cash assets. In exceptional circumstances, the fund manager may, upon his own discretion, retain assets in the form of cash or cash market investments of up to 100%.

The right to invest by the fund manager extends to any securities issued by the fund manager or any of its affiliates in accordance with the fund's investment strategies. The securities that they can invest in must be approved or licensed by the Capital Market Authority or other related parties. There is no limitation for the

Figure 10. Harvard endowment fund's assets growth for the period 1981 to 2017

Source: Rosenberg, 2017



fund manager to invest in any markets be it local, regional and global depending on his own discretion.

In term of distribution, 70% of the yearly profit will be distributed to the King Faisal Specialist Hospital Charity which allocation quota can be revisited by the board of directors. While, the remaining 30% will go back to the fund for reinvestment. The board of directors retain the right to reconsider and reexamine the allocation of the profit distribution should the amount exceeded the need of the charity body.

Harvard Endowment Fund

As mentioned earlier, Harvard Endowment Fund is the biggest university's endowment fund in the world. As at the end of its 2016 fiscal year, June 2016, the total value of the assets of its fund reached its highest peak since its establishment at USD39.2 billion. The fund performed well every year since 2003 and made profit except for two years, 2009 and 2012, which could be the aftermath effect of the global financial crisis. Returns throughout 2003 to 2014 were at 10% and above except for those two years. Despite the returns for fiscal year 2015 to 2017 were below 10%, it was still positive. It returned to 10% in the following 2018 fiscal year.

According to Clarida (2014), Harvard Endowment Fund has outperformed the national average endowment according to National Association of College and University Business Officers and Commonfund Institute for several consecutive years in the 2000s and remains the most valuable out of the 835 colleges that participated in the survey. Figure 10 below shows the growth of value of assets of Harvard Endowment Fund doubled from 2003 to 2008 and from 1996 to 2000.

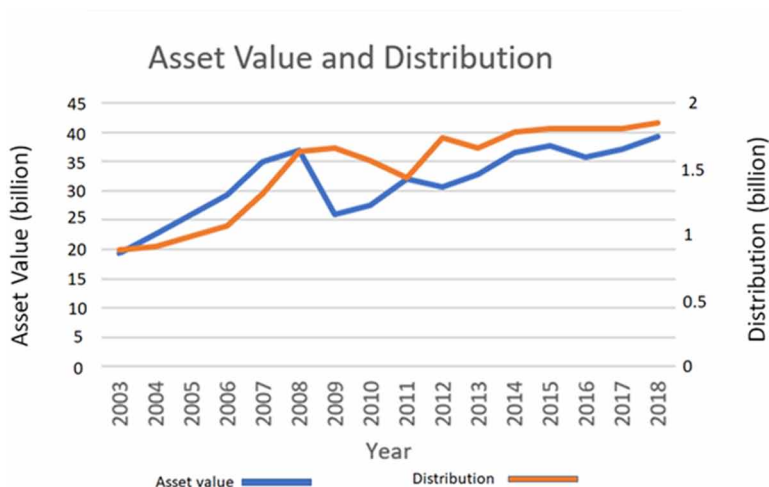
As in other typical fund management company, the investment allocation or portfolios varies depending on the surrounding macro and micro economic factors. During the pre-1980s, the endowment invested in domestic stocks, bonds and cash in a typical 60/30/10 allocation mix. During the mid-1980s, it shifted about 25% into private investments like venture capital, real estate, oil and gas. Then it moved to diversified “policy portfolio” with exposure to multiple asset classes. “Policy portfolio” is the asset mix that is anticipated to meet the long-term return in line with the aim of the University. The investment approach though with large exposure to various alternative class of assets, has consistently secured high return annually with moderate risk investment to Harvard Endowment Fund (Harvard Management Company, 2009).

It is reported that the average US endowment funds invested 70% of their investment in traditional asset class while the remaining in alternative assets. While the biggest 20 endowment funds including Harvard Endowment Fund allocate 55% of their investment on traditional asset classes, while the remaining investment on alternative assets. This investment strategy is claimed to be the reason for their long-term investment performance (Azlen, 2018).

To sustain and maintain the operation of Harvard Endowment Fund, the management planned its budget allocation by making reference to the value of the endowment and spent a certain fraction of that. In a simple word, it does not spend the same fraction each year. It would be problematic if the dividend payout is based on the exact fraction of the asset value. The reason is if the asset value goes down drastically like what happened in 2008-2009, the dividend payout to match the budget of Harvard University will also got cut drastically. By avoiding this later approach, a more stable payment of dividend can still be paid to Harvard University though the drastic decrease of its asset value. This can be proven from Figure 11 below where it shows that though the asset value had decreased in 2009, the distribution was not too much affected.

Figure 11. Harvard endowment's asset value and distribution

Source: Harvard Management Company, 2003-2018



Social Transformation Program

An impactful waqf initiative is proven by the value that it created. WANCorp, Larkin Sentral and Alinma Wareef have strived and succeeded within their means to improve their country's socio-economic welfare in critical areas like health care, education and investment. Through their waqf programs, they have assisted their government in building an effective social welfare infrastructure and system. Their contributions should be replicated in other jurisdictions that are still grappling with the gap in their socio-economic development.

Waqaf An-Nur Corporation Berhad

Funded by the profits and dividends received from the endowed assets and shares of its holding company, JCorp, WANCorp was able to carry out remarkable social transformation programs since its establishment more than a decade ago. From 2005 to 2016, WANCorp received RM179 million (USD44.75 millions) from the dividend payout of the endowed shares and assets. From this payment, it helped the sick through various branches of Waqaf An-Nur's hospitals and clinics, mobilizing and reviving the atmosphere of mosques with various beneficial activities and contributed to the welfare organizations, orphanages, poor and needy, single mothers and humanitarian aids and other corporate social responsibility's programs (Waqaf An-Nur Corporation Berhad, 2018).

Currently there are 24 Klinik Waqaf An-Nur (KWAN) including 18 clinics, 1 waqf hospital, Hospital Wakaf An-Nur and 5 moveable clinics all over the country. The service of KWAN can be enjoyed by all walks of life, regardless of his/her race or religion with the minimal fee of RM5 (USD 1.25) only per medical check-up. Up to the end of 2017, at least 1,443,674 treatments were given through those clinics and about 8% of them or 1,443,674 treatments are provided to non-Muslims. This is to show that waqf beneficiaries are not only for Muslim but also for non-Muslim. KWAN has 64 dialysis machines and it charged only RM90 (USD23) for its use to 307 of its patients.

In addition to the health care infrastructure, facilities and services, WANCorp introduced the Education and Entrepreneurship Program known as Program Bistari for the purpose of educating and empowering indigenous citizens (Bumiputera) in economic community opportunities (Abu Kassim, 2017). Apart from that, it also initiated Dana Niaga (business funding) to assist the local entrepreneurs. It is a type of financing given to sole proprietorship or partnership so they could have additional capital to facilitate their entrepreneurship. The business financing is offered in two types of Shariah contracts. The first is *qardhul hassan* (benevolent loan) where no interest or additional amount is imposed to the borrower in the repayment process. While the other is using the concept of financing with profit by using Shariah contracts of *murābahah* and *wakālah* (agency) and *tawarruq* (commodity *murābahah*) arrangement. Under this later arrangement, the customer will have to pay back based on the actual cost of the assets bought with some additional amount of profit. In 2017, the Ministry of Urban Well-Being, Housing and Local Government licensed WANCorp as a recognized lender. Hence up to December 2017, 392 entrepreneurs have received business financing through Dana Niaga and RM170,000 (USD 42,500) has been granted to 48 grant recipients.

WANCorp always kept abreast with the needs of the local community, especially during natural disaster phenomenon. In 2017, WANCorp allocated RM100,000 (USD25,000) to its brigade team. The allocation is used to train the brigade to assist and give relief to the public when affected by any natural disaster events. For example, when Penang which is situated in the northwest coast of Peninsular Malaysia, was hit by the worst flood in its history in 2017, WANCorp's brigade team was sent there to assist the people in Penang.

A General Welfare Fund (Dana Kebajikan Am) has been set up to distribute some portions of the dividends of the endowed shares to facilitate the social needs including the needy in the community. There are three categories for the distribution of the fund: charity and virtue; human development and human capital, education and entrepreneurship; and special projects. Up to December 2016, WANCorp has distributed RM2,507,675 (USD627,000) to mosques, prayer halls (*surau*), schools, charitable organizations, government offices and individuals who are in need.

WANCorp currently manages 6 mosques that are located in the state of Johor. The biggest mosque under its management, Masjid Sultan Iskandar Bandar Dato' Onn, could house 4600 congregates at one time.

In 2015, WANCorp introduced a program called Semarak Jawi. This program aims at introducing, preserving and empowering jawi script, a traditional script extracted from Arabic alphabet that are being used to spell Malay words (Ibrahim, 2015). This program have been launched and conducted in primary and secondary schools in Johor. Under the sponsorship of Utusan Melayu, a local daily newspaper, a jawi news portal was launched. Up to December 2017, there was about 170,000 people visited the portal.

Larkin Sentral Property Berhad

Larkin Sentral is one of the largest transportation terminals in Malaysia and it is visited by a total of 9 million visitors yearly or on average 26,000 visitors daily. It has direct bus services to and from various cities and towns in Peninsular Malaysia as well as Singapore and Hat Yai, Thailand. The installation of new e-ticketing system ticket, with waiting area equipped with air-conditioners together with QR Code system installed at the passenger entrances, made the bus terminal very convenient to all walks of life. With the upgrading and refurbishment work that Larkin Sentral is undertaking, it is expected to bring more comfort to the visitors in using the facilities and indirectly increase the number of visitors.

As explained earlier and described in Figure 2, 90% of the dividends accumulated from the cash waqf shares is returned back to Larkin Sentral. While the balance of 5% is kept by Johor State Religious Council and the remaining is distributed for charitable purposes which include education, entrepreneurship and health. The charitable initiatives of Larkin Sentral include imposing lower rental rates by giving up to 10% discount of the normal market rental rates for selected Larkin tenants and up to 50% discount of the market rate to single mothers and low-income groups. In addition to that in early 2019, it handed over at least 20 units of bazaar lot to the targeted group. The bazaar lots of 100 square feet of size were each given to zakat beneficiaries (asnaf), single mothers and disabled persons who cannot afford the rental cost. Equipped with electricity and water supply, it cost Larkin Sentral about RM 1.3 million (USD 0.33 million) which is fully borne by the proceeds from its cash waqf shares (Yon, 2019).

Alinma Wareef Endowment Fund

As mentioned previously, 70% of the profit goes to the King Faisal Specialist Hospital Charity, while the remaining 30% is reinvested. King Faisal Specialist Hospital Charity cum Wareef Charity aims to be a leading charity in the field of health care and social work in Saudi Arabia. This is in line with the national agenda of the Saudi Kingdom to develop a development plan called the “National Transformation Program 2020”. One of its core objectives is to introduce healthcare sector reforms. It emphasized the need to make available efficient healthcare facilities and proffer public quality healthcare services (Alharbi, 2019).

Wareef Charity aims at supporting health care services in King Faisal Specialist Hospital and Research Centre. This could be achieved by alleviating the sufferings of the patients and their families, funding research and participating in health sector awareness program with the cooperation of leading local and international institutions. Among the project that already run by the charity is the program for autism. It is a three years program, from 2018 to 2021, with the collaboration with Riyadh Bank in Saudi, where 51% of its shares is owned by the Saudi government. About 469 children were diagnosed with autism and 287 families benefited from the program. Up to 2019, at least 100 workshops and lectures have been organized which have benefited 4000 families.

Due to the need to successfully treat diseases like leukemia, lymphoma, bone marrow failure that requires planting the right stem cells after receiving them from donors, the charity started a program called “Register as Stem Cell Donor”. It organized intensive campaigns aimed at raising awareness of the importance of donating these cells to address the emerging issue of the inability of about 60% of children and 30% of adults finding identical donor. Hence the need to adopt an effective program to increase the numbers of donors become imperative and urgent. The campaign was successful as evidenced by the high turn-up, about 9327 people registered to donate as at December 2018. As a result, 310 operations have been done in 2017 in which 180 of the operations are for adults and 130 are for children.

