



## Corporate Waqf: Discovering the Primary Challenges

Haslinda Yusoff<sup>1</sup>, Faizah Darus<sup>1</sup>, Muhammad Iqmal Hisham Kamaruddin<sup>\*2</sup>, Nurul Aini Muhamed<sup>2</sup>

<sup>1</sup> Faculty of Accountancy, Universiti Teknologi MARA, 40450 Shah Alam, Selangor, Malaysia

<sup>2</sup> Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia, Bandar Baru Nilai, 71800 Nilai, Negeri Sembilan, Malaysia

**ABSTRACT** - This study aims to explore and understand the key challenges of corporate *waqf* management and its implementation, particularly in Malaysia. This study adopted a qualitative approach. Specifically, data obtained from three interviews that involved an academican, a Shariah scholar and a business practitioner were examined thoroughly. Generally, this study discovers three primary challenges pertaining to corporate *waqf* and its possible implementation. Legal constraint based on current regulatory settings of *waqf* management, narrow mindset of key stakeholders and lack of awareness and understanding amongst the general public are the core reasons that impede the successful acceptance and implementation of corporate *waqf*. This study is expected to contribute to the improvement of the *waqf* management. It provides an initial understanding on the primary issues that would be confronted when implementing corporate *waqf*. Thus, it puts forward several insights about the future strategies for positioning corporate *waqf* into practice.

### ARTICLE HISTORY

Received: 22<sup>nd</sup> July 2021

Revised: 10<sup>th</sup> November 2021

Accepted: 19<sup>th</sup> November 2021

Published: 01<sup>st</sup> December 2021

### KEYWORDS

Corporate *waqf*, challenges, qualitative, Malaysia, Islamic finance

## INTRODUCTION

*Abū Huraira reported that the Holy Prophet [peace be upon him (PBUH)] said, “when a man dies, all his acts come to an end, but three; recurring charity (sadaqah jāriyah), or knowledge (by which people benefit), or a pious offspring who prays for him” (Sahih Muslim 1631).*

The concept of *Tawhid* provides the fundamentals of the relationships between Man and God, Man and Man, and Man and other living things on earth. This concept advocates the acceptance that God is the ultimate owner of everything on earth and in the universe; thus, human beings are ultimately accountable to God (Mohamed Zain et al., 2014). The religion of Islam upholds justice and fairness in all matters including those related to human being's acts in distributing wealth.

Being the *khalifah* (vicegerent) on earth, human beings have the obligations to manage wealth responsibly as one will be held accountable in the hereafter for all his duties in this world. The human being's role in distributing wealth in Islam relates closely to *waqf* (Osman & Agyemang, 2020). *Waqf* has a significant potential to enhance the economic, social development, educational and religious affairs especially amongst the Muslim communities. Principally, *waqf* is a form of

charity between human beings that encompasses special elements of permanence and continuity. It is one of the ways for a *khalifah* to achieve a benevolent act – spreading the value of kindness, generosity and love, – hence, a journey of life from self-centered thoughts and behavior to caring about others rather than self-preservation (Siswantoro et al., 2018).

Often known as Islamic trust or charitable endowment, *waqf* relates to an institutionalized act of using a property for philanthropic objectives, in which the use is confined to the specific purpose identified earlier. Consistently, *waqf* functions as a financing mechanism in a society (Mohamad Suhaimi et al., 2014; Toraman et al., 2007). In this case, *waqf* institution manages cash funds and productive assets of an equivalent value to generate income allocated for the needy and social activity (Siswantoro et al., 2018).

Under the framework of *waqf*, an asset will be surrendered and only its revenues or profits will be used for certain righteous benefit as predetermined. Such a setting originates from the basic meaning of the word ‘*waqf*’; in Arabic, it is known as *waqafa* and it means restrain (*al-habs*) or forbid (*al-man'*) (Hasan & Siraj, 2017). In view of that, Abdullah (2018a) describes *waqf* as an act of binding up the *asl* (subject matter of the *waqf* property) and utilizing the usufruct for the purposes recognized by the Shariah as pious and sacred. Ab Aziz (2012) provides further meaning of *waqf* which relates to the withholding of one’s property to perpetually spending its revenue on certain needs following the *al-waqif* (the owner of the property). Accordingly, as soon as a property becomes a *waqf*, its ownership is transferred to the Almighty and the usufruct is assigned for religious purposes (Masruki & Shafii, 2013). In other words, contributing assets for a *waqf* purpose implies one’s level of religiosity i.e. his devotion in worshiping God (Saad et al., 2017).

Assets that are commonly involved in *waqf* include mosques, agriculture lands, religious schools, universities, business premises, home shelters and others (Kamarubahrin & Ayedh, 2018; Al Hasan, 2017). In the current era, *waqf* may also include cash *waqf*, *waqf* share, *waqf sukuk* and *takaful waqf* (Johari & Alias, 2013). Generally, *waqf* may be created for these four main objectives; namely, philanthropic or public, family or private, mixed, and religious and charitable/social objectives (Abdullah, 2018b).

This paper sought to explore the fundamentals concerning corporate *waqf* and to unravel its possible challenges. Such a study will offer knowledge relating to the potential strategies for ensuring good implementation of corporate *waqf*, particularly in Malaysia. The remainder of this paper is structured as follows: Firstly, is concerned with the concept of *waqf* specifically in Malaysia, and prevailing literature relating to the benefits and challenges of *waqf*. Next, the discussion about the research methodology of the study covering the samples of study, data collection and analysis method. Third, the research findings and discussion (results); and finally, a conclusion and suggests possible implications of this study for potential further research.

## LITERATURE REVIEW

### ***Waqf* and the Underpinning Principles in Islam**

The core principles in Islam that define the concept of *waqf* are evidenced in the Quran, Hadith as well as from the sayings of the Prophet’s (PBUH) acquaintances (Ibrahim & Ibrahim, 2013). *Waqf*, is closely linked to *sadaqah al-jariyah*. However, it has dissimilarities in its establishment as a charity with an everlasting benefit to the *ummah*. Both *waqf* and *sadaqah* reflect an aspiration pertaining to caring for others and giving to the poor and the needy (Yaacob, 2013), as mentioned in this verse of the Quran:

*“The believers, men and women, are protectors one of another: they enjoin what is just and forbid what is evil: they observe regular prayers, practice regular charity, and obey Allah and His Messenger. On them will Allah pour His mercy: for Allah is exalted in power, Wise”* (At-Taubah 9:71).

