

# *Waqf*: An Analysis of the Global Management Practices

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## Abstract

The present study is an attempt to critically review the various *Waqf* management practices in vogue in different countries of the world in order to highlight the need for an effective management of *Waqf* that can galvanize the process of development and progress across the globe. The study examines the *Waqf* management practices globally with the help of the socio-legal research methodology to delineate the methods of management. Although some studies have been conducted to understand *Waqf* management in the context of a specific country, comparisons across countries are very limited. The present research study aims to fill this gap. It draws lessons from several countries, including success stories from Malaysia, to explain the effective *Waqf* management practices. At the same time, it also sheds light on the problem of moral hazard in *Waqf* management. Our findings reveal that there is a dearth of uniform standards for an efficient *Waqf* managerial framework. Given each country's unique socio-economic and political context, countries generally employ different practices in terms of managing and developing their *Waqf*. In a nutshell, the study finds that successful *Waqf* management practices include the supportive role of the independent, authoritative *Waqf* supervisory body particularly in Kuwait, Egypt, Indonesia, and Sudan. Moreover, a strategic reform approach with appropriate regulatory policies combined with effective monitoring procedures and accountability of *Mutawallis* by addressing the moral hazard problem will provide a scenario which is conducive for effective *Waqf* management globally.

**Keywords:** *Waqf*; Awqaf; Management; Islamic Philanthropy; Moral Hazard.

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## 1. Introduction

*Waqf* (plural *Awqaf*) is explained by Islamic jurists as physically lasting and beneficial detained assets that are given in charity (Harun et al., 2012) and Muslims are able to benefit from the spiritual reward of this charity perpetually. These assets can include land, property, services and various other items. The Arabic word *Waqf* is derived from the root verb *Waqafa*, which implies initiating something to halt and become still. The word also relates to the meanings of detention or holding (Chowdhury et al., 2012). Hassan and Shahid (2010) narrate that *Waqf* is a charity where real assets are retained with the implied ownership of God while their utilization is devoted to the benefit of mankind. The proposition of *Waqf* assets is important, but to advance such a charitable institution in a world of largely rational, self-interested individuals requires significant effort and strategic management. Nevertheless, due to its characterization of being a *Sadaqah Jariyah* (ongoing charity), it has a great appeal, especially to Muslims all over the world. The Islamic Law, *Shari'ah*, has not made *Waqf* obligatory; however, it has encouraged Muslims to give *Waqf*. According to the meaning of one *Hadith* of Prophet Muhammad (peace be upon him), Abdullah bin Abu Qatadah narrated that his father said: The Messenger of Allah, peace and blessings be upon him, said, "The best of what a man leaves behind are three: a righteous child who supplicates for him, ongoing charity the reward of which reaches him, and the knowledge that is acted upon after him." (Sunan Ibn Mājah 241).

The Muslims have thus been motivated to give *Waqf* or ongoing charity particularly for essential social and economic functions and to reduce inequality, even at times when the *Waqf* institution was in decline (Zarqa, 1986). Cash *Waqf* is the chief tool in collecting *Waqf* funds. It is a product which enables individuals to donate cash without a need to have immovable assets such as land. One function of cash *Waqf* in the Islamic community is to develop infrastructure for the propagation of Islam to enable the Islamic community's development (Ahmad, 2008). With regards to land *Waqf*, it is typically employed for the building of mosques, graveyards, schools, relief centers and orphanages. Various factors impact the possible progress of a land *Waqf*, including the location of the land, land expanse, kind of *Waqf*, worth of land and the *Waqf* status (Hassan et al., 2018).