The charity also caters and facilitate the needs of patients that have to travel from outside Riyadh by providing them comfortable accommodation that are close to the place of their treatment. Hence the development of residential units at a location close to King Faisal Specialist Hospital is critical. Hence a commercial hotel complex is developed on an area of 12,000 square meters which the same is located near the Mecca Road intersection.

Despite the positive response from the public for blood donation campaigns, there is still an urgent need for more blood donors in light of the increasing number of people who are in need of the same type of blood groups. Hence, triggered the idea of creating mobile blood donation vehicle. With this mobile vehicle, built and

designed at par with the international standard requirement for blood donation, it able to reach out to more blood donors. This move has succeeded in narrowing the gap in the shortage in certain blood type through the increase in the number of donors by 30% in 2018 with total number of 27,000 donors.

The charity have also provided drinking water facilities in several locations in the King Faisal Specialist Hospital especially the waiting areas. This is to attend to the continuous need to provide cold water for patients and visitors. As of 2019, 6 refrigerators have been provided and the plan is to increase to 15 in the near future (Wareef Charity, 2019).

Harvard Endowment Fund

As mentioned earlier, about 80% of the endowment are confined to certain specific purposes. Those purposes are restricted to professorships, financial aid, maintenance, libraries and museums. The remaining 20% are unrestricted where they are used to cover operational costs like salary, wages, space, occupancy, financial aid, supplies and equipment (Harvard University, 2017).

In terms of financial aid, Harvard University has started its Harvard Financial Aid Initiatives back in 2005 and has awarded more than USD2 billion in financial aid to its undergraduates till 2018. Harvard University was the first US based endowment to become a signatory to the United Nations' sponsored Principles for Responsible Investment (PRI). This is reflected in the investment of its funds. Harvard Management upholds environmental, social and governance (ESG) criteria in its investment. By adopting the ESG investment approach, the Management avoids investing in companies or business that pose greater financial risk due to issues of environment, social and governance. Every year, the Harvard University's Advisory Committee on Shareholder Responsibility (ACSR) discusses and deliberates and makes recommendations on Harvard Endowment Fund's public traded companies from the angle of corporate social responsibility.

5. ISSUES AND CHALLENGES

In Malaysia, waqf is under the jurisdiction of respective SIRC. SIRC is the sole trustee (nazir) on matters pertaining to waqf. As Malaysia has 13 states, so each SIRC of the respective state administer and monitor waqf application based on each state's respective laws on waqf. Some of the states have specific independent enactment on waqf such as Selangor, Melaka, Negeri Sembilan, Johor and Terengganu while other states depend on their respective general administrative laws. The variation in the administrative laws and regulations cause difficulties for waqf institutions

especially when it involves cross border fundraising. In the case of Larkin Sentral for example, some of the states did not allow Larkin Sentral to run its fundraising campaign for its cash waqf shares IPO as Larkin Sentral is incorporated in Johor and its project is also based in Johor.

Lack of community awareness is a challenge. This may be one of the key reasons why Larkin Sentral was not able to meet its IPO target of RM85 million (USD21.25 million) despite running it for two years. As of May 2019, Larkin Sentral managed to acquire about 9.24 % of the targeted amount. As mentioned in the earlier part of this chapter, Larkin Sentral cash waqf IPO is the first in Malaysia and in the world. The community has yet to grasp the idea of corporate waqf or waqf shares. The public understanding of waqf is still constrained to immovable and tangible assets only like lands (Mohamad, 2012). Not only that, the public perception is that waqf is only for religious and education purposes and not beyond that (Mahmood, Mustaffha, Hameed and Johari, 2017). The misguided perception gets exacerbated when the use and benefit of waqf is perceived to only be limited to Muslims (Puad, 2014). In reality, waqf is a very broad concept that allows everyone to benefit based on the conditions stipulated by the *waqif* (donor).

The perception that waqf is only for religious purpose is evident in the amount raised through mosque and non-mosque establishments. In Malaysia for example, in 2016 the average fund collected in selected State mosques was in the range of RM500,000 to RM1,000,000 per mosque (Harian Metro, 2016). According to Malaysia's Islamic Affairs Department (2019), in 2018 itself, there were 25 federal and state mosques, 175 district mosques and 6,299 borough mosques. Taking the higher end of the range, it is argued that each of the federal and state mosque could have raised about RM12 million in a year. The generosity of Malaysians is recognized by the World Giving Index published by Charities Aids Foundations. In its 2018 report, Malaysia ranked 13 out of 140 countries over 5 years average where it scored 59% in the 'donating money' category (Charities Aids Foundation, 2018). The ease in raising fund by these mosques allude to the fact that Muslims in Malaysia are generous when donating to institutions like mosques.

However, the same attitude is void when the fund raising is carried out by non-mosque establishments like Larkin Sentral despite the objective of the fund raising is noble. Similar issue is faced by Yayasan Waqaf Malaysia, a national waqf entity under the Prime Minister's Department of Waqaf, Zakat and Hajj where it only able to raise waqf collection of average RM 2.1 million a year from 2014 to 2017. (Yayasan Waqaf Malaysia, 2019) This accentuate a deep ingrained norm or culture among most Muslims in Malaysia of willingness and belief in donating to mosque rather than non-mosque establishments as they are deemed to be more religiously rewarding. Hence the mosques do not have to incur much cost in promoting or marketing their fund raising. Unlike non-mosque establishments like Larkin Sentral

which estimated in their prospectus the cost to promote Larkin Sentral Waqf shares to be of RM1.5 million. Yet the amount raised so far is scarce (Larkin Sentral Property Berhad, 2016).

6. RECOMMENDATION

Based on the mini case studies deliberated in the foregoing sections, the described corporate waqf have been successfully modelled and structured that addressed prevailing issues affecting the traditional waqf set-ups. Among the issues pertain to governance, competent management team, distrust in the waqf mobilization, transparency in reporting and disclosure and reliable database. Having said that, the mini case studies also shed light on areas or best practices that can be improved especially when waqf deals with public money and public trust. The proposed recommendations are as follows:

1. To have an internal policy that allows the board to assess every two years basis, the waqf performance and effectiveness. This requirement can be assisted by audit exercise and its findings can be used to deliberate on mapping out the future actions that will be taken in addressing the highlighted issues and gaps.
2. Annual report must be issued annually. Among its key content is its annual financial statements, the mobilization of the waqf proceeds and returns from the investment, performance and delivery of the waqf projects, assessment of the waqf performance and effectiveness and its future plan to meet its missions. The exact amount of remuneration and benefits received by its board members must also be disclosed.
3. Interim reporting on the performance of the waqf project on quarterly or half yearly basis must be issued to the general public. This will update the public donors on the status and delivery of the project they donated.
4. Asset allocation, investment policy and strategy must be clearly stated and documented. The management team must clearly stipulate the apportionment that will go to cover the expenses of the waqf project and investment. This includes the operational and funding costs.
5. Qualified and competent professionals must be in the team of management. Human capital must be developed through theoretical and hands-on trainings, workshops and internships programs.
6. In the case of Malaysia, considering the issue of diversity in the state jurisdiction and individualistic waqf law, all SIRCs are urged to have continuous engagements and dialogues to solve the prevailing issues that affect the smooth development of waqf industry. The output of the discussions can come in the form of a

shared governance code or framework that harmoniously binds all states. For example, the Code of Governance and Transparency for Waqf Fund issued by Association of Islamic Banking and Financial Institutions Malaysia (AIBIM) in 2017. The code comes into effect on 1 December 2017. The purpose of the code is to coordinate and manage waqf projects with the affected SIRC and the participating Islamic bank.

7. Advanced technology like blockchain and smart contract can be adopted to address the transparency and accountability problems in the waqf mobilization and distribution structure. Through this advanced technology, the delivery and progress of the waqf project can be monitored on real time basis and alleviate any intended abuse of power and funds. The blockchain system protects data from being manipulated, altered or corrupted against the consensus of the stakeholders.

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Chapter 12

Islamic Wealth Management and Issues in Waqf Management in Malaysia

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ABSTRACT

This chapter briefly examines ideas from Islamic wealth management and waqf concepts to see if there are ways in which human welfare can be better managed on a community-action level without the visible hands of the government. To do this, authors first examine the concept of Islamic wealth management, and then provide some discussion on how waqf assets already in place in all Islamic countries could be mobilised to meet the needs of communities for sustainable economic development as well as fairer ways of looking after the needs of the have-nots of societies.

1. POLICY BLINDNESS AND PEOPLE'S WELFARE

After 250 years of unbridled pursuit of *laissez-faire*, cross-border free trade via open economy theories and unbridled capitalism over the last four decades, a watershed appears to have been reached at the start of the 21-st century. Mercantilism of the 18-19-th centuries gave way to open economy model of freer trade in goods and services. The last 40 years saw the dismantling of barriers to financial trades as well. These moves have led to unbridled private pursuit of wealth creation supposedly meant to

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lead to greater human welfare. Despite the creation of wealth, the dismantling of laws since the Reagan-Thatcher brand of capitalism took root, the wealth inequality has gone to the level existing some 180 years ago: see *The Economist* (October, 2012). Wealth inequality has started to widen since the 1980s to a level which is reversing fair degree of prosperity of the middle-class as once shared in all countries that had worked to reduce inequality.

There is a worldwide movement to prevent the so-called naked pursuit of wealth to arrest the proliferation of ideas that focus on merely wealth maximization and the belief that there will be trickle-down effect. The idea of wealth maximization itself was propagated by Coase (1960), and it was Kenneth Arrow (1964) who built this as part of the Theory of the Firm in the 1960s, when the idea got the attention of the regulators and politicians ever since. Wealth maximization has become a mantra for managing the resources of the world in favour of the ones who hold power. Simultaneously the power of the workers started to wane with the active pursuit of globalisation, which enabled job displacement to low-wage locations. Labour Unions often placed reasonable demands for the welfare of the working classes through living wage demands. Once the active pursuit of wealth maximization idea on the part of the people lent the power took regulatory weight, it used the globalisation mechanism to move firms around the world in pursuit of wealth, and the power of the labour movements waned. It is documented in annual digest of economics data that membership of labour movement has declined from the highs of nearly 40% of employed workforce to a mere 17% in 2010.

Naked capitalism now becomes entrenched with no counterbalancing power groups so that wealth holders could demand dismantling of barriers to creating more wealth. For a time, the unbridled borrowing power of governments kept some level of welfare support by more borrowing until the debt burden has now become so great that the working classes are asked to retire later, sacrifice part of the pension, take wage cuts (Greece, Malta, Spain and Portugal) harming the glue that hold societies together. Hence the idea of using the borrowing power of the state to get some level of balancing of the welfare deficit will soon disappear. The result is further widening of income of the wealthy and the poor.

Given this background to the current state of affairs, we examine some ideas from Islamic wealth management and waqf concepts to see if there are ways in which human welfare can be better managed on a community-action level without the visible hands of the government. To do this, we first examine the concept of Islamic wealth management, and then provide some discussion on management of waqf assets already in place in most Islamic countries, that could be mobilised to meet the needs of communities for sustainable economic development as well as fairer ways of looking after the needs of the have-nots of societies. The issue of waqf management is discussed with Malaysia as the reference case since it represents a

typical case of issues that are also prevalent in most of other countries with majority Muslim population.

2. FAITH-BASED POLICY FOR HUMAN WELFARE

Let us turn our attention to an Islamic practice on welfare for over 1400 years. Education, health and old-age care have been taken care of by the simple principle of each believer voluntarily giving each year an amount equal to 2.5% of income earned in working periods as alms (*zakat*) to finance the welfare burden. This is a useful concept to bring back in the management of fiscal policy.

Finally, the role of personal bequest by wealthy people to serve the future generational needs has been the *waqf* concept of endowing part of the wealth of a person or organisation to be used in perpetuity for education, training, religious and welfare acts in Islamic societies for centuries. Waqf has been propagated as a voluntary religious act for management of one's wealth before passing away. Waqf has been the main instrument in funding the management of mosques in Islam without having to ask the rulers for funds for fear the rulers would want deviations of Islamic practices to be introduced to serve their interest. Waqf assets endowed to the mosques are used over centuries to gain income to support the community activities (feeding the poor, paying and housing the imams, meeting food needs at times of famines and wars, etc.) all of which are centred on the mosque. The government is not involved except in regulating the proper control of the waqf assets for the intended purposes as trusts.