The Quran also states that the kind act of human beings through charity and *waqf* will be guaranteed with some form of restitution:

*“Believe in Allah and His messenger and spend (in charity) out of the (substance) whereof He has made you heirs. For, those of you who believe and spend (in charity), for them is a great reward” (Al-Hadid 57:7).*

*“Verify those who give sadaqah (i.e. zakat and alms), men and women, and lend a goodly loan, it shall be increased manifold (to their credit), and theirs shall be an honorable good reward (i.e. paradise)” (Al-Hadid 57: 18).*

*“The likeness of those who spend their wealth in Allah’s way is as the likeness of a grain which growth seven branches, in every branch contains of hundred seeds, and (remember) Allah will give increase manifold to which he will and Allah is All Embracing and All Knowing” (Al-Baqarah 2: 261).*

*“By no means shall you attain al-Birr (piety, righteousness-here it means Allah’s reward, i.e. paradise), unless you spend (in Allah’s cause) of that which you love; and whatever of good you spend, Allah knows it well” (Ali-Imran 3: 92).*

*“He who spends his wealth for increase in self-purification, and who has (in mind) no favor from anyone to be paid back, except to seek the Countenance of his Lord, the Most High. He is going to be satisfied” (Al-Lail 92:18-21).*

Evidence relating to *waqf* can also be seen from the Prophet (PBUH) who mentioned the hadith. Consistently, *waqf* is a benevolent act that is highly recognized and encouraged in Islam.

*“Whence a child of Adam dies, so do their deeds except for three things; alms giving, benefited knowledge and a righteous child who prays for him or her” (Hadith reported by Muslim from Abu Hurairah R.A).*

*“I acquired a land and went to the Prophet (PBUH) and said “Messenger of Allah! I got a land in Khaibar. I never got a property more precious to me than this. What do you advise me?” The Prophet (PBUH) said, “If you want you can make habs (bequeath) on it and give it as sadaqah (charity); provided that it should not be sold, bought, given as a gift or inherited”. So 'Umar made it a charity on the condition that it shall not be sold, nor given away as a gift, nor inherited, and made it a charity among the needy and the relatives and to set free slaves and in the way of Allah and for the travellers and to entertain guests, there being no blame on him who managed it if he ate out of it and made (others) eat, not accumulating wealth thereby” (Hadith reported by Muslim from Umar Al-Khattab R.A).*

These underpinning Islamic principles indicate the significance of *waqf* and its potentials for the greater good. A practice of *waqf* reflects one’s submission and piety to Allah, which is guaranteed to be rewarded in this life and the afterlife. The impact of this good act encompasses the sharing of benefits with the community which consequently will strengthen the unity of the *ummah*.

### **Waqf in Malaysia**

In Malaysia, *waqf* affairs are governed by the state government through the State Islamic Religious Council (SIRC). Section 25 of the Civil Law Act 1956 states that the administration of any Muslim’s property must be in accordance with the Islamic law; thus, Shariah is the governing law of property for Muslims including *waqf* (Kamaruddin et al., 2018b). Several states in Malaysia have established the regulatory framework for *waqf* and its management; among others are the Enactment of Wakaf

(State of Selangor) 2015, the Enactment of Wakaf (State of Malacca) 2005 and the Enactment of Wakaf (State of Negeri Sembilan) 2005 (Ayedh et al., 2019). The National Land Code 1965 identifies SIRC as the trustee for *waqf* (*mutawalli*) in Malaysia. Section 91 (2) (a) of the Administration of the Religion of Islam (State of Selangor) Enactment 2003 particularly indicates that the SIRC is the sole trustee of the *waqf* property (Yaacob, 2013). However, SIRC may grant the *mutawalli* status to other eligible entities to collect, develop and manage *waqf* assets on its behalf, such as in the case of JCorp and Centre of *Waqf* and *Zakat* in Universiti Sains Islam Malaysia (USIM) (Borham & Mahamood, 2013; Mohamed Azmi et al., 2018; USIM, 2021).

Similar to other Muslim-related countries including Turkey, Bangladesh, India and Pakistan, Malaysia is also practicing the contemporary *waqf* which is known as corporate *waqf* (Mohd Ramli & Jalil, 2013; Hanefah et al., 2010). Corporate *waqf* is an adapted model of *waqf* share (Borham & Mahamood, 2013). The core features of corporate *waqf* are as follows:

- Be formally established as a company (in Malaysia, registered under the Company's Act 1965);
- Be formally recognized as a *mutawalli* by the respective SIRC;
- Be empowered to receive various forms of endowments including cash, shares, businesses, physical or intangible assets including land and buildings or intellectual property from institutions, corporations or members of the public;
- Uphold and abide by business principles and adopt best corporate practices, undertaking business ventures through sustainable entrepreneurial efforts;
- May only achieve its long-term goals of economically empowering the community by giving higher priority to accumulating and conserving resources as well as enhancing long term value of assets;
- Acquires an autonomous status, i.e. neither a government-controlled entity nor a private sector-owned;
- Encompasses public participation;
- Must at all times comply with the Shariah principles, and aspire to realize the goals of Shariah (*Maqasid al-Shariah*).

Successful corporate *waqf* models in Malaysia have been based on corporation and banking and financial institution frameworks such as that implemented by Johor Corporation (JCorp) and Bank Muamalat Malaysia Bhd (Saad et al., 2017; Mohd Ramli & Jalil, 2013; 2014). The establishments of these corporate *waqf* are as follows:

#### JCorp

- Shares are considered as the main fund for *waqf*.
- Waqaf An-Nur Corporation Bhd (WANCorp), its subsidiary company, has been entrusted to manage all JCorp's assets and shares that are donation-based.
- Pengurusan Klinik Waqaf An-Nur Berhad started its operation in October, 2000.
- Memorandum of Understanding (MOU) between JCorp and SIRC Johor was signed in December, 2009, in which JCorp was appointed as the *mutawalli* - to manage all properties of JCorp (in accordance with the *Waqf* Procedures 1983 under the Enactment of Islamic Administration State of Johor 2003).
- 'Corporate *Waqf*' was launched in 2006, which involved transfer of shares owned by JCorp Kulim Bhd, KPJ Healthcare Bhd and Johor Land Bhd to WANCorp based on the corporate mission of 'Business Jihad' – a pledge of 25% of dividends into *waqf*.
- Increasing value of WANCorp has been evidenced through its value of assets and share *waqf* in listed and non-listed companies.
- Distribution of wealth involves reinvestment, *fi sabilillah* (charity and social works, human capital development and special project) and contribution to SIRC.