Generally, for the endowers, the motivation for making *Waqf* originates from each endower's religious conviction which promises them a continuous spiritual reward for such charitable giving (Kahf, 2010). The major objectives of *Waqf* include helping the indigent people and alleviating poverty through charitable

actions such as providing education and health facilities. . According to Ihsan (2007), historically *Waqf* had a marked role in fostering social welfare for the Muslims. Therefore, the institution of *Waqf* has tremendous potential to serve as a tool for promoting social justice and decreasing inequality in modern times (Zuki, 2012). This indicates that the benefits in the present times from enhancing the management and operation of the *Waqf* institution will also be immense and far-reaching.

*Waqf* can be classified as *Philanthropic Waqf*, for benevolent causes, *Family Waqf*, if it brings benefits to family or relatives, *Mixed Waqf*, if it is partly for philanthropic reasons and partially for family and *Religious Waqf*, if it is meant for constructing and maintaining the religious places of worship (Mohsin, 2009). There also exist some similarities between the *Waqf* and the English Charitable Trust. However, the major dissimilarity existing between an English trust and the *Waqf* is the nonexistence of the rule against perpetuities; in contrast, it is a necessity that *Waqf* have to be perpetual (Morrison, 2016). *Waqf*, as an institution, provides a perpetual framework for an innovative and community-centered financing mechanism to direct charity for religious or non-religious ends. Institutions exist in various forms in a societal setting. Frequently stirred by religions and belief systems, some institutions become acutely embedded as values associated with habituated rules and normative expectations (Kahneman, 2011). Additionally, institutions may also function in the form of networks whose rules and sanctions are formal for those belonging to them while remaining informal in the sense of not requiring public registration and working without rigid rules (Fowler and Mati, 2019). *Waqf* has evolved as a solid institution in societies influenced by Islam. It provides a foundation for people to give for several causes, while they get the rewards from this charity perpetually after their death according to Muslims' belief system. *Waqf* exists as both an informal (at the level of individuals who give charity for perpetual reward directly to the needy) as well as a formal state institution in the majority of the Islamic world. The migration of Islamic faith and the teachings of the Middle East to other parts of the world also encouraged moral rules associated with alms, *Waqf* and *Zakat* (Fowler and Mati, 2019). Thus, the institution of *Waqf* also spread to non-Islamic countries to some extent.

The prospect of 'The Gift' has contracted a huge measure of scholastic deliberation. It has been examined via an assortment of focal points including psychology, finance and anthropology. Anthropological research generally spotlights on looking at gifting economies existing inside and between networks. In his original work, Mauss (1925) depicted crude economies that relied upon

gifting. In the earlier times, there was usually a customary notion of gifting as an entrenched practice of great reciprocity in societal relationships and shared identities. The benefactor and receiver were sometimes known to each other and at other times not (Fowler and Mati, 2019). *Waqf* can thus provide and serve as a solid foundation of a ‘Gift Economy’ in Islamic societies to generate charity on a perpetual basis to uplift the community for various purposes including religious, economic, and social areas, since *Waqf* transfers wealth from private ownership to a beneficial communal shared ownership. Overall, *Waqf* can serve as an important institution to enable the socio-economic development of the Muslim world particularly in developing economies provided that it is managed successfully.