3. WEALTH AND ITS MANIFOLD FEATURES IN ISLAM

Wealth, though earned by efforts, is owned by Almighty Allah SWT. Humans are provided with wealth to serve the family and community needs. Wealth is owned by the Omnipresent and is given to the humans for the purpose of establishing good deeds or serve the needs of the poor. Humans are just the vicegerents entrusted with the responsibility to manage the given wealth and are accountable for their deeds on the Day of Judgement.

On the Day of Judgment, one needs to account as to how much good the wealth was able to do for family and the community. This is clearly explained in the Quran:

“To Allah belongs the heritage of the heavens and the earth; and Allah is well-acquainted with all that ye do” (Qur'an 3:180),

“And He has subjected to you, as from Him, all that is in the heavens and on earth: behold, in that are signs indeed for those who reflect” (Qur’an 45:13).

The wealth management in Islam is strictly guided by the dictates of Shari’ah (Quran and the Sunnah) and comprises the (i) process of wealth generation, (ii) accumulation, (iii) protection, (iv) purification and (v) distribution. Islamic wealth creation has a broader meaning starting from venture capital to working capital finance to diminishing *musharaka* (ownership-based assets) lending. Even debt forgiveness is encouraged as an act of devotion to God. Since resources have already been created by the Creator, man only uses the resources to generate products of value that are transformed as wealth that are then used to serve the needy.

So, wealth generation is related to the production process, the act of recovering the capital asset, and then receiving a reward as profits. Production is encouraged as long as the production has society-promoting aspects and not society-destroying aspects (gambling, prostitution, intoxicants, consumption of unclean food, etc.). Thus, in both real and financial assets, the process of wealth creation is from the use of assets (land, labour and accumulated wealth as capital) that are owned by God in order to create the wealth for the benefit of family and the community in which the family is a component. This is true of real and capital assets.

The wealth accumulation involves the placement of wealth in investment objects (such as equity securities, debt securities, private equity, banking products, *takaful* products, etc.) as long as such use of wealth is not resulting in producing harmful economic/financial products. A hallmark of all these activities is that the process of wealth creation must not involve non-permissible investments (the no-go zones of gambling, drugs and harmful products such as pork meat for consumption). Such wealth so created is not tainted and compliant with the Shari’ah guidelines. By compliance is meant that all aspects of the process and the final output of the process avoided explicit and implicit harm to man and to the society via major violations of legal prohibitions.

4. HUMAN WELFARE DEPENDS ON INVESTMENT, ZAKAT, AND WAQF

Wealth protection relates to efforts towards preserving the value of the wealth owned through productive and useful investments. The process of generating wealth may involve non-Shari’ah compliant elements knowingly or unknowingly. For this reason, there is a need to purify wealth that is done through compulsory alms (Zakat) at 2.5% of wealth created annually and voluntary contribution if a person wishes to benefit the future generations of Muslims. Compulsory purification (zakat) is the third of the five pillars of Islam: it is compulsory for all Muslims irrespective of

age or gender, except those who are classified as beneficiaries (prophets and their families are forbidden to benefit from such alms).

As for the voluntary purification, the Quran explains that:

“By no means shall ye attain righteousness unless ye give (freely) of that which ye love; and whatever ye give, of a truth God knoweth it well” (Qur’an 3:92).

Wealth distribution requires the concept of egalitarianism and society-focused income distribution with has strong inroads into fiscal policy planning as per Islamic principles. The wealth distribution includes the use of private wealth for *faraidh* (law of inheritance), expenditures for the collective benefit of society (education, health and economic needs of the poor), voluntary bequests (*waqf*) and helping the needy (*sadaqah*) starting with the family members in need first. The Quran clearly states that the accumulated wealth must be spent or distributed for the benefit of others:

“They who accumulate gold and silver and spend it not in the way of God, unto them give tidings of a painful doom. On the day when it will (all) be heated in the fire of hell, and their foreheads and their flanks and their backs will be branded therewith (and it will be said unto them): Here is that which ye accumulated for yourselves. Now taste of what ye used to accumulate” (Qur’an 9:35).

The distribution of wealth is necessary to ensure that the wealth will circulate in the economy for the benefit of the society. If 2.5% is compulsorily distributed, then if one neglects to increase the wealth without investing in community-benefitting investments, the wealth will be gone in 40 years. That is the reason why there are exhortations to invest the wealth to benefit community, to produce useful goods and services to benefit man and society. Investing the capital to create more wealth leads to more charity (*zakat*) and more employment of the community if all wealth is recirculated. Modern economic concept of output-to-input ratio clearly extolls the multiplier effect of money as capital is put to work as production.

Modern economic studies of production have established a norm that money capital accounts for about two-thirds of income produced, while adding additional labour accounts for some 30% of wealth. The remaining 3% gain is due to economic efficiency, meaning smarter ways of doing things with technological innovations: there is a whole body of economic idea of production efficiency (starting from the Cobb-Douglas’s Nobel Prize winning idea) that has shown the power of production to create wealth. Full employment is the result of reinvestment or spending of the people who do not have capital. Wages that are earned from creation of employment through reinvestment enables families to spend, which in turn spurs more production, more employment leading to more wealth creation and economic growth.

Thus, Zakat and Waqf are two instruments that are people based so that governments need not bloat its fiscal burden through welfare demanding debt taking. The obedience of moral man to a clearly-society friendly exhortation to give alms creates conditions that take care of common demands for basic welfare without resorting to government hand-outs. The purpose of the government is then just regulatory to ensure peace and prosperity.

5. MANAGING WAQF -THE CASE OF MALAYSIA

Waqf is a voluntary bequest and literally means “religious endowment” or recognised as religious, pious or charitable donation. Ahmed (2004) categorized *awaqf* as religious and philanthropic. *Waqf*, a form of continuous charity (*sadaqah jariyah*), is created by donating an asset (property or cash) that produces benefits/revenues for a targeted objective on an infinite basis. *Awaqf* may be for general purpose to benefit the society at large (usually for socio-economic relief to the needy and the poor, as it is discouraged for rich people) such as schools, hospitals, mosques, to provide utilities, or could be very specific in objective like a scientific project, or building an irrigation infrastructure for a designated farms in specific places or for taking care of the needs of specified individuals till their death.

Waqf can be in a form of public and/or special waqf. It is an endowment created in the form of property or usufruct of a cash investment for charitable purpose in perpetuity to benefit the society as a whole or for specific segment of society in need. Waqf, if managed and administered properly, will not only contribute to economic growth (i.e. reducing government expenditure on education, health and other social services and increasing employment) but also help in better distribution of wealth. Though waqf is not specifically mentioned in the Qur’an, the concept of wealth redistribution is amply mentioned (2:215, 264, 270, 280). There is also the authentic Prophet’s statement on the good of the institution of waqf:

“Abu Hurairah reported Allah’s messenger as saying: When a man dies, all his acts come to an end, but three: recurring charity, or knowledge (by which people benefit), or a pious offspring, who prays for him” (Sahih Muslim).

The combination of the deeds mentioned in this hadith explains the very essence of Islamic waqfs: the recurring charity that will last beyond the founder will benefit society, and the management to be entrusted to a pious offspring that will ensure proper management and prayers from the offspring (Cizakca, 2000).

Through a deed, the founder (*waqif*) determines the objectives for which the *waqf* can be used and the modes of distributing its fruits, services and revenues. The founder determines the *waqf* management and process of succession of managers allowed to impose any restrictions or qualifications he/she likes on his/her *waqf*. Most *awqaf* are perpetual and very often so emphasized in the *waqf* deeds. While the cash *waqf* dates back to as early as the turn of first century of *Hijrah*, (i.e. 671 AD) most of *awqaf* established are real estate based.

Waqf has attributes of perpetuity and inalienability. The former implies that once the declaration of *waqf* is made by the donor, a legally binding *waqf* is automatically effected without any need for delivery of possession to the beneficiary and the donor is not allowed to revoke his donation as the property is transferred from the ownership of the donor to the 'ownership' of Allah. The *waqf* cannot be constrained by time and temporariness and the subject matter of the *waqf* should remain so forever. Whereas Inalienability means that after a valid declaration is made, the subject matter of the *waqf* 'passes out of the ownership of the donor (*waqif*) and it cannot be alienated or transferred either by the donor (*waqif*) or the representative (*mutawalli*) nor do their heirs can take it by way of inheritance (Manzur Kahf, 1999). This opinion is accepted by the majority of jurists in the four schools of Islamic law. Hence, except in the case of *waqf* by will and on death-bed, the declaration must be intended to take effect immediately.

Waqf institutions existed in Malaya (later known as Malaysia), since the advent of Islam in the country around 1500CE (Mashitoh, 2006). In Malaysia, there are property based (both movable and immovable) Waqfs and Cash Waqfs, though the former has a longer history. Cash waqfs currently exist in the state of Johore and the Federal Territory in the form of cash funds and bank accounts (Nuraini, 1991). The revenues of the state Religious Departments are partially from *waqf* revenues from investments in the Islamic Bank Malaysia and the Insurance or Takaful Companies. The returns generated by the Islamic bank belongs to the religious department and used for the benefit of the Muslim community. All registered *waqf* property registered under the state, movable and non-movable is administrated by the state religious council as the sole trustee of the *waqf* property. The Council usually appoints a special committee to manage the *waqf* property (Mohd Daud, 1999).

Due to the lack of financial capability to employ competent and qualified staff to record all pertinent information on *waqf* properties in each state, there is scarce and unverified information available on *waqf* based properties in Malaysia. The little information available from the agency responsible for facilitating the administration of *waqf* properties (JAWHAR) indicate roughly there are more than 13, 400 hectares of *waqf* land worth about 1.2 billion Ringgit. Of this total, more than 40 percent comprise of general *waqf* based properties with income generating potential and

the remaining 60 percent is specific waqf land that are confined for cemeteries, mosques and religious schools (Al-Habshi, 1991).

In Malaysia, there is no federal law subjecting all waqfs to the same rules and regulations as matters relating to the administrative affairs of Islam or Islamic law are placed under the jurisdiction of the state governments. The state government has the jurisdiction to establish an Islamic council to facilitate the administration of *waqf* in every state. There is no standard set of legislations for management and implementation of waqf among the different states. This lack of a coherent system to manage Waqfs is the direct consequence of the British colonisers, who introduced laws that fragmented the private land holdings (so the colonisers could purchase the land later to form plantations). The Malays responded by forming family waqfs that inhibited the British attempts to purchase the land and created great hostility to the waqfs leading to introduction of new laws that made the family waqfs null and void. Alhabshi (1998) explains the colonial rule reduced the role of Islam from a way of life to just a religious belief and took charge of everything except matters pertaining to religion and culture that were given to the *sultans*.

The Malay Muslims responded by building and maintaining mosques through the waqfs and making these mosques as centres of resistance, and consequently most waqfs were established for building mosques and cemeteries and rarely for economically productive purposes (i.e. education or plantations). However, at the end of their rule, the British initiated a process of massive centralization that resulted in transfer of ownership of all waqf properties by making the state council of each state (or the *Majlis*) as the sole trustee of all waqf properties (irrespective whether it is a family waqf or charitable waqfs). The *Majlis* or Council has its own set of problems to properly administer the waqf properties.

To improve the effectiveness of the administration machinery of the *waqf* property, the Federal Government has initiated a special department, the *Waqf, Zakat* and Pilgrimage Department (JWZH), to monitor and coordinate the management of the *Waqf, Zakat* and Pilgrimage matters in Malaysia (Mohd Afandi, 2008). Among the main duties of the department are to coordinate, facilitate and enhance the state councils in administrating and developing waqf properties in their respective areas.

6. ISSUES IN DEVELOPING WAQF-BASED PROPERTIES

The major problem of waqf property management is the transfer of ownership of titles of waqf properties to the Council as the sole trustee of all waqf properties in a given state. Unlike waqf properties for specific purposes, this is the major obstacle with regard to waqf properties for general purposes.

There are issues related to the development of Waqf assets. All registered *waqf* property registered under the state, movable and non-movable is administrated by the state religious council as the sole trustee of the *waqf* property. The Council usually appoints a special committee to manage the *waqf* property (Mohd Daud, 1999). Although the state religious council is appointed as the sole trustee to manage the *waqf* property in Malaysia, in reality the waqf assets are subjected to the Parliament Act (Suwaid, 1994) that allows any dispute on the *waqf* property to be litigated in the Civil High Court and Court of Appeal, although the *Syariah* Court has the power to hear related cases that involve Muslims.

