

Sustainability and Performance: A Study of Malaysian Waqf Institution

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Abstract

As waqf has become a well-known and prominent socio-economic instrument across the world, it has caught the interest of researchers and policymakers. However, the performance of waqf institutions in Malaysia has been afflicted with inefficiency issues in recent years, particularly in waqf management. Despite the fact that the development of waqf institutions has been positive, there are still some problems that prevent them from reaching their full potential. There has been little research into the factors that can influence the sustainability and performance of waqf institutions. Therefore, a series of three case studies were conducted with Malaysian waqf institutions utilising the protocol discussion to study the factors influencing their sustainability and performance. Three propositions are revealed as a result of the findings, namely (i) transparency; (ii) governance and controls; and (iii) digitalisation. In summary, the current study has added to the waqf literature in terms of sustainability and performance, which will benefit policymakers and future research.

Keywords: Performance; Waqf; Sustainability; Reporting; Governance

1. Introduction

The waqf sector is becoming increasingly relevant in the current and future economic conditions, which are expected to worsen due partly to the recent COVID-19 pandemic (Ainol-Basirah and Siti-Nabiha, 2020). It provides an Islamic means to support social and economic development through voluntary donations and contributions by wealthy individuals and corporations to strengthen the community. Despite the potential benefits and intended prospects, the contributions of waqf institutions are still not optimal, particularly to the socio-economic development of society. In Malaysia, for example, there are 30,000 hectares of waqf land and property that are worth more than RM1.3 trillion, but only 12% (3,600 hectares) of them have been developed (Omar, 2020). Effective management of these assets could contribute positively to society's economic growth and well-being. In contrast, the vast amount of undeveloped waqf land and properties could become a burden in terms of maintenance without effective investment strategies.

The inefficient performance of waqf institutions might be caused by the lack of management effectiveness (Ibrahim and Ibrahim, 2020), shortage of efficient, knowledgeable, experienced, and professional waqf officers to oversee and administer waqf

assets and properties (Abas and Raji, 2018) and the weak governance structure (Sapuan and Zeni, 2021). These problems expose waqf institutions to mismanagement that leads to delays in distributing the benefits of waqf to the beneficiaries. Therefore, it is crucial to increase the understanding of the factors influencing sustainability and performance to overcome the issues in the management of waqf institutions. The main aim of the present study is to explore the waqf performance and sustainability factors from the perspective of waqf managers and finally suggest some propositions.

2. Methodology

For this study, a case study methodology was adopted to investigate the phenomenon within a real-life context where the researchers used cross-case analyses to provide an understanding of certain phenomena in depth (Eisenhardt, 1989). Furthermore, cross-case analysis is a method that allows the comparison of commonalities and differences in the case study (Gordon, 1962). Researchers also used the constant comparison method by making data comparisons to test the provisional propositions gradually. Two waqf executives and a waqf director were selected from three Malaysian waqf units and institutions, and the interview was conducted using a semi-structured approach. Researchers constantly refined the protocols and integrated with participants to produce precise data. Next, the data were analysed by using Atlas.ti Cloud web-based software as it offers an assortment of tools for unstructured data that statistical approaches cannot analyse.

3. Findings and Discussion

Transparency

Enhancement of information disclosure could mitigate the issue of information asymmetry that exists between the institutional management, the stakeholders, and the public. It is necessary to assist current and potential donors to increase their awareness and understanding of waqf to continue their donations and support for these Islamic entities. For instance, one of the respondents (R1) mentioned the need for disclosure by stating that:

[...] the society wants to see the reporting of information for every activity, programme, and asset purchase with the waqf funds they have contributed. The most important thing is, that we want the society to know that waqf exists [...]
(Respondent 1)

Improved accountability through increased transparency provides support for better relationships with different stakeholders as well as the relationship with Allah. A strong image of accountability signals to stakeholders that waqf institutions are efficient, effective, sustainable, and trustworthy. All of these enhance the confidence of the stakeholders. This is further supported by Respondent 2 through his statement as

follows:

[...] in the report, we disclosed all forms of use of waqf donations that the donors have made and we will blast to them to let them know the *amal jariah*, and the benefits of their contributions. It gives them motivation, and I am confident that they will be a regular donor if they believe that our works, programmes, and activities are beneficial to the intended beneficiaries, the students, or the community [...]
(Respondent 2)

The waqf institutions were highly dependent on the external sources of the fund from waqf donations, and government grants instead of the self-income generated (Mohd Yusoff et al., 2021). Even though the public's donations are voluntary, and thus, there is no requirement for direct accountability to the donors, enhancement of transparency of information is still crucial. Failure to do so may be unfavourable to their reputations and financial sustainability (Kamaruddin et al., 2022). Therefore, based on the discussion, the proposition 1 is suggested as follows:

P1: Waqf institutions with a higher level of transparency are more likely to survive and succeed in the waqf sectors than those with a lower level of transparency.

Governance and Control

A good governance framework for the waqf institutions would enhance the stakeholders' confidence and trust for the institution's future survivability. One of vital aspect of governance is risk management, which, with effective implementation, could improve the performance and sustainability of waqf institutions (Yakob, 2022). One of the respondents (R2) stressed that:

[...] waqf activities involved quite a number of risks, especially in terms of cash waqf collection and distribution as it relates to the honesty and integrity of staff, and managers. Therefore, we make some efforts to improve our risk management and one of them is by organising weekly religious classes to improve the integrity of our staff in handling waqf, also to fulfil our accountability towards Allah and the community [...]
(Respondent 2)

As a religious institution, the waqf management needs to ensure that their institution's operations and activities align with Shariah, especially in terms of public-funded investment. Shariah's implementations and compliance will positively impact on waqf institutions' performance, image and overall sustainability (Alam, 2022). This is especially agreed by one of the respondents as she mentioned:

[...] it is compulsory to ensure Shariah compliance in every aspect of our activities and operations. When we want to introduce a product, or join an investment, for example, we will obtain the view of the Jemaah Ulama first so that every aspect complies with Shariah without any ambiguity. It is not about the public image, but as a Muslim managing public-funded money, we must do this. It is compulsory [...]

(Respondent 1)

The effectiveness of the governance system could assist the management of waqf institutions in managing and safeguarding the waqf funds and capital entrusted to them. Therefore, the study suggests the following proposition:

P2: Waqf institutions with an effective governance system are more likely to survive and succeed in the waqf sectors than those with ineffective governance system.

Digitalisation

The utilisation of online digital media builds a culture of transparency and openness as the channels provide a platform for effective and interactive communication of information inexpensively. Engagement with users through social media networks, short message service (SMS), email, search engine optimisation and websites have demonstrated a positive and significant influence on the institutions' performance through image and reputation building. For example, one of the responders (R1) stated:

[...] We will report every waqf program on Instagram. For example, so far, when we focus on the promotion of cash waqf on social media, it has given us an indirect effect on the collection of waqf, approximately 30% growth per year [...] (Respondent 1)

Other than that, digitalisation provides various tools that can assist waqf managers in keeping track of every waqf asset and property, income generation performance and progress of every waqf project. Ultimately, digitalisation can help to make the management of waqf to be more effective and efficient (Fernández-Portillo, 2022), thus increasing the performance and sustainability of waqf institutions. Respondent 3 explains the use of digital technology in the management of waqf capitals as follows:

[...] and interestingly, we are the only waqf university that launched a waqf asset registration system. So, let us say there is a donor who donated a computer to us. In our system, the database will show what the waqf asset, who the donor is, what is the asset's value, and its functionality status. We developed the system and every asset have its own tagging and code. The purpose of this system is to ensure that all waqf capitals are in good condition. When an asset is broken and cannot be repaired, it must be disposed of. We have a method of waqf assets disposal so that the donors continue to reap the benefits of his or her *amal jariah*. So, what happens is, when there is no system, sometimes the asset is left idle, it cannot be used, even the waqf managers cannot keep track of where the assets are, and all parties lose. The beneficiary cannot use the waqf assets, and the waqf cannot be continued. The waqf managers cannot collect the income from the waqf assets properly, thus effecting the overall performance of waqf management [...] (Respondent 3)

Boosting the digitalisation capabilities of waqf institutions is increasingly necessary, especially in the post-COVID-19 era, to grow the performance and sustainability of the institutions (Raki, 2021). Therefore, based on the discussion, the third proposition is

illustrated as follows:

P3: Waqf institutions that highly utilise online digital media are more likely to survive and succeed in the waqf sectors than those with a lower level of online digital media utilisation.