#### Bank Muamalat Malaysia

- *Waqf* funds are contributed by individuals and institutions.

- The funds are managed by a special joint committee, and to be used for education, healthcare and investment purposes.
- A fund management company known as Muamalat Invest Sdn Bhd was established to manage and invest the *waqf* fund.
- The returns on investment will be distributed to Perbadanan Selangor (State) Wakaf (25%) and the special joint committee for redistribution (75%).

Since 2004, the Department of *Waqf, Zakat and Hajj* (JAWHAR) of the Prime Minister Department has played a significant role as planning coordinator and observed *waqf* matters including for corporate *waqf*. This is because corporate *waqf* is believed to be able to grow to become one of the national agenda towards empowering Muslims' socio-economic conditions (Kamaruddin et al., 2021). More importantly, a successful implementation of corporate *waqf* must encompass the aspects of entrepreneurship, leadership, accountability and transparency (Ibrahim & Ibrahim, 2013). Thus, it is crucial for any organization to internalize the fundamental principles and objectives of corporate *waqf* before its implementation.

### **Potentials and Benefits of Corporate *Waqf***

*Waqf* plays a significant function in addressing socio-economic related issues; and that it sustains social welfares (Ubaidillah et al., 2020). Particularly, *waqf* contributes to the development of education, health, defense and public utilities (Boudjellal, 2008). Corporate *waqf* is deemed to be a mechanism with potentials to generate income with the aim of improving the economy of the *ummah*. As commented by Ibrahim and Ibrahim (2013), corporate *waqf* represents a modern advancement in delivering benefits within the underlying principles of *waqf*.

Additionally, corporate *waqf* (shares-based), championed by JCorp, indicates the fulfillment of Islamic Corporate Social Responsibility (ICSR) (Khairi et al., 2014). Thus, it functions as an instrument for social and economic development (Khairi et al., 2015; Hayat & Naeem, 2014).

Generally, the corporatization reformation of *waqf* institutions were made to achieve several objectives (Makhtar, 2007; Makhtar & Abdul Wahab, 2010), which are:

1. To have an effective and efficient *waqf* management;
2. To smoothen both collection and distribution processes of *waqf* funds;
3. To minimize cost;
4. To give a new image of *waqf* institutions; and
5. To increase public confidence in *waqf* institutions.

It is expected that the adoption of a more business-like practices through corporatization shall improve the performance of an organization including *waqf* institutions. For instance, the establishment of the Baitul Awqaf Fund (BAF) by the IQRA foundation under the Trustee Act 1952 (ACT 258) signifies the national recognition on the capability of corporate *waqf* to facilitate the national economic transformation initiatives. The Business Jihad concept applied by the JCorp model also proves the success of the company's initiatives towards social responsibility for the *ummah*'s wellbeing.

*“It is, therefore, a hybrid institution, harnessing waqf dynamics and channeling them towards adding value and creating wealth through sustainable business and corporate activities. In this manner the waqf institutional energy can be mobilized towards enhancing economic growth and sustaining the prosperity of Muslim societies, promoting entrepreneurship, creating and enriching job opportunities, addressing poverty through business-driven methods and, in the long run, empowering the ummah and the community at large through cumulative corporate capacity-building impact”* (Awqaf Holdings Berhad, 2015).

Several studies claim that corporate *waqf* has significant benefits in enhancing *waqf* management. For instance, a study by Ramli et al. (2018) explains that modern *waqf* management via corporate *waqf* has put more significant emphasis on the principles of accountability and transparency to ensure the continuity and development of *waqf* assets so that wealth can be distributed to the *ummah* effectively. Meanwhile, corporatization of *waqf* management may have significant role in the sustainability of *waqf* funds (Iman & Mohammad, 2017). Besides, another study by Darus et al. (2017) indicates that corporate *waqf* serves as an alternative means to raise funds to support the welfare of the society that is currently being financed by the government and as a viable alternative that organizations can use to help address social issues of the community. In addition, Ramli and Muhamed (2013) highlight numerous key objectives of corporate *waqf*, which include (i) to create an Islamic institution catering to the society's need with element of corporate entity, (ii) to carry out the responsibility to the *ummah* for eternity, (iii) to voluntarily share wealth, time and expertise, (iv) to generate wealth and protection of the income and (iv) to establish an incorporation instrument that is trustworthy and whole.

Furthermore, a comparison on governance practices between corporate *waqf* and traditional *waqf* institutions shows that the transparent governance reporting level by corporate *waqf* is higher as compared to traditional *waqf* institution (Awaludin et al., 2018). Besides, corporate *waqf* practices in Malaysia have shown a positive impact towards the development of economy and society (Ibrahim et al., 2016). Finally, the managerial reform configuration in terms of corporatization has been viewed positively by stakeholders, translated into a comforting agreement score toward improved management performance and governance in term of collection, disbursement and reporting (Nahar, 2018).

Despite the potentials and benefits of corporate *waqf*, there are general issues concerning ineffective and unsuccessful implementation. Chowdhury et al. (2012) for example mentioned that the current governance structure with the SIRC being the sole trustee of all *waqf* leads to the risk of inadequate qualified personnel to manage it. They also commented about the ineffective *waqf* management process involving improper documentation and failure to comply with the Islamic accounting principles along with failure to generate sufficient revenue.

Apart from that, the reluctance of the *waqf* management to adopt and emerge into corporate *waqf* institution is another challenge. In this case, *waqf* management is seen to use the defensive strategy where they tried to maintain the current position or status quo in responding to the environmental changes, thus resulting in the unsuccessful implementation of new culture or approach in organization (Baghfeizi et al., 2018).

These literatures have indicated the benefits and potentials of *waqf* towards the national socio-economic growth, including Malaysia. In spite of the encouraging impacts of corporate *waqf* to the country and community at large, the acceptance and implementation of the *waqf* concept amongst business corporations are rather scanty. The challenges highlighted in the prevailing literature have largely been explored through literature search, and content as well as document-based analysis. Such research findings and approaches hint the gap which concerns the pressing needs to understand the core problems of *waqf* and corporate *waqf* from a different research angle. It is hoped that a phenomenological study approach may offer deeper understanding on the *waqf*-related problems. Hence, this study seeks to explore and understand the key challenges of corporate *waqf* and its implementation, particularly in Malaysia.