Shakrani et al. (2003) highlighted these issues as the non-consensus on the approaches used to developed waqf properties from the different schools of thought and different scholars within the same school of thought (or basically shariah issues); Legislation obstacles (Legal issues); and the problem of Baitul Mal's inefficient administration of these properties (or the management issues).

As mentioned earlier, there are different set of rules regarding the administration of waqf assets in different states and these differences lead to different management practices and problems raised in managing the waqf assets (Mashitoh, 2003). The legal issue is that the trustee need to abide by the conditions laid out by the donor which in most cases does allow flexibility to the state Islamic council to manage the waqf property. To solve this issue it is important to educate the donor to make a general waqf instead of specific waqf, that will provides the managing institutions greater flexibility to develop and manage the waqf assets.

Kamaruddin Ngah (1992) explains that the states had a common set of problems; there were no clear objectives and functions of the administrators, the organisational structure is both cost and operationally inefficient, waqf officers are not properly trained, there is a lack of concrete plans and financial support to effectively develop waqf properties. Mohd Zain (1997) explains problems relating to procedures as in some states waqf, which cannot encompass more than one-third of the property, and whenever there are illegal settlements of waqf lands, there is little cooperation between the trustee, the *Majlis* and the authorities and this hinders the development of the waqf properties.

7. POTENTIAL FOR DEVELOPING WAQF PROPERTIES

There are a number of possible ways to develop these waqf properties and the literature suggests developing and managing these properties on a joint-venture with the private sector. Tahir Sabit (2006) suggests that the development of waqf assets could be financed through credit, joint-venture and income sharing or self-financing. The combination of these methods of financing may be necessary based on the situation where and how the waqf assets are developed. The main issue of concern in these approaches is the protection and security of the *waqf* assets. Waqf assets are owned by Allah (SWT) and hence, the transfer of the ownership of waqf assets either through *ibdal* or *istibdal* is highly unfavorable from the fiqh perspective. The pre-modern jurists especially in the Hanafi and Hanbali schools have devised several schemes to counter the negative effect of perpetuity by allowing the exchange of estates or sell (*ibdal* and *istibdal*).

Even though, there are Islamic scholars and jurists who permit the practice of *ibdal* and *istibdal*, there are, however, several conditions that should be fulfilled as it has a peril of losing some assets due to the abuse of the process, as for example, some administrators in collaboration with judges transferred *waqf* properties to their names (Abdul Hamid, Shafiah, & Shahriniza, 1999).

Since it is necessary that decisions related to the Shariah rulings on waqf assets development and management must be observed, the problem in selection of the most suitable Shariah compliant approach to develop the waqf properties could be mitigated with the involvement of Fatwa and Mufti department to improve on the effectiveness of decision making process.

The literature suggests some positive ideas on the potential of developing waqf properties. Islahi (1992) suggests the internationalization of the voluntary institution of *waqf* by setting up a non-government Muslim foundation which should provide public goods on large scale and attempt to combat illiteracy, sickness and lack of technical know-how.

Monzer Kahf (1998) explains the importance of *waqf* for socioeconomic development, which consists of creating and developing a third sector distinct from the profit-motivated private sector and the authority-based public sector, and changing this third sector with the responsibility of performing a group of tasks whose nature will make them better achieved. This third sector assigned in education, health, social and environmental welfare. Furthermore, it can provide defense services and public utilities in many instances.

Çizakça (1998) explains that historical evidence indicates that the real exiting potential lies in the cash *waqf*. There are suggestions of developing cash *waqf* that can effectively benefit the society. All the essential services could be provided at no cost to the state and a successful modernization of the system implies a significant cut in government expenditure and all the associated benefits including downsizing the state sector and a reduction or elimination of *riba*. Historically, the cash *waqf* carried serious implications for the very survival of the Ottoman Empire.

Chowdhury et al. (2011) explain that cash *waqf* help to reform the present institutional setup and their networking throughout the country with a view of increasing their performances. Muhammad Ridhwan (2012) suggest the use of cash *waqf* in education, which is not a new development in Islam, as in the early seventh century many educational activities were financed by *waqf* for the funding education at all levels. For instance, it is reported that, under the Islamic rule, the island of Sicily had 300 elementary schools that were financed with *waqf* revenues for payment of teachers and school supplies.

To further efforts in using *waqf* funds for education in Malaysia, the International Islamic University Malaysia (IIUM) for instance, has established the IIUM Endowment Fund (IEF) since 1999 (Aziz, 2012) for their needy students. Wafa (2010) explains that the impact of developing *waqf* for education in Malaysia promotes the significant role of *waqf* towards the development of the Islamic economic sector, complement the government aid, benevolent and educational programs and promotes the oneness of society.

Muhammad Ridhwan et al. (2013) suggests establishing Islamic *waqf* bank to finance education. Mohd Asyraf et al. (2013) explains that the *waqf* bank model to finance education could be viable through collection or donation from the society and this will only happen if there is an element of public trust that this institution can effectively function to deliver its objectives.

Another potential use of Waqfs in Malaysia is to facilitate the development of the Small and Medium Enterprise (SME) sector. Small and medium enterprises are vital for the economic growth, employment and social stability. SMEs currently contribute more than 30% of Malaysian GDP. Despite their economic importance, they face constant financing constraints from conventional collateral-based financing institutions. Conventional financial institutions perceive SMEs as risky and usually devoid them of the required financing for reasons of costs and lack of transparency. Lack of proper collateral and documentation that in most cases the SMEs are not able to provide, becomes a legitimate excuse to deny SMEs the funding they require.

As an alternative, it is proposed that SMEs could be financed using waqf funds based on profit and loss sharing mode, that will help to share the risk. Cash *Waqfs* could be utilized either directly as a form of group financing or indirectly where the returns from investment from the cash are used to finance SMEs. For example, *Waqf* funds could be used to extend credit of small amounts at a reasonable profit sharing ratio.

The other alternative is to provide on lease (so perpetuity aspect is preserved) waqf land for development by small and medium enterprises with financing provided in terms of loans without any physical collateral and interest (Qard Hasan).

The other way is to form a social collateral through forming groups and loan repayment by the group is the collective responsibility of all the members in the group. Members in the group monitor the activities of each other and peer pressure induces the repayment of the loan. This format of peer monitoring resolves the problem of asymmetric information and reduces transaction costs of monitoring (Morduch, 1999). However, the evidence from the Germin Bank model in Bangladesh shows that this mode creates a lot of collateral damage if form of social issues among the group members, in contract to the society-binding effects expected of such modes of financing.

The type of financing provided for SMEs will depend on the type of economic activities they are engaged in such as production, trading, or services such as transportation or supplying equipment, seeds and fertilizers. For example, in trading the *murabaha* (profit-and fee-based shared loan) or *ijarah* (leasing) types of financing could be suitable. Profit sharing mode of financing could also be used but this mode has the disadvantage of entrepreneurs under reporting the profits and it is difficult to get assessment on financial information for verification. Any form of monitoring will incur extra costs. Qard Hasan loans to operators of Waqf lands (where only the service charges are imposed) and the original principle to be repaid during a stipulated time) could also help to mitigate the issue of developing waqf lands in a productive manner.

The federal and state governments need to oversee the proper development and management of awaqf properties by, among others, having a proper governance structure accountable to the beneficiaries. Even if the waqf properties are managed by the private sector, it is the role of the government's relevant agencies to ensure the protection of the endowment and the operations are conducted in compliance with the deed (Alexander, 2006).

8. CONCLUSION

Globalization and unbridled pursuit of profits under today's capitalism has brought so much wealth creation in modern societies. But the lack of mechanism to ensure a fairer distribution of wealth in the face of unbridled acquisition of wealth has led to some degree of inequality of wealth distribution, making few very rich people at the expense of the vast majority. Statistics suggest that the top 10% of the households in most wealthy countries (there are few exceptions such as France, Germany, etc.) hold nearly 90% of the wealth created.

The current financial, economic debt crises, political and economic instability on a global scale are partly due to the consequences of this inequality and are further widening gap between the rich and the poor. This chapter briefs on the possibility of bringing order to this chaos through the active pursuit of waqf properties that are idle through proper guidelines and enforcement. The current state of leaving these matters as self-managed ideas would not lead to amelioration of the conditions. In fact 70% of the world's poor are found in more than 56 countries with majority Muslim population, which means that these twin ideas that could be an important alternative to mitigate poverty and income inequality provided these waqf properties and other forms of waqf could be effectively managed for betterment of the community. These requires not only political commitment but also education to make the society aware of the importance of this tool for their betterment.

There are many aspects to Islamic wealth management, which includes the generation, the accumulation, the protection, purification and distribution of wealth to circulate it in the economy for the benefit of the society in general. After a brief on the first four aspects, the chapter explained the issues of distribution of wealth that could addressed to close the inequality of wealth distribution in most countries. The potential users of the waqf system should be seized upon to develop a plan to use the dormant assets to expand economic activities at the local level, beyond the mosque and cemetery management.

Waqf need not only be real property but labor as well as an impale amount of cash to develop and manage real property. The institution of *waqf* will greatly benefit, should the public be asked to contribute to cash *waqf*. If cash, equities, goods, and services are treated the same as land and other immovable properties, then a value-based investible waqf funds could be developed. This value-based capital *waqf* would eliminate once and for all the problem of non- liquidity of the *waqf* assets, which will encourage the public to contribute to the enrichment of *waqf* institutions by having large funds that not only settle waqf problems but also contribute to the welfare and development of Muslims at large.

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Chapter 13

Innovations of Zakat (Alms) Distribution Practices in Malaysia

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ABSTRACT

Zakat (alms) is one of the Islamic social finance tools, besides waqaf (endowment) that can contribute to the socio-economic development of the Muslims, and society at large (ummah). In Malaysia, the local media have reported complaints from some dissatisfied members of the public on the distribution of zakat to zakat beneficiaries (asnaf). These emerge despite the introduction of numerous innovations by zakat institutions under the administrations of Majlis Agama Islam Negeri (MAIN) or State Islamic Religious Councils (SIRC), in the form of assistance schemes, for the distribution of asnaf in Malaysia. This chapter discusses the concept of innovations in zakat distribution according to three foundations: fatwa muzakarah (Islamic ruling discussion) resolutions, ijtihad (independent interpretation and reasoning by scholars) in handling issues related to zakat distribution, and temporal dynamism of the Shariah. Numerous challenges concerning zakat issues have also highlighted the significant roles of zakat institutions, especially in the eradication of poverty.

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INTRODUCTION

Zakat (tithe or commonly termed as alms) is often considered as the primary mechanism to improve the socio-economic well-being of the Islamic *ummah*; in fact, it forms one part of the Islamic social financial system. The obligation to pay zakat, as the third pillar of Islam, accentuates the urgency of its collection and distribution. It is a similar concept of tithing in the West but in Islam it is well known as alms. In Islamic jurisprudence, the term *zakat* means giving a portion of one's private wealth or assets to the rightful recipients as commanded by God. It is a religious duty as part of the worship imposed on Muslim individuals as one of the five basic tenets in Islam¹ as a means of cleansing and purifying themselves.

There are five requirements of *zakat* obligation which are as follows: i) Islam - *zakat* payment is compulsory for Muslims; ii) Independence - nowadays there are no slaves but the requirement of being independent is one of the conditions to be liable for *zakat* payment; iii) Absolute possessions - the property must be fully owned at present; iv) *nisab* (minimum value) – the minimum amount upon which *zakat* is payable and to identify whether *zakat* assessment comes into effect. *Nisab* in Malaysia is calculated based on the value of gold equivalent to 85 gram depending upon its market value; v) *Haul* (duration) - the property must have been possessed for a complete year. All Muslims are obliged to pay their dues in *zakat*, if they have fulfilled all the five conditions mentioned above.

In Malaysia, as is the case in other Muslim countries in Asia and the Middle East, issues relating to distribution have become the main focus of discussions on zakat, seeing that the stream of zakat contributions is constant, amounting to large sums of money. For example, in Malaysia, the total zakat collection in 2009 was RM1.2 million (Zakat Collection Centre, Federal Territory). Even so, past studies suggest that zakat distribution is a far larger concern (Mohd Rilizam et al., 2018) relative to zakat collection.