Proposed Framework

Based on the qualitative analysis of three case studies, the researchers developed a framework of the predicted relationships among the proposed reporting, governance, digitalisation and the waqf institutions' performance. The agency theory stresses an institution to strengthen management monitoring mechanisms, including increasing transparency and internal control to enhance the institution's performance by reducing the agency problems (Blevin et al., 2020). Meanwhile the stakeholder theory considers the performance of an institutions depends on the extent to which the institution is capable of managing its relationship with the stakeholders (Che Mohd Salleh et al., 2020). Better accountability to key stakeholders through the improvement of the relationship between agent, principal, and other stakeholders are likely to support external legitimacy which is the practice that aligns with external expectations (Hyndman, 2021) including increasing transparency, adopting internal controls and utilising online digital media. This, in turn, can enhance the trust of the donors, which improve financial performance and sustainability of charities such as waqf institution. Therefore, these two theories provide an adequate framework for the study to analyse the performance of waqf institutions and the impact of the reporting and governance practice. Figure 1 portrays the proposed theoretical framework for this study.

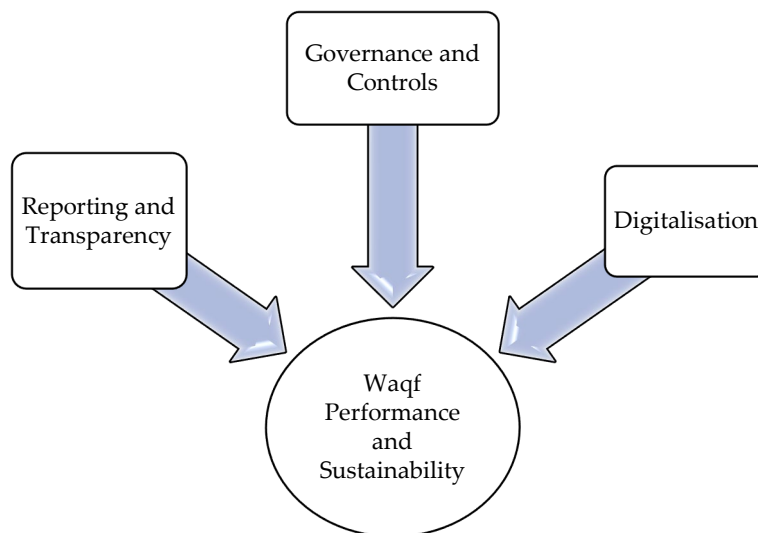


Figure 1: Theoretical framework

4. Conclusion

The present study investigates the factors that influence waqf performance and sustainability from the perspective of waqf managers in Malaysia. Overall, the results suggest three propositions influencing waqf institutions' performance and sustainability, namely, reporting, governance, and digitalisation. This study contributed to the existing waqf sectors literature and has provided a foundation for future research in the context of reporting, governance, digitalisation, performance, and sustainability of waqf sectors. Lastly, the findings gathered from this study may be beneficial in efforts to assist the government in enhancing the standards and policy to support and govern the waqf sectors.

As the present study was conducted by using a qualitative methodology and not a statistical analysis, generalisation may not be claimed (Smith, 2018). The current study relies on a small case sample of three waqf managers from three Malaysian waqf institutions. Future research could include the involvement of more significant number of internal and external stakeholders of waqf institutions to gather a broader perspective of information. Future research may expand the study by using quantitative methods to provide empirical testing to validate the proposed propositions in this study and by applying other methodological approaches such as questionnaire surveys and content analysis.

Acknowledgement

A special appreciation to the authors from Universiti Malaysia Kelantan for their cooperation in publishing this article. The corresponding author's prior academic supervisor, Professor Noorhayati Mansor, in the Faculty of Business Management and Accounting at Universiti Sultan Zainal Abidin, is acknowledged for her supportive and constructive comments for improvement.

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