## **METHODOLOGY**

This study applied a qualitative research approach in gathering the relevant data. Specifically, the study utilized a narrative form of research design that explored a person's perceptions, perspectives and understandings of a situation/phenomenon. Using purposive sampling method, three cases have been focused in understanding the main problems and challenges of corporate *waqf* and its management practice in Malaysia. Data was collected via personal and semi-structured interviews

with three key personnel that have extensive knowledge and qualification relating to *waqf*, as follows:

1. Practitioner (PT)  
He has extensive years of working experience as Chief Executive Officer, Board member, and leader of various Islamic businesses as well as non-profit organizations. He has also held various top management positions in the industrial sector. He is a renowned corporate leader in the country, has won several national awards and has vast experience and contributions in managing business-related *waqf*.
2. Shariah scholar (SS)  
He is a qualified Islamic financial planner and has many years of experience working as Shariah advisor and committee member in the industry. He works closely on providing Shariah input on the advisory, consultancy and research functions with regards to Islamic banking, *takaful*, Islamic capital market and *Shariah* compliant unit trust funds.
3. Academic scholar (AS)  
He is a professor holding a Shariah Chair in a University. He has a vast experience working in the banking sector, banking related regulatory bodies and Universities. His academic works include the area of *waqf* and Islamic Finance. He is actively involved in research and academic talks on *waqf*, *waqf* management and the role of *waqf* in promoting social goals.

These key personnel comprised a mixed of experts from various sectors, i.e. industry, Shariah scholar, and academic; hence, strongly represent the stakeholder groups in providing information and knowledge pertaining to *waqf* and its management practice.

Interviews were used as the research method in this study as it is deemed to be the most appropriate method in obtaining in-depth information; in particular, getting the story behind 'personal experiences' (Mutchnick & Berg, 1996). Generally, each interview session ranged from 45 minutes to 1 1/2 hours in duration. All three interviews were recorded upon the consent of the interviewees. The interviewees were assured that the interview results would be published anonymously, and that the corporate and personal information would remain confidential.

A coding system was used to understand and examine the data collected via the interviews; the coding system helped in structuring and facilitating analysis (Miles & Huberman, 1994). Using content analysis method, the interview transcripts were thoroughly read on three separate occasions. The first reading was an initial examination to grasp a general idea of all conversations. The transcribed data was then labelled and categorized using the Nvivo software. Accordingly, this coding task involved 'the process of breaking down, examining, comparing, conceptualizing, and categorizing data' (Strauss & Corbin, 1990) which had resulted in identifying the relevant key challenges of *waqf* and the related management practices.

## **RESULTS**

Generally, this study has found three important challenges of corporate *waqf* management and practice in Malaysia based on the inputs gathered through the interviews. Legal constraint based on current regulatory settings of *waqf* management, narrow mindset of key stakeholders and lack of awareness and understanding amongst the general public are found to be the core reasons that impede the successful implementation of corporate *waqf*, particularly in Malaysia.

### **Legal Constraint of Current Regulatory Settings of *Waqf***

All three interviewees communicated that the current regulatory setting of *waqf* in Malaysia is a challenge to attain fruitful implementation of corporate *waqf*. The concern about the regulatory setting relates to the complete control and authority of the state government on *waqf* matters. Thus, it is a challenge in the effort to amend the existing law.

*“If you create waqf then the state will take over. We need to negotiate with the religious council to see whether an individual or a business would be able to run it. If not, the state will take over. So this is - I think - one of the legal constraints to the development of waqf” (AS)*

*“To do corporate waqf, we must get the Islamic Religious Council to change... therefore it requires efforts and initiatives for legislative change. It is rather difficult as they may feel unsure and threatened about their current and future position...It is still under state and the state is looking at it as under their purview and they don't allow individuals or corporations to come into that, it has to go through them” (PT)*

Accordingly, the interviewees highlighted that the current regulatory setting for *waqf* is rather limited; it does not allow any reformation or change:

*“We don't have a proper Islamic model to enable the project of corporate waqf...a model that integrates the fundamental Islamic values, Maqasid Shariah and all. I'm talking about the possibility of waqf corporations owning banks and then when you marginalized, have a list of franchise units, obtain unlimited majority setting, have a stake...then you can assure that it is a jihad business, hence have a clear mind about corporate waqf and how to successfully manage and practice” (PT)*

A *jihad* form of business focusses on the outcomes and impacts to the greater good. If it is the path that businesses aimed, thus they should think and act strategically and be innovative vis-a-vis think and look beyond the box. Nevertheless, the key question relates to whether the *waqf* regulatory setting of the country is flexible enough to accept the concept of corporate *waqf*. Corporate *waqf* must embed two fundamental elements in its governance and management such as Islamic and business elements, as the practitioner interviewed said:

*“You cannot do it without having waqf recognition by the religious authority. But, if you want it to be corporate waqf, it must be based on a company, operating in the market sector, competing freely just like another. Thus, it means the need to harness the dynamics of the corporate organization” (PT)*

Despite these concerns raised by the interviewees, the light of success for corporate *waqf* is rather promising, as the interviewed Shariah scholar mentioned:

*“The current law and its governance setting allow the practice of corporate waqf. The state government can appoint a business organization to become the trustee (mutawalli) in managing the waqf. The state of Negeri Sembilan is doing it! Each state has full authority to manage waqf, therefore it is not an issue” (SS)*

Therefore, it can be said that legal constraint is becoming the biggest challenge faced by *waqf* institutions to transform into a new modern corporate *waqf* entity. This finding support similar previous concerns by Ismail et al. (2015) and Saifuddin et al. (2014) on the legal constraint faced by *waqf* institutions not only in the corporatization of the institution but also on the management of *waqf* itself. This fact opposing the ideal of corporate *waqf* without government intervention as it can avoid the proverbial bureaucratic stagnation, political wire-pulling and non-professional working ethics (Rashid, 2018).