Wahab & Rahman (2011) found that the public are dissatisfied with the zakat centers as the distribution does not cover all eight recipients (*asnaf*), despite the ever-increasing collected total. The public argue that although zakat collection has amounted to millions of funds, the number of poor and homeless people are still high, especially in large cities such as Kuala Lumpur (city center of Malaysia). This chapter therefore, intends to elaborate on the numerous innovations in zakat distribution, that is, zakat schemes and numerous programs that have been implemented by zakat centers, which are under the administration of State Islamic Religious Council (SIRC) in the respective region.

INNOVATIONS IN ZAKAT DISTRIBUTION

In general, zakat must be paid to the Zakat institutions of each state, and these agencies will then be responsible for the distribution of the collected zakat. The Quran (9:60) has outlined the main principle of zakat distribution: “*The alms are only for the poor and the needy, and those who collect them, and those whose hearts are to be reconciled, and to free the captives and the debtors, and for the cause of Allah, and (for) the wayfarer; a duty imposed by Allah. Allah is Knower, Wise.*” The Quran makes clear mention of these eight recipient groups so as to prevent transgressions in the distribution of alms. However, in certain situations, the definitions for each group requires further interpretation, which must reconcile with the guidelines of Shariah, on the part of zakat institutions. The institution plays a crucial role in enhancing its accountability in managing the wealth of the *Muslims* (Masruki et al., 2018), such as zakat and *waqf*, especially in bridging the gap between the rich and the poor. Still, there remain some issues concerning the management and distribution of zakat (Mohd Rilizam et al., 2018; Rahman et al., 2012; Yusoff et al., 2012; Kaslam, 2011; Bakar & Rashid, 2010; Wahid & Kader (2010); Wahid et al., 2009; Guermat et al., 2003).

Elaborating the mechanisms of zakat distribution in Malaysia, this paper discusses such mechanisms based on three principles. These are subject to the decisions of National fatwa *muzakarah* (*Islamic Ruling Discussion*) resolutions, *ijtihad* (interpretations) and the temporal dynamism of the Shariah.

1. NATIONAL FATWA MUZAKARAH (ISLAMIC RULING DISCUSSION) RESOLUTIONS

The National Fatwa *Muzakarah* is responsible for the harmonization of fatwa in Malaysia, so as to create a national consensus on a given issue. Zakat distribution issues are also brought into light and discussed. Some examples of these issues are the absence of income zakat in certain states. Following some discourses, on 22 July 1997, the National Fatwa Committee decreed that income zakat is compulsory (JAKIM, 2006). Consequently, every SIRC is now collecting income zakat. PPZ-MAIWP (2009) reports that the share of income zakat is the largest among all sources of alms. Yet, previous studies maintain that zakat distribution is a more critical issue compared to its collection. Indeed, the fatwa *muzakarah* has an important role in issuing a fatwa on zakat distribution in Malaysia.

Mahamod (2011) highlight two issues; of the eight groups, beneficiaries described as slaves and the amount of *zakat* distribution. First, as slaves are no longer exist nowadays, Qardawi (1999) suggests that *zakat* could be used to help free Muslims from physical and psychological oppression. For instance, when wars are being waged, *zakat* could be paid to free Muslim prisoners from the enemy. This supports the notion of transferring *zakat* proceeds to other places even across the nation. Although *zakat* should be distributed in the place where it is collected, in the case of being a surplus of *zakat* revenue, it could be used to help people in need in other places (Quran 59:7).

Second, about the amount of *zakat* distribution, since there are eight groups of *zakat* recipients, it is argued that *zakat* should be distributed evenly amongst them. But, it finally depends on the amount collected and the priority needs of the beneficiaries. If all categories of beneficiaries require an equal amount of *zakat*, it must be divided evenly amongst them. But, if some of them really require more *zakat* than others, the *zakat* money should not necessarily be divided equally amongst all of the eight beneficiaries (Mahamod, 2011). However, Qardawi (1999) reminds us that priority should be given to indigent and poor people. Another consideration is that one-eighth of the *zakat* revenue should be given to the *zakat* administrator (*amil*). Thus, the distribution of *zakat* revenue is left to the discretion of the *zakat* institutions themselves (Qardawi, 1999).

2. IJTIHAD (INTERPRETATION) IN RESOLVING ZAKAT DISTRIBUTION ISSUES

Though the Quran has clearly revealed the eight groups of *zakat* recipient, prior studies have placed more emphasis on two primary issues: slaves as recipients and *zakat* distribution proportion. First, slavery is non-existent in the modern world, hence Qardawi's (1999) suggestion to use *zakat* to free Muslims from physical and psychological tortures. In this context, for instance in times of war, *zakat* can be used to redeem Muslim captives. It also supports the practice of transferring *zakat* to needy countries. While *zakat* should be distributed in the country or state in which it is collected, any surplus can be channeled to more deserving *asnaf* (Mahamod, 2011). Even so, Qardawi (1999) reminds us that priority should be given to the poor and the needy. Additionally, one-eighth of the collected alms belong to those who collect them. Therefore, Qardawi added, the distribution of *zakat* would depend on the discretion of each *zakat* institution.

Zakat on wealth, however as specified in the Quran includes gold and silver, crops and fruits, earnings from trade and what is extracted from the earth (Mahamod, 2011). Besides these items, there is another verse (9:103) that states “take *sadaqa* (donation) from their wealth to purify and cleanse them”. This implies that besides those items mentioned in the Quran, other properties are also liable for *zakat*. Therefore, this needs *ijtihad*² to reach a definition of *zakat* on wealth dependent on time and locality (Mahamod, 2011).

In conjunction with the recent changes in the economic environment, typical *zakat* on wealth has been introduced by SIRC such as *zakat* on shares, *zakat* on EPF (employee provident funds) and *zakat* on income (salary). Mahamood (2006) has shown that within the remit of SIRC in each state, the regulation and management of SIRC may have different laws and regulations³. If any *Islamic* law interpretation is needed, this matter can be brought forward to the state *fatwa*⁴. Consequently, the nature of the administration may differ from one state to another which may result in administrative problems (Hasan & Abdullah, 2008).

Nevertheless, the National Fatwa Council⁵ is responsible for providing a consensus ruling for coordination throughout Malaysia. For instance, some states do not impose *zakat* on income but on 22 July 1997, the National Fatwa Council decided that *zakat* on income is obligatory (JAKIM-Department of Islamic Development, 2006). Following that, *zakat* on income has today been implemented in all SIRC. It was reported that *zakat* on income constituted the largest proportion of the *zakat* collected in every SIRC (PPZ-MAIWP, 2009).

3. TEMPORAL DYNAMISM OF SHARIAH

Qardawi (1999) states that the management of *zakat* must be tailored according to changes in the socio-economic environment. The dynamism of Shariah, in this case, facilitates this requirement. Wahid & Kader (2010) assert Prophet Muhammad SAW’s instruction on the distribution of alms. For instance, *zakat al-fitr* comes with a clear definition of its amount and type. In contrast, *zakat al-mal*, as explained by the Quran, includes gold and silver, livestock, harvest, commercial profit, and minerals (Mahamod, 2011). The Quran (9:103) also states: “Take, [O, Muhammad], from their wealth a charity by which you purify them.” This verse indicates that in addition to the ones described in the Quran, *zakat* is also payable on other kinds of wealth or assets. Therefore, *ijtihad* is necessary to define clearly the types of *zakat* assets, bearing in mind the contexts of time and location (Mahamod, 2011).

In keeping with current economic developments, SIRC has introduced a number of zakat-able assets, including shares, Employee Provident Fund (EPF) and various income such as dividend, bonus and royalty. Mahamood (2006) explains that each SIRC may have its own regulations and management. If an issue that demands further judgment emerges in a SIRC, it will be brought to the respective State Fatwa Committee. As a result, the management of zakat differs from a state to another, hence creating administrative difficulties (Hasan & Abdullah, 2008) and complexity of zakat management across states.

At the same time, owing to current economic advancements, SIRC has also initiated entrepreneurship schemes among zakat recipients. Mahamod (2011) studied the effectiveness of zakat entrepreneurship program pioneered by SIRC in the Federal Territory, namely Majlis Agama Islam Wilayah Persekutuan (MAIWP). According to Mahamod (2011), the zakat program, which provides capital financing, to be an effective approach in assisting the poor. In fact, it may also increase the amount of collection. The recipients have not only become financially independent but also successful entrepreneurs. Initially zakat recipients, who are participants of the zakat entrepreneurship program have transformed into zakat payers. Such programs, thus, could eradicate poverty among Muslims in a given state. MAIWP and SIRC in Selangor, namely MAIS are among the states that have successfully implemented the zakat entrepreneurship program. Thus far, the program has produced a number of successful entrepreneurs (Wahab et al., 2008).

SIRC could also make use of the collected zakat fund by leasing out shops, allowing it to generate income from the lease, while at the same time assist the zakat beneficiaries in their business ventures. This is an example of how to utilize *zakat* fund for commercialization, aside from generating income for SIRC (Masruki and Shafii, 2013). Proceeds from the additional revenue such as sadaqah (donations) can also be channeled to the needy to reduce the rate of poverty among locals. Therefore, SIRC could design fundraising strategies through investment opportunities from SIRC itself or from other Shariah-compliant investment institutions.

The role of the media is also essential in promoting zakat awareness campaigns, allowing SIRC to achieve its missions. Both radio and television could influence and support SIRC's activities. Samkin and Schneider (2010) view media as an effective medium to show the accountability and image of an organization. SIRC could indirectly report any successful activities through the media. The more comprehensive annual report should be used to disseminate to the public the accountability and transparency of SIRC (Masruki et al., 2018). Past research supports the use of annual report as a medium to realize public accountability. Such practice may also eliminate negative reports in the local media on SIRC's accountability, particularly in managing zakat. Considering the widespread criticisms in the media on SIRC's accountability in distributing zakat, a report on zakat distribution is vital (Masruki et al., 2016). SIRC

could publicise, whether on social or mass media, on the activities and programs that have been implemented for the eight *asnaf*, as outlined in the Quran.

CHALLENGES OF ZAKAT DISTRIBUTION MANAGEMENT

Wahid & Kader (2010) found that zakat distribution is rather weaker than its collection. In 2007, on average, 26% of collected zakat, or RM145 million (approximately USD35 million), in Malaysia was not distributed to the recipients. In order to address the issue of distribution, Wahid & Kader (2010) urged decentralization with *zakat* agents being established through local committees in villages, towns and districts to take responsibility for *zakat* distribution. Considering the hierarchy in these places, an *amil* (*zakat* administrator), such as the chief of the village, the district officer or any members of the security committee in a place could be appointed. This would bridge the gap between the *zakat* institution and the recipient and this would eliminate the issue of identifying more deserving recipients.

Moreover, in line with the implementation of with Electronic Government (e-government) advances in the public sector globally, Malaysia also started to make more extensive use of such e-measures in 1997⁶. The SIRC are no exception, making use of the internet to disseminate information about SIRC activities and to advertise assistance schemes and programs for zakat beneficiaries (*asnaf*). Among the schemes that have been implemented for *asnaf* are assistances for the lease-purchase of taxis, marriage, construction or renovation of zakat recipients' homes, and entrepreneurship programs. Through their websites, SIRC can be more effectively make public their assistance schemes, which in turn allow for the betterment of the living standards of the locals and reduce poverty. The SIRC have made laudable efforts to mitigate distribution and collection issues, showing their concern about accountability given such wider and faster access to zakat beneficiaries.

SIRC should be more proactive to increase awareness of fulfilling the *zakat* obligation rather than waiting at the *zakat* counters (Rahman et al., 2012). In Malaysia, any *zakat* payments to SIRC are eligible for a tax rebate to those individuals who pay *zakat*, this factor however does not seem to be a primary factor in paying *zakat*. Barizah and Bakar (2010) found that people prefer to pay income tax rather than *zakat*. In reality, however *zakat* promotional campaigns could influence the *zakat* payers. SIRC have therefore launched many extensive campaigns to increase people's awareness of the need to pay *zakat*. It has been reported that there is still a lack of awareness about paying *zakat* (*Sinar Harian*, 2013).