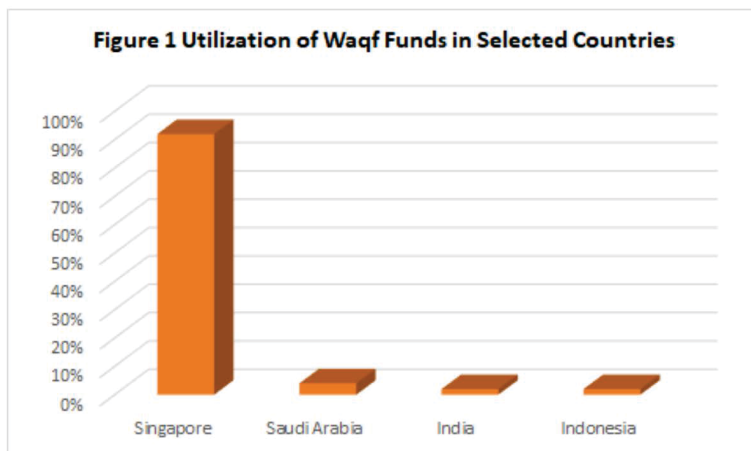
## 2. Brief Background of *Waqf*

The determinative era for Islamic charity lasted from the Prophet Muhammad’s (peace be upon him) migration to the city of Medina to the early Abbasid period. In this time period, the core part of Islamic philanthropy was formulated by the Quranic and Prophetic verdict and Islamic philanthropy began in diverse forms. Subsequent to this phase, the post-determinative period started in the initial Abbasid age (about 250/864) and concluded about the start of the rule of the Mamluk in Egypt (about 648/1250). In this timeframe, the term *Waqf* was coined in the Islamic legal jargon among the legal schools. Thus, *Waqf* adopted mosques and madrasah colleges. This period was also marked by the significant development of *Waqf* institutions in both urban and rural areas and to lead the flourishing of Islamic learning, science, and arts due to Islamic philanthropy (Abdur-Rashid, 2021). The establishment of mosques and madrasah institutions and libraries were part of *Waqf* in this era and such institutions inculcated a culture of learning across the Islamic world. Primary examples of these were the “Al-Azhar Mosque and Madrasah College in Cairo, Egypt built in 969/1562 by the Fatimid Caliph Al-Mu’izz; the Qarawiyyīn Mosque and Madrasah College in Fez, Morocco founded in 859/1455 by Fāṭimah al-Fihriyah; the Al-Andalus Mosque in Fez around the same year established by Fatima’s sister, Maryam al-Fihriyah; and the Niẓāmīyah Madrasa” (Abdur-Rashid, 2021).

The historical standing of *Waqf* in the Islamic countries can be traced back to the nineteenth century, when up to three-quarters of arable land was dedicated to *Waqf* in some areas of the Ottoman empire. Also in Algiers up to half, and in Tunis nearly one-third of the arable land was used as *Waqf* (Schoenblum, 1999). *Waqf* in some instances takes diverse names in different countries such as *Boniyad* in Iran and *Habs* in North and West Africa (Chowdhury et al., 2012).

In the period from mid-nineteenth century till the era of World War I, the institution of *Waqf* in the Muslim world, especially in the Ottoman Empire declined owing to the workings of some colonial powers. With the passage of time, the institution of *Waqf* increasingly became nationalized because the Muslim countries initiated the shift to patriotism and nationalism (Abdur-Rashid, 2021). However, over the years there has been a great decline in its significance as a tool for enhancing social welfare and justice. Ahmed et al. (2015) explain how the existing *Waqf* assets have become dormant and unproductive and have not yielded any returns in the recent past. Also, he points out that very few new *Waqf* are being established to serve societal needs.

In the current times, a vast proportion of *Waqf* assets in many Muslim majority countries are dormant and not being utilized for enhancing social welfare. For instance, according to one study, in Indonesia, *Waqf* land of nearly 1400 square kilometers exists and is valued at almost US\$ 60 billion, which could potentially be channeled towards different socio-economic development opportunities (Ahmed et al., 2015). Considering the fact that there are other forms of *Waqf* assets, the potential of utilizing *Waqf* for effective social development schemes is huge but remains untapped. Although the availability of data on the utilization of *Waqf* across countries for a large number of countries is very limited, the data available for a few countries illustrates that there is considerable under-utilization of *Waqf* as depicted in Figure 1.



Source: Authors using data from Karim (2007)

Thus, reviving and revitalizing the *Waqf* institution for promoting social justice and alleviating poverty is extremely vital. This requires modern management structures, a shift towards more productive assets, and a universal, standardized framework for implementing and defining all laws about *Waqf*.