### **Narrow Mindset of Key Stakeholders**

Fear and lack of confidence are the major reasons behind the stagnant condition of the current *waqf* management and practice. The Shariah scholar interviewee raised his concern relating to focusing less on the hereafter aim and contribution but more on the worldly expectations, and that



it is crucially important if corporate *waqf* is to be practiced widely. Apart from that, the scholars, in general, also have concerns on the ambiguity of corporate *waqf*, its weaknesses that involve risk which could jeopardize the primary aim and spirit behind the concept of *waqf* such as to help the poor and needy people.

*“Religious people view waqf from the context of Islam, the religion. Hence, if you tell them that this waqf is to be commercialized, traded etc. they will then question whether it can be done in such manner. Will it work? Knowing business has its ups and downs, what if it ends up in losses, would we want to take the risk?”* (SS)

*“The biggest challenge is to make people like me, my friends and other religious scholars to clearly understand the potentials of [corporate] waqf in facilitating the community development, hence the ummah”* (SS)

The practitioner interviewed discussed about the crucial need to ensure all parties have a clear understanding and appreciation about corporate *waqf* and that it is consistent with the Islamic expectation on the general *waqf* and its contribution to the greater good.

*“Corporate waqf contains the element of entrepreneurship. Part of entrepreneurship relates highly to wealth creation. So basically, it is about how you could create more wealth, back your structure of company, how to market, and how to ensure efficient production system... You have to correct any contradiction between current corporate structures and practices as globally known as compared with the fundamental aspiration of a Muslim and the expected demands of the [Islamic] religion”* (PT)

A clear mindset which leads to gaining the acceptance of various related parties may be achieved through proper practices, as mentioned by the academician interviewed:

*“There is a long list of governance issues, it [waqf] must be managed well. When everything is transparent, it will build trust and people will contribute to it...it is a long process but eventually it will work”* (AS)

He further added:

*“I think it’s a question of trust building and being transparent. So, in principle, it is possible. I think it can contribute. Maybe the specific question people will ask – will relate to whether it will be able to sustain. It needs acceptance!”* (AS)

In short, narrow mindset of key stakeholders is becoming other challenges faced by *waqf* institutions to transform into a new modern corporate *waqf* entity. Although several previous studies urge on the needs for better management and governance in *waqf* institutions (Daud, 2019; Hasan & Siraj, 2017), most of key stakeholders especially the SIRC which act as *mutawalli* are seen as being unreceptive towards the new idea pertaining to *waqf*. This happened as there is no legitimate resources for any party, whether a beneficiary or interested third party to inquire into the management of *waqf* by any particular SIRC (Osman et al., 2012). This can be looked by weak information disclosed by *waqf* institutions in Malaysia either in financial and non-financial areas (Kamaruddin et al., 2018a). Moreover, several SIRC also feel that by transforming into corporate *waqf*, it is deemed as giving up the management to outside parties, even though there are evidence that corporatization of *waqf* institution is successful in several other states such as Federal Territory, Penang, Selangor, Pahang, Melaka and Negeri Sembilan (Osman et al., 2015).

### **Lack of Awareness and Understanding amongst the General Public**

The interview feedbacks also relate to the lack of awareness and understanding amongst the general public. Such an issue is mainly linked to the general understanding that *waqf* denotes religious activity; as the academican interviewed said “...just like if you *waqf* your land, you know that it will only be for religious activities”. He also commented that:

*“A lot of people [has] fear about mismanagement of waqf contribution...they want to ensure that it [waqf] will be in line with Shariah and they do not want it to be run professionally and not be in line with the Shariah” (AS)*

This feedback implies the public’s concern about the capability of corporate capacity building in consuming Islamic motivations and spiritual strength for business-driven realization. Apart from lacking in knowledge, the public seems to be concerned about the current proportion of benefits from the *waqf*:

*“The beneficiaries of now there are getting only 25%, which is very low. They reinvest a lot of their waqf (70%) and in terms of distributing to the beneficiaries is very small amount. And people don’t like that...I think maybe 51% should go to the beneficiaries” (AS)*

Additionally, the interviewed *Shariah* scholar gave a remark concerning the public’s ignorance on the matter, as he claimed:

*“We [the public] dislike reading, do not pursue research work, especially the scholars like myself. We highly depend on old kitab, we refuse any new development or improvement. We have seen the success of the Al-Azhar University but we do not have the initiative to apply and widen the concept here [Malaysia]” (SS)*

The *Shariah* scholar further argued:

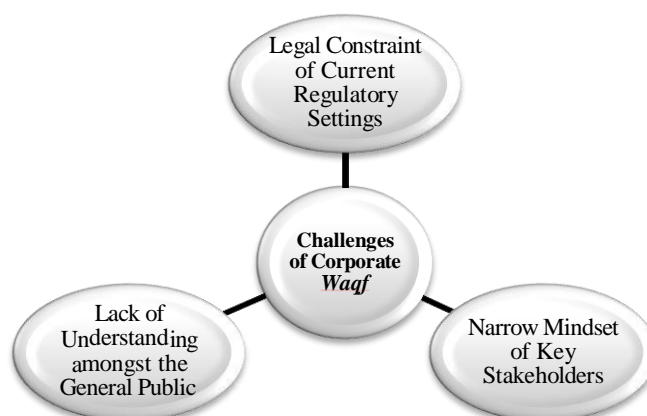
*“Information must be disclosed in a transparent manner...proper reporting, full financial statements, profit or loss etc. for the public to understand and clear about it” (SS)*

Feedback about the lack of knowledge and understanding about the fundamental concept of *waqf* was also highlighted by the practitioner interviewed.

*“We do not clearly define things correctly. When we start something without defining them correctly, you tend to make mistakes and then you need to correct them. Many of the problems we face today is because of unthinkingly doing things and then we spent more energy and time and resources to correct the mistakes that we make in the past” (PT)*

Thus, it can be concluded that lack of awareness and understanding among general public on corporate *waqf* will become another challenge faced by *waqf* institutions in Malaysia. In this situation, it cannot be denied that trust in *waqf* institutions will greatly affect *waqf* donation by the public (Johari et al., 2018; Shukor et al., 2017). However, transforming into corporate *waqf* will be wrongly viewed as profit motive and jeopardize the original welfare objectives by the public (Arshad & Haneef, 2015). Moreover, considering various groups of *waqf* stakeholders in the ecosystem of *waqf* itself will always lead to differences in understanding on *waqf* management and its directions (Hamdan et al., 2019).

Based on the above discussions, overall, Figure 1 portrays the findings of the study that pertain to the key challenges of corporate *waqf* in Malaysia from the perspectives of a business practitioner, an academic scholar and a Shariah scholar.