Nevertheless, Department of *Waqaf, zakat and Hajj* (JAWHAR), Malaysian Minister of the Prime Minister's Department (2009) reported that there has been a significant growth in the *zakat* collection throughout Malaysia with an increase of 150% over the six years since 2001. This indicates that, although there is a low level of awareness about the need to pay *zakat*, there has nevertheless been a considerable improvement in *zakat* compliance.

Existing contributors are more likely to pay if they are given a convenient payment option indeed; most SIRC nowadays provide online banking to catch contributors. Such convenience might eventually influence contributors in their choice of SIRC. Yusoff and Densumite (2012) revealed that a number of *zakat* products and cooperation with various agencies can facilitate the payment of *zakat*. *Zakat* can be paid directly over the counter of the *zakat* centres set up by the SIRC, by internet, ATM, phone banking and with credit cards provided by a large number of banks. Other channels are post office counters, through salary deduction, SMS-*zakat* (Mobile-money), kiosk machines at petrol stations, and several government agency offices.

Kamil (2005) discovered that the perceived service quality of *zakat* management is another factor that has greatly influenced contributors. There is to a certain extent a lack of public confidence in *zakat* distribution (Bakar & Rashid, 2010). Bakar and Rashid stressed that the emphasis of *zakat* should be more on distribution rather than on collection. Wahid et al. (2009) found the distribution method is the main cause of dissatisfaction among *zakat* payers. Although there is a large amount of *zakat* collected, it is evident in the media that there are many people who are still suffering due to a lack of their basic needs being met. These are people who should be given *zakat*. Moreover, insufficient dissemination of information on *zakat* distribution also contributes to such dissatisfaction (Wahid et al., 2009).

Others, however, might think that the *zakat* payment should be made to SIRC, merely to fulfil their religious obligations. They trust any *zakat* administrator to distribute *zakat* in line with the findings of Yasmin et al. (2013), who found that religious institutions are highly trusted by contributors. SIRC should therefore be more proactive to encourage *zakat* payment by demonstrating their efficiency in *zakat* distribution and by increasing transparency.

CONCLUSION

In summary, innovations in *zakat* distribution, encompassing Islamic ruling resolution, *ijtihad* (*interpretation of scholars*) and Shariah dynamism could boost *zakat* distribution and accordingly, eradicate poverty in Malaysia. These innovations could refute the negative perception of the public about the effectiveness of *zakat* distribution. Indeed, *zakat* institutions such as SIRC must become more aggressive

and proactive to realize their primary function as the administrator of zakat in Malaysia. Through numerous efforts initiated by zakat institutions under SIRC, zakat can be the principal mechanism in the Islamic social finance system. Not only SIRC, other stakeholders, such as zakat payers and the society in general, must also be committed in fulfilling the obligations of the third pillar of Islam i.e. zakat.

Social responsibility to aid the poor and the needy is the main agenda in distributing zakat. Zakat payers must place their trust on state zakat institutions to distribute the collected zakat to the *asnaf*. Zakat institutions, in turn, have to assure the public, especially zakat contributors, that their trust is not misplaced. The cooperation of both parties is imperative in eradicating destitute in Malaysia. The Islamic society is entrusted with the responsibility of using zakat for the benefit of the Muslims. Zakat as a tool of the Islamic social finance system is also an important element in driving socio-economic development in Malaysia.

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ENDNOTES

- ¹ There are five tenets in Islam. These are i) faith or belief in the oneness of God and the finality of prophethood of Muhammad; ii) five times of daily praying; iii) almsgiving (zakat) to the needy; iv) fasting in a month of Ramadhan; and v) pilgrimage to Mecca for those who are able.
- ² *Ijtihad* means a process of reaching a legal decision based on one's own interpretation of Islamic law. It is usually carried out by the Islamic scholars.
- ³ Schedule 9, List II of the Federal Constitution outlines Islamic law including *zakat* practice is in a state list.
- ⁴ Every state has its own state ruling council.
- ⁵ In Malaysia, the National Fatwa Council was established with the specific purpose of giving Islamic ruling on any Islamic affairs.
- ⁶ The e-government initiative was launched by the former Malaysian Prime Minister, Tun Dr. Mahathir Mohamad as one of the seven flagships (multipurpose card, smart school, telehealth, research and development clusters, electronic business, and technopreneur development) of the Multimedia Super Corridor (MSC) initiative.

Chapter 14

A Waqf–Integrated Reporting (WAQIR) Model: Performance, Governance, and Socio–Economic Impact

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ABSTRACT

This chapter proposes the best reporting practices for waqf institutions, concerning information disclosure on performance, governance, and socio-economic impact using the waqf integrated reporting (WAQIR) model. The WAQIR model is viewed as a comprehensive reporting tool for waqf institutions. This study reviewed previous literature and reporting guidelines for waqf and similar organisations, such as not-for-profit and faith-based organisations, to identify the appropriate measurements for disclosure, limited not only to the input and output of the waqf project, but also its governance and socio-economic impact. Based on the review, the WAQIR model is explicated with four pillars of disclosure: (i) waqf financial and non-financial; (ii) waqf governance; (iii) waqf performance; and (iv) waqf socio-economic impact. The proposed WAQIR model would be useful for waqf institutions in implementing best waqf reporting practices. This could help them to enhance their accountability and to promote transparency, enabling the sustainability of the entire waqf management practices.

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INTRODUCTION

The revival of *waqf* institutions today is consistent with the objectives of *shariah* (*maqasid shariah*). Ibn 'Ashur defines *maqasid shariah* as the meanings and secrets that can be understood from the whole or part of the *shariah* process (Rahman, 2015). It can be categorised into three types: (i) necessities (*dharuriyyat*), (ii) convenience (*hajiyyat*) and (iii) refinement (*tahsiniyyat*). There are five elements under necessities (*dharuriyyat*), which are religion, life, mind, offspring and wealth. Laldin et al. (2012) place *waqf* under the element of wealth, specifically the protection of wealth (*hifz al-mal*). Muslims need to preserve, maintain and manage economic development in accordance with *shariah*. *Waqf* is one of the Islamic social finance elements that can be implemented in Muslims countries to develop the economy.

Waqf emerges as a solution to address ignorance, poverty and ill-health and as a means of creating wealth. History has recorded the remarkability of *waqf* in addressing the prevailing problems of society. *Waqf* institutions has played a major role in providing social goods, such as education and health and public goods, such as roads, bridges and national security. *Waqf* has also helped the poor, orphans and the needy; built commercial businesses, utilities (water and sanitation) and infrastructure for religious services (building and maintenance of mosques and graveyards); create employment; and support the agricultural and industrial sectors without imposing any costs to the government (Mohsin, 2008).

Learning from the success of the past, it is believed that *waqf* holds a great potential in solving the socio-economic problems facing the society (*ummah*) today. *Waqf* has a built-in dynamism to contribute to the socio-economic development of the *ummah*. The dynamism of *waqf* is inherent in its basic characteristics viz. permanence and inalienability. All the schools of *shariah* "have stressed the importance of the creation of a *waqf*, which had played an important role in ameliorating poverty and in furthering learning in the past and it is expected to play its role in the future, provided this institution is reactivated and its management is placed on sound footing" (Kahf, 2003). *Waqf* is one of the mechanisms for wealth creation and distribution developed based on Islamic teachings and principles.

However, to date, in Malaysia and elsewhere, there has been increasing public interest in the transparency of *waqf* institutions, particularly on their outcome, impact, effectiveness and efficiency. The public has continued to demand for better services and greater transparency. Recently, the local media has reported some criticisms about the accountability of Islamic faith-based institutions, including *waqf* institutions. For instance, the Malaysia Anti-Corruption Commission (MACC) has received 39 reports on the manipulation and misappropriation of public funds during the 2015 flood crisis (Astro Awani, 2015). Moreover, there are some negative perceptions regarding the spending method, a major factor driving the cancellation

of contributions by 32,934 regular donors of Yayasan Pembangunan Ekonomi Islam Malaysia (YAPIEM), an Islamic organisation in Malaysia, from February 2015 to February 2016 (Teng, 2016). Moreover, many Islamic non-profit organisations that focus on humanitarian aid, including those based in Malaysia, are accused of being involved in terrorism financing (Kamaruddin, 2016; Othman & Ameer, 2014). There was also a report on the apprehension of top management people in one of the Islamic non-profit organisations for embezzlement (Hassan, 2017).

To respond to the public's dissatisfactions, there is a need to examine the reporting practices of Islamic faith-based institutions in Malaysia. Specifically, this chapter aims to examine the reporting practices of Malaysian *waqf* institutions and to propose a *waqf* integrated reporting (WAQIR) model. Such a comprehensive model includes the disclosure of both financial and non-financial performances, as well as measures for governance and socio-economic impact. The remaining section discusses the current reporting practices of *waqf* institutions in Malaysia.

BACKGROUND

Current *Waqf* Reporting Practices in Malaysia

It is undeniable that information disclosure and reporting of *waqf* institutions are still at infancy level in Malaysia and elsewhere (Masruki, 2016b). Scholars and practitioners are still debating on the proper and suitable measurements that should be used to evaluate *waqf* institutions in Malaysia. However, defining, conceptualising and measuring *waqf* projects and activities are not an easy task (Arshad & Zain, 2017). This is because the performance of non-profit organisations is measured based on their accomplishment of their missions, which is difficult to measure (Epstein & McFarlan, 2011).

Moreover, previous studies on *waqf* reporting show that there have been no specific guidelines in maintaining a *waqf* report and there has been no explanation of what kind of information should be provided by a *waqf* institution (Ihsan, 2007; Adnan & Ihsan, 2009; Nahar & Yacoob, 2011; Masruki & Shafii, 2013). Furthermore, general accounting standards such as the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS); and even Islamic reporting standards such as *Financial Accounting Standard (FAS)* issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI); and local Islamic reporting standards such as *Financial Reporting for Islamic Banking Institutions (FRIBI)* issued by Bank Negara Malaysia (BNM); and *Technical Release (TRi-3): Presentation of Financial Statements of Islamic Financial Institutions* issued by Malaysian Accounting Standard Board (MASB) are neither wholly appropriate

for nor specific to *waqf* reporting. Hence, depending solely on current accounting and reporting standards for *waqf* reporting is proven to be problematic as it leads to the measurement of only financial performance, which is insufficient for *waqf* institutions (Nahar & Yacoob, 2011).

Therefore, there is a need for more comprehensive *waqf* reporting to ensure financial and other information are communicated to *waqf* stakeholders in an effective and transparent manner. This has been proposed in many studies, which found that there is a lack of reporting on *waqf* (e.g. Masruki, 2016b; Siti-Rokayah, 2015; Siraj, 2012). Information that should be disclosed refers to the expectations of the stakeholders (Masruki et al., 2016a), rather than what the *mutawalli* (*waqf* manager) chooses to disclose. In order to remain relevant and trusted, non-profit organisations, including *waqf* institutions, ought to be capable of evaluating and measuring their own performance (Medina-Borja & Triantis, 2006). This is due to the positive relationship between fundraising, performance and impact (Siciliano, 1996; Sulaiman et al., 2009; Said et al., 2013). Indeed, the *mutawalli* (*waqf* manager) should employ best reporting practices to raise more fund and to garner trust from a wide range of stakeholders, especially the *waqf* contributor.

Next, the discussion on best *waqf* reporting practices is divided into four parts, which are: (i) financial and non-financial disclosure; (ii) governance; (iii) performance; and (iv) socio-economic impact.

Financial and Non-Financial Disclosure

Financial and non-financial information disclosure is important for all organisations, including *waqf* institutions. Hooks et al. (2012) has highlighted the importance of a comprehensive report that contains both financial and non-financial information to discharge accountability of the reporting entity (Masruki, 2016b). To design such comprehensive reports, five main components of information must be reported: (1) corporate information with eight disclosure items; (2) strategic information with six disclosure items; (3) financial reviews and highlights with nine disclosure items; (4) financial information with 26 disclosure items, constituting items from A) Income Statement (12), B) Balance Sheet (9) and C) Other financial statement items (5); and (5) non-financial information with eight disclosure items (Masruki et al., 2018b; Kamaruddin et al., 2018; Masruki et al., 2016a). Table 1 below lists all 57 proposed financial and non-financial disclosure items for comprehensive *waqf* reporting.