The present study is an attempt to explore the *Waqf* management practices employed in different Islamic countries with a view to identify precise benchmarks for effective *Waqf* management so that such countries may effectively use this perpetual charitable structure to help their respective communities. Although studies have been conducted previously to analyze the management of *Waqf* in a single country at a certain time, an examination of *Waqf* management across the globe especially in developing countries is limited and this study aims to carry out such a research. It critically reviews the *Waqf* management practices across the Islamic world to highlight the crucial need to effectively utilize *Waqf* for the achievement of the socio-economic development of Islamic countries and to enhance the welfare of various segments of society.

The socio-legal research methodology has been adopted in order to delineate the methods of *Waqf* management. Socio-legal research methodology employs diverse kinds of methods in studying law and legal phenomena highlighting the theoretical debates and methods in mainstream social sciences (Banakar and Travers, 2005). In light of this socio-legal methodology, the present study applies the social and institutional framework to understand the current *Waqf* management practices in an interdisciplinary manner and to identify the best management practices for pertinent policy insights.

### 3. Literature Review of *Waqf* Management Practices in Developing Countries

In their explorative study of selected countries, Harun et al. (2012) observe a multiplicity of *Waqf* handling strategies. In Malaysia alone, the authors find a vast diversity in practices from one state to another. For Instance, share schemes, *Waqf* buildings, and learning institutes in Selangor; land *Waqf*, mosques, and schools in Perak; treatment centers and housing units in Penang, and agricultural joint ventures in Johor. However, the development of a large proportion of *Waqf* properties for social welfare purposes such as mosques and educational institutions is observed on a recurrent basis in all Malaysian states. Similarly in Kuwait, the *Awqaf* and Religious Ministry have spent their resources primarily on social development projects. At the same time, the Muslim minority country of Singapore became one of the most developed *Waqf* handling countries by developing its *Waqf* properties into real estate. On the

other hand, Indonesia channeled most of its *Waqf* funds towards physical development, including *Waqf* lands for farming activities, shop lots, factories and other activities.

Observing successful management of *Waqf* funds in the Middle East countries of Kuwait and Egypt, Khalil *et al.* (2014) attempt to identify essential management practices with intent to draw lessons for other Muslim countries, particularly Malaysia. Two critical management practices observed across these countries include the central government's involvement in *Waqf* management and the adoption of *Shariah*-compliant investment tools. In Kuwait, adoption of *Awqaf* Institution laws and the formation of the Kuwait *Awqaf* Public Foundation (KAPF) were the stepping stones for efficient management of *Waqf* funds. The relatively autonomous governmental body of KAPF has four departments under its umbrella including a legal department, an audit as well as an inspection department, a planning and technical department, and a training and development department. The KAPF, through coordination with government and non-government bodies, encourages new *Awqaf* contributions, manages *Waqf* funds, ensures careful distribution of *Waqf* revenues and also promotes *Shariah*-compliant projects spending *Waqf* funds mainly in areas of social welfare, spiritual development, scientific development and community development.

Moreover, the dual revenue sources of *Waqf* assets in Kuwait including *Waqf* contributions and investment revenues helped developing existing *Waqf* assets. Likewise, the Egyptian *Waqf* Authority under the Ministry of *Awqaf* operates as an independent legal body. The *Waqf* funds were primarily invested in the industrial sector, the agricultural sector and the financial sector; whereas, the *Waqf* revenues, mostly distributed among the beneficiaries with some reserved for investment and maintenance purposes. The authority derived the funds from dividends, share investments, and returns from industrial and agricultural investments. Besides, to enhance the efficiency and effective management of *Waqf* institutions, considerable government attention, improved coordination between different *Waqf* institutions and promotion of the knowledge of *Waqf* is required by organizing training courses (Khalil *et al.*, 2014).