**Figure 1:** Key Challenges of Corporate *Waqf* in Malaysia

## CONCLUSION

*Waqf* plays a significant role in facilitating the socio-economic sustainability of a nation including Malaysia. The evidence of success stories involving *waqf* and its implementation in this country signifies its potential as a strong and strategic mechanism for the national progression, specifically in the effort to overcome social problems of both the Muslims and non-Muslims communities. As a conclusion, this study has discovered three vital challenges of corporate *waqf* in Malaysia such as legal constraint of current regulatory settings, narrow mindset of key stakeholders and lack of awareness and understanding amongst the general public. These challenges that have been revealed from the qualitative investigation offer some insights about how to tackle the obstacles in implementing corporate *waqf* in Malaysia.

The interviewees of the study also provided some suggestions for effective implementation of corporate *waqf*, from the Malaysian perspective:

*“We must do it quickly and do something different, we must change!...the universities must play their roles in changing the mindsets of students and others. Focus on developing a working model for it [corporate waqf]”* (PT).

Based on the above suggestion, it is noted that the awareness on modern *waqf* or corporate *waqf* must start from the education institutions and this can be done by the government to introduce the modern *waqf* concept starting from school level. Besides, related authorities such as the management of SIRC and *waqf* institutions in Malaysia need to be aware on this corporate *waqf* initiative. This can be done by having good collaboration especially between the *waqf* experts in academia, SIRC as *mutawalli* and even other related agencies to transform the management of traditional *waqf* into the modern corporate *waqf*. In addition, the concept of corporate *waqf* and the philosophy behind it must be promoted not only to the Muslim community, but also to people of other religions. A greater acceptance from various people of different religious backgrounds will confirm the clear future and success of corporate *waqf*.

*“Proper and comprehensive governance framework is urgently needed. The framework must include the requirement for proper financial reporting of statements, profit and loss statement amongst others. The mutawalli must be an expert and knowledgeable”* (SS)

Based on the above statement, this study urges on the need of a proper standard or guideline for *waqf* management in Malaysia. The standard must cover governance framework, best practices as well as the issuance of a standardized and specific reporting disclosure for *waqf* institutions in Malaysia. This will eventually enhance *waqf* management to discharge its accountability towards its stakeholders at large.

The ideas advanced by this paper may inject more thoughts for future research. This study can be extended to include detail investigation on the weaknesses of the current management system and practice in the related SIRC or corporations, development of comprehensive corporate *waqf* model as well as strategies for effective and impactful *waqf* funds management.

## REFERENCES

- Ab Aziz, M. R. (2012). *Introduction to Islamic institutions in economics and finance*. USIM Press.
- Abdullah, M. (2018a). Evolution in waqf jurisprudence and Islamic financial innovation. *Journal of Islamic Monetary Economics and Finance*, 4(1), 161-182. <https://doi.org/10.21098/jimf.v4i1.920>
- Abdullah, M. (2018b). Waqf, Sustainable Development Goals (SDGs) and maqasid al-shariah. *international Journal of Social Economics*, 45(1), 158-172. <https://doi.org/10.1108/IJSE-10-2016-0295>
- Al Hasan, F. A. (2017). Waqf management in Indonesia through Asset Based Community Development (ABCD) approach. *International Journal of Social Science and Economic Research*, 2(8), 4070-4087.
- Arshad, M. M. N., & Haneef, M. M. A. (2015, 15-17 April). *Repositioning issues of waqf as a third sector organization into the mainstream economy*. Asia Pacific Awqaf Congress. Sydney, Australia.
- Awaludin, N. S., Nahar, H. S., Yaacob, H., & Bakar, N. S. (2018). Exploring awqaf governance: Preliminary evidence of governance practices and disclosure of two Malaysian awqaf institutions. *Journal of King Abdulaziz University: Islamic Economics*, 31(1), 139-150. <https://doi.org/10.4197/Islec.31-1.9>
- Awqaf Holdings Berhad. (2015). *Waqaf korporat*. Awqaf Holdings Berhad. Retrieved November 17, 2021, from <https://awqaf.com.my/info-awqaf/waqaf-korporat/>
- Ayedh, A. M. A., Kamarubahrin, A. F., & Khairi, K. F. (2019). Accountability practices of waqf institution in Malaysia: A critical analysis. *International Journal of Management, Accounting and Economics*, 6(2), 146-171.
- Baghfeizi, I. M., Rahmanseresht, H., & Fathi, S. (2018). A decision making framework to evaluate the necessity of corporate restructuring. *International Journal of Business Excellence*, 15(3), 269-288. <https://doi.org/10.1504/ijbex.2018.092571>
- Boudjellal, M. (2008). The need for a new approach to the role in socioeconomic development of waqf in the 21st century. *Review of Islamic Economics*, 12(2), 125-136.
- Borham, A. S., & Mahamood, S. M. (2013). Wakaf korporat Johor Corporation dan sumbangannya dalam memenuhi tanggungjawab sosial Islam di Malaysia: Satu tinjauan. *Journal of Techno-Social*, 5(2), 61-77.
- Chowdhury, M. S. R., Chowdhury, I. A., & Muhammad, M. Z. (2012). Problems of waqf administration and proposals for improvement: A study in Malaysia. *Journal of Internet Banking and Commerce*, 17(1), 1-8.
- Darus, F., Shukri, N. H. A., Yusoff, H., Ramli, A., Zain, M. M., & Bakar, N. A. A. (2017). Empowering social responsibility of Islamic organizations through waqf. *Research in International Business and Finance*, 42, 959-965. <https://doi.org/10.1016/j.ribaf.2017.07.030>
- Daud, D. (2019). The role of Islamic governance in the reinforcement waqf reporting: SIRC Malaysia case. *Journal of Islamic Accounting and Business Research*, 10(3), 392-406. <https://doi.org/10.1108/JIABR-01-2017-0008>
- Hamdan, N., Osman, A. Z., & Ab Rashid, H. M. (2019). The stakeholders ecosystem of waqf institutions in Malaysia. *Jurnal Syariah*, 27(2), 281-300.