A Waqf-Integrated Reporting (WAQIR) Model

Table 1. Financial and non-financial disclosure items for WAQIR model

1. Corporate Information	
1.1	Establishment and operation
1.2	Purpose and objectives
1.3	Structure of organisation
1.4	Board of directors
1.5	Ethical operational policies
1.6	Personnel
1.7	Personnel development
1.8	Governance information
2. Strategic Information	
2.1	Chairman report
2.2	Performance and achievement
2.3	Summary facts and figures
2.4	Government borrowing/grants/guarantee
2.5	Forward-looking information
2.6	Statistics
3. Financial Review and Highlights	
3.1	Financial review
3.2	Investment
3.3	Actual to budget comparison
3.4	Financial performance ratios
3.5	Administration expenses/total expenses
3.6	Program expenses/total expenses
3.7	Net rental income and expenses/rental income
3.8	Investment income/average investment
3.9	Expenditure by activities/income by activities
4. Financial Information	
(4A) Income Statement	
4.1	Revenue by source of funds
4.2	Revenue by services rendered
4.3	Other incoming revenue
4.4	Total revenue
4.5	Expenditure by services
4.6	Expenditure by functions
4.7	Administration and governance costs
4.8	Total expenditure
4.9	Other recognised gains/losses
4.10	Surplus/deficit

continued on following page

Table 1. Continued

4.11	Total fund brought forward (bf)
4.12	Total fund carried forward (c/f)
(4B) Balance Sheet	
5.1	Total Non-current assets at cost
5.2	Long-term investments
5.3	Long-term debtors
5.4	Current assets
5.5	Current liabilities
5.6	Long-term liabilities
5.7	Deferred liabilities
5.8	Deferred credits from government grants
5.9	Reserves
(4C) Other Financial Statement Items	
6.1	Statement of Assets and Liabilities
6.2	Statement of cash flows
6.3	Notes to the accounts
6.4	Audit Certificate
6.5	Auditor index rating
5. Non-Financial Information	
7.1	Performance target and objectives
7.2	Input (resources used)
7.3	Output (product or services delivered)
7.4	Outcome (immediate result)
7.5	Efficiency (input to output)
7.6	Effectiveness (output to objective)
7.7	Productivity measures (benefits to ummah)
7.8	Beneficiaries/ <i>Waqif</i> 's satisfaction measures

Source: (Masruki et al., 2016b; Masruki et al., 2018b; Kamaruddin et al., 2018;)

Governance Disclosure

Governance disclosure is vital in promoting the transparency and accountability of the reporting entity so as to gain the confidence and trust of its stakeholders. *Waqf*, as do other players in the non-profit sector, survives on self-regulation with minimal, or even no, external oversight. Unlike for-profit entities, which are required to produce financial reports that are compliant with International Financial Reporting Standards (IFRS), non-profits are exposed to ‘minimal’ regulation and ‘under-developed’ financial reporting requirements (Cordery & Baskerville, 2007).

Table 2. Governance indicators for the WAQIR model

No.	Waqf Indicators	Past Studies
1.	Roles and responsibilities of the <i>waqf</i> institution	SC (2017); Yasmin & Haniffa (2017)
2.	Code of conduct and ethics of the <i>waqf</i> institution	SC (2017)
3.	Reporting structure of the <i>waqf</i> institution	Yasmin & Haniffa (2017)
4.	Board members' background	SC (2017); Abdullah (2015)
5.	Board's nomination, composition and remuneration	SC (2017); Abdullah (2015)
6.	Audit committee report of the <i>waqf</i> institution (including risk management and internal control statements)	SC (2017)
7.	Direction and strategic vision of the <i>waqf</i> institution	Noor et al. (2014)
8.	Establishment of <i>shariah</i> committee board and <i>shariah</i> committee report	Masruki & Shafii (2013); Noor et al. (2014)
9.	Appointment of external auditor and independent auditor report	Noor et al. (2014)

Conceptually, Ihsan and Ayedh (2015) studied *waqf* governance structure to promote *waqf* managers accountability. They examined governance and accountability in *waqf* by: (i) reviewing the discussion on governance and accountability in *waqf* institution; and (ii) examining the theoretical underpinnings related to Islamic accountability and governance, which is built upon the concept of *tawheed* (oneness of God), *amanah* (accountability), *adalah* (fairness) and *syura* (collective decision-making). Their study on *waqf* governance is exploratory and conceptual in nature, lacking the discussion on the mechanisms of *waqf* governance and performance.

Several factors have been identified as crucial elements in governance reporting for *waqf*. This includes Board of Director's (BOD) background and its composition, systems, procedures, objectives and goals (Yasmin & Haniffa, 2017). For instance, board composition, such as board size, board professionalism and board members with political connection, significantly affects the accountability of *waqf* institutions (Brennan & Solomon, 2008; Arshad et al., 2012). Moreover, limited financial management background among board members also hinder them from understanding and improving the organisation's financial performance (Siciliano, 1996). In addition, the number of meetings by board members also influences decision-making quality, as they need more time to reach good financial decision making (Scholten et al., 2007).

Table 3. Performance indicators for the WAQIR model

No	Ratios	Description	Indication	Literature
1	Program Efficiency	Programme expenses to total expenses	Recommended ratio is 65%. Low ratio indicates that fewer beneficiaries receive the assistance or the total expenses are too high. Higher ratio indicates that more expenses are disbursed to run programs.	Sulaiman et al. (2009) Shafii et al. (2014)
2	Cash Availability	Cash and bank balances to total assets	Indicates the amount of idle cash and bank balances. Higher ratio indicates that the <i>waqf</i> institution maintain high amount of idle cash.	Shafii et al. (2014)
3	Return of Investment	Investment income to average investment	Indicates the return of investment on <i>waqf</i> assets.	Sulaiman et al. (2009)
4	Fundraising Efficiency	Total fundraising expenses to total funds raised	Indicates the extent to which the <i>waqf</i> institution is able to generate surplus from the donation.	Sulaiman et al. (2009) Shafii et al. (2014)
5	Operating Income	Core income to expenses	Indicates the extent to which income is generated from core activities.	Shafii et al. (2014)
6	Objective Achieved Index	Disbursement (output) to proceeds (input)	Indicates the degree to which the <i>mutawalli</i> has fulfilled the <i>waqif</i> -designated objectives. If the ratio is closer to one, this indicates that there is a balance between disbursement and proceeds.	Hossein Pirasteh (2011)
7	Expected Income Achieved Index	The balance remaining for the year to total earning	Indicates better income acquisition if the ratio is close to one.	Hossein Pirasteh (2011)
8	Equity Balances	Ratio of equity to revenue	Indicate financial sustainability if the ratio is high.	Sulaiman & Zakari (2015)
9	Revenue Concentration	Square of the percentage share that each revenue source represents of the total revenue	Indicates that <i>waqf</i> institution has equal revenue from diverse sources if each ratio is close to zero. Revenue that has a ratio close to one shows that it is dependent on one single source of income, which is not healthy for the <i>waqf</i> institution.	Sulaiman & Zakari (2015)
10	Administrative Efficiency	Ratio of administrative costs as a percentage of total costs	Determines the ability of the <i>waqf</i> institution to control expenditure and impact of the control on service delivery.	Shafii et al. (2014) Sulaiman & Zakari (2015)
11	Operating Margin	Net income (or loss) divided by total revenue	High ratio indicates the financial stability of the <i>waqf</i> institution.	Sulaiman & Zakari (2015)
12	Income Growth	Income year n - Income year (n-1) divided by Income year (n-1)	Indicates the extent to which the <i>waqf</i> institution is able to generate income from its activities from time to time.	Shafii et al. (2014)

Moreover, the establishment of codes of conduct is also related with good governance practices in *waqf* institutions. Complying with codes of conduct set by self-regulation will increase stakeholders' trusts and confidence, since the *waqf* assets would be managed accordingly and not misused (Lee, 2004; Lloyd, 2005). Indeed, standards and guidelines in managing *waqf* fund are also believed to give a significant impact on good governance practices. Table 2 shows governance indicators based on the guidelines of the Securities Commission (SC, 2017) and previous studies.

From the Islamic perspective, good governance practices are encouraged. This is based on the following hadith narrated by Ibnu Umar, which indicates:

"...Holy Prophet (May be upon him) said: Beware. Every one of you is a shepherd and every one is answerable with regard to his flock. The Caliph is a shepherd over the people and shall be questioned about his subjects (as to how he conducted their affairs). A man is a guardian over the members of his family and shall be questioned about them (as to how he looked after their physical and moral well-being). A woman is a guardian over the household of her husband and his children and shall be questioned about them (as to how she managed the household and brought up the children). A slave is a guardian over the property of his master and shall be questioned about it (as to how he safeguarded his trust). Beware, every one of you is a guardian and every one of you shall be questioned with regard to his trust..." (Hadith No. 4496, Book 20, Sahih Muslim).

Performance Disclosure

For *waqf* performance disclosure, both financial and non-financial performance indicators must be used (Arshad & Zain, 2017; Shafii et al., 2014). Unless performance measures are in place, it will be difficult for non-profit organisation to respond to criticisms of ineffectiveness and lack of impact (Connolly & Kelly, 2011). Table 3 proposes 12 performance indicators for best *waqf* reporting practices.

In the same vein, the Quran commands performance evaluation, as narrated in the following verse:

"Say: Consider what is it that is in the heavens and the earth; and signs and warners do not avail a people who would not believe" (Yunus, 10:101).

When dealing with the Islamic perspective, Muslims should evaluate their deeds; they will face the consequences of their deeds. In this case, relevant performance measurements are used to evaluate *waqf* projects and activities in order to understand its impact on socio-economic aspects. This is in line with the following verses:

Table 4. Socio-economic impact indicators for the WAQIR model

Inputs <i>What goes in</i>	Activities <i>What happens</i>	Outputs <i>What results - immediate</i>	Outcomes <i>What results – medium and long-term</i>	Impacts <i>What results - effects on root causes; sustained significant change</i>
Cash	Delivery of basic needs (e.g. foods, shelter and medical supplies).	People fed, treated and sheltered.	Improved living standard, health etc.	Constant decline in poverty.
Real Property	Construction of mosque, cemetery, road and hospital.	Infrastructure and hospital built.	Increased income.	Islam is widespread around the world.
Equipment and Supplies	Provision of microfinance.	People trained and educated.	Expansion of Muslim community.	Strong Muslim brotherhood.
Knowledge (Modern and Islamic)	Sponsoring the disabled, orphans and refugees.	Microenterprises formed.		Fair income distribution (reduced gap between rich and poor).
Technical Expertise	Awarding scholarship and research. Disaster and accident relief. Conducting training and educational programs. Sponsoring religious activities (<i>da'wah</i> , Islamic forum etc.)	Religious activities held.		Significant changes in social norms and attributes (social justice, freedom, governance, transparency etc. Achieving the objectives of the Islamic economic system.

“And give full measure when you measure out and weigh with a true balance; this is fair and better in the end” (Al-Isra’ 17:35).

“Surely, We have created everything according to a measure” (Al-Qamar 54:49).