More recently, in a study analysing *Waqf* experiences of selected Muslim and non-Muslim countries, Kamarubahrin and Ayedh (2018) also found *Waqf* management in Kuwait as a best practice among Muslim countries due to relatively little government intervention and the adoption of sound *Waqf* practices ensuring transparency and accountability. Additionally, Kamarubahrin and Ayedh (2018) found three main impediments to the development of *Awqaf*

institutions including a legal form of *Waqf* imposing certain restrictions, corruption in *Waqf* management, and government interference in *Waqf* management.

As endorsed by Egyptian and Kuwaiti experience, handling of *Waqf* by an independent legal entity is indeed a critically important management practice. It removes any possibility of a conflict of interest, undue interference and legal restrictions limiting an institution's scope of operation. The success of *Waqf* administration under an independent body has also been emphasized by Haneef et al. (2017) in their study on Indonesian *Waqf* development. The independent institution in Indonesia, that is, the Indonesian *Waqf* development played a vital role in exploiting Indonesia's huge *Waqf* potential. Additionally, it succeeded in establishing collaboration and significant cooperation with other interrelated institutions such as *Majelis Ulama Indonesia*, Ministry of Religious Affairs, National Land Agency, National Development Planning Agency, Central Bank and the Islamic Development Bank (IDB).

Along the same lines, Sudan witnessed the revival of its *Waqf* institution through concerted efforts of government and the Sudanese Independent Corporation. The country witnessed success in terms of maintaining and developing the old *Waqf* properties along with extending support to some of its social sectors. Together with multiple steps to stimulate development, the Sudanese government established an authoritative body the Islamic Endowment Corporation with an independent legal identity to administer *Awqaf* (mostly immovable) properties. The vast powers of the body on revenue investment, management decisions and exchange/substitution of idle *Waqf* made its supervisory role more operational. Against this background, the government measures included the reservation of certain lands as public *Waqf*, the forced return of all previously confiscated *Waqf* properties to the Islamic Endowment Corporation as well as an exemption of *Waqf* properties from all kinds of taxes, such as customs, trade duties, court duties and land registration duties. Besides this, the Islamic Endowment Corporation took several progressive measures such as the establishment of a construction company to restore old buildings and construct new properties like factories, residential buildings and water tanks. Also included were the establishment of a company to encourage public donations in the form of cash *Waqf*, and the introduction of new modes of finance (including donations and cash *Waqf*) to develop and increase the revenue generation of existing *Waqf* properties. The increased revenue, in turn, financed maintenance of the mosques, payment of managerial staff's salaries and support of other people/activities as dictated by the founders' *Waqf* deed (Mohsin, 2005).



Beyond that, an important aspect in the management of *Waqf* assets is that of the accountability of the trustee. As any *Waqf* is meant for public benefit, it is an implicit contract between the *Mutawalli* (*Waqf* trustee) and the *Waqif* (*Waqf* donor), whereby the former is morally and religiously bound to manage, operate and invest the *Waqf* as per the wishes of the latter. The scope of the *Mutawalli's* accountability is more significant including the *Waqf* board, *Waqf* employees, beneficiaries, and the community. Ensuring an appropriate accountability standard can lead to greater transparency and help improve the best practice in *Waqf* management. Plenty of available literature explores this facet of *Waqf* management and amongst these the noteworthy studies related to the adoption of successful practices in *Waqf* management are the studies conducted by Ihsan (2007), Ihsan and Ayedh (2015) and Ihsan (2017).

In this regard, Islamic accounting is considered the most appropriate whereby the financial measurement and the disclosure presentation aspects are considered critical. Moreover, Ihsan (2007) proposes charity reporting which includes fiscal accountability, process accountability, program accountability, and accountability for priorities. Likewise, to study the ways *Mutawallis* discharge their accountability, Ihsan (2007) undertook a case study analyzing accounting and management practices of two Indonesian *Waqf* institutions (Dompét Dhuafa and Badan Wakaf Universitas Islam Indonesia). Differences in levels of *Waqf* management achievement and varying levels of public accountability and transparency were attributed to the absence of *Waqf* accounting standards, and the absence of the code of good corporate governance. The Islamic dual accountability is, therefore, considered an appropriate model of accountability where an individual is answerable to God Almighty and then to all the stakeholders involved.