- Hanefah, M. M., Jalil, A., Mohd Ramli, A., Sabri, H., Nawai, N., & Syahwan, S. (2010, October 13-14). *Waqf models in Iskandar Malaysia: An analysis*. 4th Islamic Banking, Accounting and Finance Seminar (4th iBAF 2010), Negeri Sembilan, Malaysia.
- Hasan, R., & Siraj, S. A. (2017). Toward developing a model of stakeholder trust in waqf institutions. *Islamic Economic Studies*, 25(Special Issue), 85-109. <https://doi.org/10.12816/0036187>
- Hayat, N., & Naeem, A. (2014). Corporate waqf: A case of hamdard (waqf) Pakistan. <https://doi.org/10.2139/ssrn.2487713>
- Ibrahim, D., & Ibrahim, H. (2013). Revitalization of Islamic trust institutions through corporate waqf. *Proceedings of the 4th International Conference on Business and Economic Research (4<sup>th</sup> ICBER 2013)* (pp. 192-202). Bandung, Indonesia.
- Ibrahim, S. S., Mohd Noor, A. H., Mohd Shariff, S., & Mohamad Rusli, N. A. (2016). Analysis of corporate waqf model in Malaysia: An instrument towards Muslim's economic development. *International Journal of Applied Business and Economic Research*, 14(5), 2931-2944.
- Iman, A. H. M., & Mohammad, M. T. S. H. (2017). Waqf as a framework for entrepreneurship. *Humanomics*, 33(4), 419-440. <https://doi.org/10.1108/H-01-2017-0015>
- Ismail, C. Z., Salim, N. J., & Hanafiah, N. J. A. (2015). Administration and management of waqf land in Malaysia: Issues and solutions. *Mediterranean Journal of Social Sciences*, 6(4), 613-620. <https://doi.org/10.5901/mjss.2015.v6n4s2p613>
- Johari, F., & Alias, M. H. (2013). Potential of waqf funds and instruments in contemporary economic system. *Proceeding of the 5th Islamic Economic System Conference (iECONS 2013)* (pp. 856-862), Berjaya Times Square Hotel, Kuala Lumpur, Malaysia.
- Johari, F., Ahmad, N., Alias, M. H., Shukor, S. A., Abd Wahab, K., Aziz, M. R. A., & Ibrahim, P. (2018). An empirical study on awqaf endowers' perception: Imperatives for awqaf institutions' success. *The Journal of Muamalat and Islamic Finance Research*, 15(2), 66-79. <https://doi.org/10.33102/jmifr.v15i2.178>
- Kamarubahrin, A. F., & Ayedh, A. M. A. (2018). Critical review on waqf experiences: Lessons from Muslim and Non-Muslim. *Iqtishadia: Jurnal Kajian Ekonomi dan Bisnis Islam*, 11(2), 332-353. <https://doi.org/10.21043/iqtishadia.v10i2.2863>
- Kamaruddin, M. I. H., Masruki, R., & Hanefah, M. M. (2018). Financial and non-financial disclosure practices in selected awqaf institutions. *International Journal of Nusantara Islam*, 6(1), 52-72. <https://doi.org/10.15575/ijni.v6i1.1929>
- Kamaruddin, M. I. H., Masruki, R., & Hanefah, M. M. (2018b). Waqf management practices: Case study in a Malaysian waqf institution. *World Journal of Social Sciences*, 8(3), 1-12.
- Kamaruddin, M. I. H., Masruki, R., & Hanefah, M. M. (2021). Empirical investigation on awqaf and its socio-economic impact in Malaysia. In Billah, M. M. (Ed.), *Waqf led social finance: Innovative solutions to modern applications* (pp. 218-233). Routledge Publishing Group. <https://doi.org/10.4324/9780429356575-21>
- Khairi, K. F., Ab. Aziz, M. R., Laili, N. H., Nooh, M. N., Sabri, M., & Ali Basah, M. Y. (2014). Human and development through share WAQF (WAQF Corporate): The case of GLCS in Malaysia. *Life Science Journal*, 11(1), 104-110. <https://doi.org/10.7537/marslsj110114.15>
- Khairi, K. F., Laili, N. H., & Sabri, H. (2015). Maybank's corporate waqf as an Islamic finance instrument in boosting economic development and community's prosperity. *Life Science Journal*, 12(4), 189-193. <https://doi.org/10.7537/marslsj120415.24>
- Makhtar, A. S. (2007, May 22-24). *Paradigma pengurusan institusi zakat: Pengalaman Lembaga Zakat Selangor (MAIS)*. Persidangan Cukai & Zakat Kebangsaan, Kuala Lumpur, Malaysia.
- Makhtar, A. S., & Abdul Wahab, A. (2010, July 14). *Pengurusan zakat di Negeri Selangor: Isu dan cabaran*. Prosiding Konvensyen Kebangsaan Perancangan & Pengurusan Harta dalam Islam, Selangor, Malaysia.