Socio-Economic Impact Disclosure

There are five disclosure elements for socio-economic impact, namely: (i) input; (ii) output; (iii) throughput; (iv) outcome; and (v) impact (Arshad & Zain, 2017; Nordin et al., 2017; Shafii et al., 2014). Inputs consist of all possible elements required to carry out the *waqf* institution’s objectives through its activities and programs. Evaluation on outputs refers to the quantity and quality of products or services delivered. In the throughput stage, the performance evaluation includes both

A Waqf-Integrated Reporting (WAQIR) Model

Table 5. Summary of Waqf outcomes and impacts as disclosed in MUIS' annual report

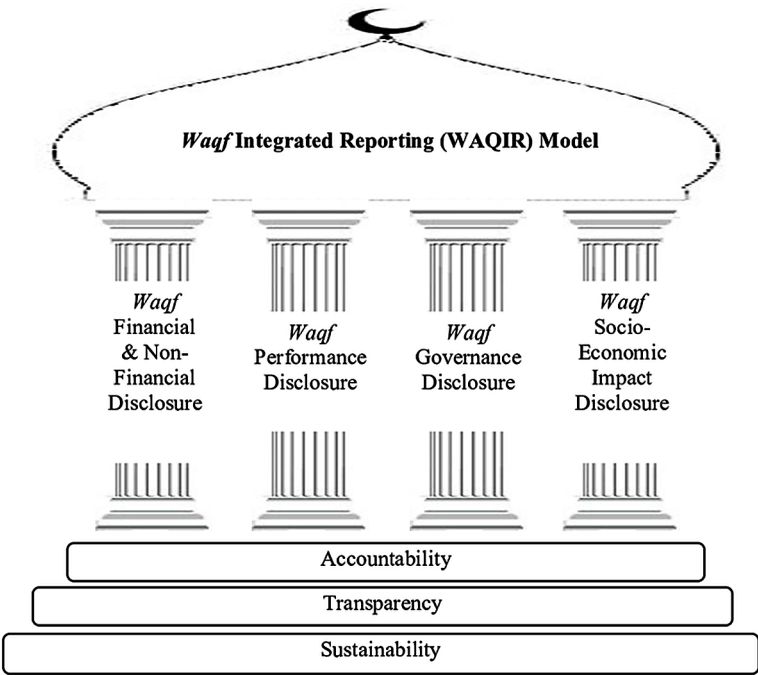
Projects	Measurements/Impacts
Enhancing the Community's Religious Life – Adult Islamic Learning (ADIL) Program	<ul style="list-style-type: none"> • No. of mosques offering ADIL program • No. of classes offering ADIL program
Strengthening Madrasah Education	<ul style="list-style-type: none"> • Professional development hours provided • Hours of weekly lesson plan discussions conducted • No. of teachers completed Understanding by Design (UBD) training • No. of teachers identified to be UBD pioneers
Supporting <i>Asatizah</i> Development	<ul style="list-style-type: none"> • <i>Asatizah</i> registered on <i>Asatizah</i> Recognition Scheme (ARS) • Hours of training
Strengthening Religious Resilience Via Quality Islamic Education	<ul style="list-style-type: none"> • ADIL enrolment – increase in registration percentage • Percentage of ADIL module satisfaction – enrich and relevant
Islamic Education for the Young	<ul style="list-style-type: none"> • Young involved during the year
Assistance for Low Income Families	<ul style="list-style-type: none"> • No. of families assisted • <i>Waqf</i> spent for poor and needy families
Social Trust & Community Engagement – Harmony Centre	<ul style="list-style-type: none"> • No. of visitors hosted during the year • Percentage of non-Muslim visitors during the year • Percentage of Muslim visitors during the year
Fostering a Culture of Blessings to All – F.A.I.T.H Project	<ul style="list-style-type: none"> • No. of refugees benefited • No. of backyard vegetable gardens growth • No. of relief pack provided to refugees
Service Beyond Our Community – Lets Share a Meal Program (LSMP)	<ul style="list-style-type: none"> • No. of residents received LSMP • No. of volunteers involved with LSMP
Our Mosques – More Prayer Space Added	<ul style="list-style-type: none"> • No. of new mosque built • No. of prayer space (in capacity) added during the year
Asset Development – <i>Waqf</i> Education Fund (<i>Waqf Ilmu</i>)	<ul style="list-style-type: none"> • No. of <i>waqf</i> fund raised from public • No. of investment return from <i>waqf</i> fund during the year • No. of fund distributed toward beneficiaries during the year

Source: (MUIS, 2017)

efficiency and effectiveness measures for the *waqf* institution. Evaluation on outcomes relates to results of non-profit organisations that are linked to its objectives. Lastly, evaluation on impact is the assessment of the consequences of the organisation's activities towards the targeted community.

In addition, the result of inputs and outputs are referred to as the efficiency of *waqf* institutions, while the results of throughput, outcome and impact evaluation are referred as the effectiveness of *waqf* institutions (Medina-Borja & Triantis, 2006). The efficiency of *waqf* institution is measured on how all resources are utilised economically to provide social and economic contributions. Meanwhile, the effectiveness of *waqf* institution is measured on to what extent each *waqf* institution's objectives and goals are achieved (Beamon & Balcik, 2008). Table 4 shows the

Figure 1. Waqf Integrated Reporting (WAQIR) Model



proposed socio-economic impact indicators for best *waqf* reporting practices as suggested by Nordin et al. (2017).

A good example of socio-economic impact disclosure can be seen in the 2017 annual report of Majlis Ugama Islam Singapore (MUIS). As shown in Table 5, it reports its *waqf* activities/programs/projects.

As the table shows, each of the *waqf* activity is measured in terms of numbers to explicate the impact of each program on the beneficiaries. To sum up, this chapter implies that performance, in relation to efficiency, effectiveness and even socio-economic impact, can be quantified, mitigating the difficulty of performance measurement for *waqf* organisations (Masruki, 2016b). Therefore, comprehensive reporting could be implemented to improve *waqf* reporting.

WAQF INTEGRATED REPORTING (WAQIR) MODEL

Following the previous discussions, it can be concluded that there are four types of disclosures that need to be reported for best *waqf* reporting practices: (i) financial and non-financial; (ii) governance; (iii) performance; and (iv) socio-economic impact. Based on the discussions, there are 57 disclosure items for financial and non-financial, 12 indicators for performance and nine for governance. As for the socio-economic impact, it involves input (type of *waqf* activities, programs or projects), output (immediate result), outcome (medium and long-term result), impact, efficiency (input to output), effectiveness (output to objective) and productivity (benefits to *ummah*). In view of the above measures, this paper proposes the WAQIR model for best *waqf* reporting practice. The model is illustrated in Figure 1.

The WAQIR model comprises four pillars of information disclosure—financial and non-financial, performance, governance and socio-economic impact disclosure—that must be reported to realize accountability, transparency and sustainability. Previous studies on accountability of *waqf* institutions in Malaysia, such as Ihsan (2007), Osman (2010) and Siraj (2012), agree that *waqf* reporting is a crucial tool to discharge accountability by *waqf* institutions to their stakeholders. In this case, the *waqf* manager, or *mutawalli*, is responsible and accountable to the stakeholders for all the actions made and decisions taken, especially those concerning *waqf* funds and assets.

Islam also emphasizes the notion of accountability. Man is a trustee of Allah's resources on earth. His prime duty is to safeguard all resources bestowed on him by Allah. As a vicegerent (*khalifah*) on this earth, he is accountable to all actions and doings, including the management of *waqf* funds and assets (Ibrahim, 2000). As a *mutawalli*, he is accountable not only to the stakeholders but also to Allah. According to Hameed (2001), a man also has primary and secondary accountabilities, which are: (i) accountability to Allah (*hablum minallah*); and (ii) accountability to people (*hablum minannas*). This dual accountability concept is based on the following verse:

“Abasement is made to cleave to them wherever they are found, except under a covenant with Allah and a covenant with men and they have become deserving of wrath from Allah and humiliation is made to cleave to them; this is because they disbelieved in the communications of Allah and slew the prophets unjustly; this is because they disobeyed and exceeded the limits” (Ali Imran 3:191).

Accountability and transparency can be realised when *waqf* institutions disclose all relevant and required information to their stakeholders. However, full disclosure does not mean that an organisation should disclose everything. It should only disclose whatever is viewed as important by both internal and external users (Baydoun &

Willet, 1997; Masruki et al., 2016a). Abdul Rahman (2003) explains that *waqf* institutions must disclose financial information under four disclosure objectives, which are: (i) avoiding *riba*’; (ii) obligation to pay *zakat*; (iii) social accountability; and (iv) full disclosure. Similarly, the concept of transparency is emphasised in the following Quranic verse:

O you who believe! when you deal with each other in contracting a debt for a fixed time, then write it down; and let a scribe write it down between you with fairness; and the scribe should not refuse to write as Allah has taught him, so he should write; and let him who owes the debt dictate and he should be careful of (his duty to) Allah, his Lord and not diminish anything from it; but if he who owes the debt is unsound in understanding, or weak, or (if) he is not able to dictate himself, let his guardian dictate with fairness; and call in to witness from among your men two witnesses; but if there are not two men, then one man and two women from among those whom you choose to be witnesses, so that if one of the two errs, the second of the two may remind the other; and the witnesses should not refuse when they are summoned; and be not averse to writing it (whether it is) small or large, with the time of its falling due; this is more equitable in the sight of Allah and assures greater accuracy in testimony and the nearest (way) that you may not entertain doubts (afterwards), except when it is ready merchandise which you give and take among yourselves from hand to hand, then there is no blame on you in not writing it down; and have witnesses when you barter with one another and let no harm be done to the scribe or to the witness; and if you do (it) then surely it will be a transgression in you and be careful of (your duty) to Allah, Allah teaches you and Allah knows all things (Al-Baqarah 2:282).

The above verse states that every transaction must be written to enable justice and avoid inquiries on accountability. All transactions must be transparent to all parties. Transparency is the openness in managing and reporting public affairs like *waqf* funds. Transparency allows stakeholders to gather information that may be critical to uncovering abuses and defending their personal interests (Chapra, 1992). Eventually, discharging accountability and enhancing transparency are essential to achieve sustainability. Being a *waqf* institution, high accountability will boost stakeholders’ trust, enabling the achievement of sustainability. Once stakeholders believe in the institution, they will continuously support them as long as they keep maintaining best *waqf* management practices. Despite the lack of reporting enforcement for *waqf* institutions in Malaysia or elsewhere, Masruki et al. (2018a) claim that they are becoming more aggressive in producing a comprehensive annual report. Indeed, best practice reporting model that meets the expectations of

a wide range of stakeholders is pertinent towards their sustainability. The concept of sustainability is emphasised in the following Quranic verse:

“And if We had decreed upon them, “Kill yourselves” or “Leave your homes,” they would not have done it, except for a few of them. But if they had done what they were instructed, it would have been better for them and a firmer position [for them in faith]” (An Nisa’ 4:66).

CONCLUSION

It is essential for the management of *waqf* institutions to implement a comprehensive reporting practice, covering four pillars of information disclosure, namely: financial and non-financial, governance, performance and socio-economic impact. The first WAQIR pillar, financial and non-financial disclosure, suggests that *waqf* institutions disclose all 57 proposed indicators, which encompass five components: (i) corporate information; (ii) strategic information; (iii) financial reviews and highlights; (iv) financial information (income statement, balance sheet and other financial statement items); and (v) non-financial information. The entire financial and non-financial information disclosure is believed to appreciate the rights of the stakeholders to have access to information on the current state of *waqf* funds and assets.

The second WAQIR pillar is governance disclosure. Stakeholders are more likely to be confident with the *mutawalli* if they have information on how the *waqf* funds and assets are governed. The WAQIR model lists out nine governance indicators, which are: (i) roles and responsibilities; (ii) code of conduct and ethic; (iii) reporting structure; (iv) board members’ background; (v) board’s nomination, composition and remuneration; (vi) audit committee report; (vii) direction and strategic vision; (viii) establishment of *shariah* committee board; and (ix) appointment of external auditor and independent auditor report. These governance indicators are expected to make stakeholders understand the current *waqf* management practices.

As for the third WAQIR pillar, performance disclosure, *waqf* institutions should adopt all 12 suggested performance indicators, which are: (i) program efficiency; (ii) cash availability; (iii) return of investment; (iv) fundraising efficiency; (v) operating income; (vi) objective achieved index; (vii) expected income achieved index; (viii) equity balances; (ix) revenue concentration; (x) administrative efficiency; (xi) operating margin; and (xii) income growth. These performance indicators are expected to allow stakeholders to recognise the performance of *waqf* institutions in managing *waqf* funds and assets.

Finally, the last pillar of WAQIR model is socio-economic impact disclosure. It is suggested for *waqf* institutions to disclose all five reporting elements, starting from input, output, throughput, outcome to impact of each *waqf* project. These indicators could enable stakeholders to know how *waqf* funds and assets are utilised by the *waqf* institutions. All of these four WAQIR pillars of disclosure are the best tools to discharge accountability and promote transparency, enabling the sustainability of not only *waqf* institutions, but also other similar organisations such as charities and not-for-profit entities in Malaysia. Yet, several issues that might limit best practices of waqaf reporting are incomplete documentation, lack of awareness of top management, no statutory requirement and no different set of financial statement by different types of waqf. However, having proper guideline and disclosure index would encourage them to produce such integrated waqaf reporting, namely Waqaf Integrated Reporting (WAQIR).

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