- Masruki, R., & Shafii, Z. (2013). The development of waqf accounting in enhancing accountability. *Middle-East Journal of Scientific Research*, 13(13), 1-6. <https://doi.org/10.5829/idosi.mejsr.2013.13.1873>
- Miles, M. B., & Huberman, A. M. (1994). *Qualitative data analysis* (2nd ed.). Sage Publications.
- Mohamad, N. M., Syed Abdul Kader, S. Z., & Ali, Z. (2012, 15 November). *Waqf lands and challenges from the legal perspectives in Malaysia*. IIUM-Toyo University Joint Symposium 2012, Toyo University Sky Hall, Japan.
- Mohamad Suhaimi, F., Ab Rahman, A., & Marican, S. (2014). The role of share waqf in the socio-economic development of the Muslim community: The Malaysian experience. *Humanomics*, 30(3), 227-254. <https://doi.org/10.1108/H-12-2012-0025>
- Mohamed Azmi, A. S., Hanif, N. R., & Mahamood, S. M. (2018). Tinjauan persepsi Majlis Agama Islam Negeri terhadap peruntukan Kerajaan Persekutuan bagi pembangunan tanah wakaf. *The Journal of Muamalat and Islamic Finance Research*, 15(1), 96-118. <https://doi.org/10.33102/jmifr.v15i1.104>
- Mohamed Zain, M., Darus, F., Yusoff, H., Amran, A., Fauzi, H., Purwanto, Y., & Abang Naim, D. M. (2014). Corporate ibadah. *Middle East Journal of Scientific Research*, 22(2), 225-232. <https://doi.org/10.5829/idosi.mejsr.2014.22.02.21850>
- Mohd Noor, A. H., Mohd Ali, N. A., Abdullah, A., & Mohd Tahir, H. H. (2014, 19-20 December). *The waqf governance framework in Malaysia*. International Conference on Development of Social Enterprise and Social Business for Eradication of Extreme Poverty and Street Begging (IIUCIC7-2014), International Islamic University of Chittagong, Bangladesh.
- Mohd Nor, N., & Mohammed, M. O. (2009, 20-22 October). *Categorization of waqf lands and their management using Islamic investment models: The case of the state of Selangor, Malaysia* [Conference session]. International Conference on Waqf Laws & Management: Reality and Prospects, International Islamic University Malaysia, Malaysia.
- Mohd Puad, N. A., Jamlus Rafdi, N., & Shahr, W. S. S. (2014). Issues and challenges of waqf instrument: A case study in MAIS. *E-proceedings of the Conference on Management and Muamalah, (CoMM 2014)* (pp. 978-983). Synergizing Knowledge on Management and Muamalah.
- Mohd Ramli, A., & Jalil, A. (2013, 4-5 December 2013). *Corporate waqf model and its distinctive features: The future of Islamic philanthropy*. Proceedings of World Universities' Islamic Philanthropy Conference 2013 (WUIPCON 2013), Kuala Lumpur, Malaysia.
- Mohd Ramli, A., & Jalil, A. (2014). Model perbankan wakaf korporat: Analisis wakaf Selangor muamalat. *Jurnal Pengurusan*, 42, 159-167.
- Mutchnick, R. J., & Berg, B. L. (1996). *Research methods for the social sciences: Practice and applications*. Allyn and Bacon.
- Nahar, H. S. (2018). Exploring stakeholders' views on a corporatized zakat institution's management performance. *International Journal of Ethics and Systems*, 34(4), 608-631. <https://doi.org/10.1108/IJOES-08-2018-0115>
- Osman, A. F., Htay, S. N. N., & Muhammad, M. O. (2012, April 10). *Determinants of cash waqf giving in Malaysia: Survey of selected works*. Workshop Antarabangsa Pembangunan Berteraskan Islam V (WAPI-5), Medan, Indonesia.
- Osman, S., Mat, I., Ahmad, J., & Othman, Y. (2015). Unlocking value of waqf property using hibah mudharabah: A case study of commercial building in Kedah, Malaysia. *International Journal of Development Research*, 5(5), 4294-4299.
- Osman, A. Z., & Agyemang, G. (2020). Privileging downward accountability in waqf management. *Journal of Islamic Accounting and Business Research*, 11(3), 533-554. <https://doi.org/10.1108/JIABR-05-2017-0064>
- Pitchay, A. A., Thaker, M. A. M. T., Mydin, A. A., Azhar, Z., & Latiff, A. R. A. (2018). Cooperative-waqf model: A proposal to develop idle waqf lands in Malaysia. *ISRA International Journal of Islamic Finance*, 10(2), 225-236. <https://doi.org/10.1108/IJIF-07-2017-0012>

- Ramli, A., Fahmi, F., Darus, F., & Ismail, N. (2018). Primary drivers of sustainable performance: The case of corporate waqf. *Global Journal Al Thaqqafah*, 8(Special Issue), 207-218. <https://doi.org/10.7187/GJATSI2018-14>
- Ramli, N. M., & Muhamed, N. A. (2013, 4-5 December). *Good governance framework for corporate waqf: towards accountability enhancement*. Proceedings of World Universities' Islamic Philanthropy Conference 2013 (WUIPCON 2013), Kuala Lumpur, Malaysia.
- Rashid, S. K. (2018). Potential of waqf in contemporary world. *Journal of King Abdulaziz University: Islamic Economics*, 31(2), 53-69. <https://doi.org/10.4197/Islec.31-2.4>
- Saad, N. M., Sarif, S. M., Osman, A. Z., Hamid, Z., & Saleem, M. Y. (2017). Managing corporate waqf in Malaysia: Perspectives of selected SEDCs and SIRC. *Jurnal Syariah*, 25(1), 91-116.
- Saifuddin, F. B., Kadibi, S., Polat, R., Fidan, Y., & Kayadibi, O. (2014). The role of cash waqf in poverty alleviation: Case of Malaysia. *International Journal of Business, Economics and Law*, 4(1), 171-179.
- Shukor, S. A., Anwar, I. F., Aziz, S. A., & Sabri, H. (2017). Muslim attitude towards participation in cash waqf: Antecedents and consequences. *International Journal of Business and Society*, 18(S1), 193-204.
- Siswantoro, D., Rosdiana, H., & Fathurahman, H. (2018). Reconstructing accountability of the cash waqf (endowment) institution in Indonesia. *Managerial Finance*, 44(5), 624-644. <https://doi.org/10.1108/MF-05-2017-0188>
- Strauss, A., & Corbin, J. (1990). *Basics of qualitative research: Grounded theory procedures and techniques*. Sage Publications.
- Sukmana, R. (2020). Critical assessment of Islamic endowment funds (waqf) literature: Lesson for government and future directions. *Heliyon*, 6(10), e05074. <https://doi.org/10.1016/j.heliyon.2020.e05074>
- Thaker, M. A. B. M. T., & Pitchay, A. A. (2018). Developing waqf land through Crowdfunding-Waqf Model (CWM): The case of Malaysia. *Journal of Islamic Accounting and Business Research*, 9(3), 448-456. <https://doi.org/10.1108/JIABR-05-2016-0062>
- Toraman, C., Tuncsiper, B., & Yilmaz, S. (2007). Cash awqaf in the Ottomans as philanthropic foundations and their accounting practices. In *5th Accounting History International Conference* (pp. 9-11).
- Ubaidillah, M., Ismail, M. A., & Noor, M. (2020). The waqf integrated financial instrument of pension model in Malaysian social security: A conceptual proposition. *The Journal of Muamalat and Islamic Finance Research*, 17(1), 33-55. <https://doi.org/10.33102/jmifr.v17i1.256>
- USIM. (2021). *Mutawalli*. Centre of Waqf and Zakat Universiti Sains Islam Malaysia (USIM). Retrieved November 17, 2021, from <http://pwz.usim.edu.my/mutawalli/>
- Yaacob, H. (2013). Waqf history and legislation in Malaysia: A contemporary perspective. *Journal of Islamic and Human Advanced Research*, 3(6), 387-402.