Consistent with the interest in *Waqf* revival and the requisite adoption of best practices and good governance, Ihsan and Ayedh (2015) further attempt to illustrate the Islamic accountability of a *Mutawalli*. Observing a lack of research in good governance, especially in non-profit and charitable sectors, the authors point out some good governance principles essentially based on the absolute oneness of God (*Tawhid*). These include *Amanah* (trust/responsibility, for example to distribute *Waqf* revenue honestly), *Adalah* (justice, such as fulfilling the rights of all stakeholders involved), *Shura* (consultation to achieve Islamic moral value in decision-making process) and *Musala'ah* (systematic review, for example, *Shariah* compliance of *Waqf* management). The framework of Islamic good governance can be raised based on these principles in the form of the institution of *Shura*, monitoring institution, and *Shariah* audit allowing the

*Mutawalli* to discharge their ‘dual accountability’. Incorporating such a framework would be a good practice as it conforms to the spirit and foundational values of the Islamic *Waqf* system that also emerges from the beliefs in *Tawhid* (Oneness of God), and absolute accountability of one’s actions and resources.

To substantiate earlier findings, Ihsan et al. (2017) adopted a case study approach to investigate the issue of accountability by analyzing the Indonesian *Waqf* institution of Dompot Dhuafa which is successfully managing various *Waqf* assets including schools, hospitals, clinics, training centers as well as certain commercial assets. Ihsan et al. (2017) find the belief in ‘dual accountability’ (to God and human beings) or ‘holistic accountability’ as being responsible for strengthening the *Mutawallis*’ perception of the importance of their accountability. Dompot Dhuafa’s upward accountability to *Waqif* (donors) manifests in its disclosure of financial and non-financial statements and fulfilling the *Waqif*’s wishes while downward accountability to beneficiaries and the general public is shown by encouraging stakeholders’ feedback, public involvement and by providing them with best services. Also, it displays self-accountability through various measures such as self-regulation, participation by getting feedback, performance assessment and disclosure statements. Islamic values are dominated in Dompot Dhuafa’s notion of accountability while the critical role of delivering those values to its staff is performed by the board of trustees (Ihsan et al., 2017). This viewpoint of accountability is a good managerial practice as it has a dual appeal to Muslims, that is, both religious and societal. Therefore, by infusing a similar accountability outlook, any *Waqf* institution can help improve its functioning, especially mellowing the problems of corruption, mishandling and misappropriation of *Waqf* assets. Additionally, adopting open accountability ensures transparency and helps to build repute to gain the public trust, and consequently attracting more *Waqf* donations.

Furthermore, Mutalib and Maamor (2016) looked into the problems faced by *Mutawallis* in Malaysia. The challenges included lack of personal experience and knowledge of the *Mutawalli* in their respective *Waqf* area, limited training and understanding of their role in managing *Waqf* property, the burden of responsibilities in managing multiple tasks, and poor implementation practices. Since *Mutawallis* are responsible for the supervision and development of *Waqf* properties, overcoming these challenges and enhancing *Mutawallis*’ skills and expertise will be a practice conducive to effective management.

Closely tied to accountability and effectiveness is the concept of efficiency. Sulaiman and Zakari (2015) investigated the efficiency and effectiveness of certain Malaysian *Waqf* institutions assuming they depended on the financial condition of the institution. This is because the efficiency and effectiveness of an organization depend on how well it can sustain its operations. By computing four ratios including the equity balance ratio, the revenue concentration index, the administrative cost ratio and the operating margin ratio, the study attempts to gauge the level of transparency and performance accountability using the financial sustainability framework of Tuckman and Chang (1991). Observing relatively high numbers of the ratios, the authors deduce that the institutions are satisfactorily efficient and effective in terms of *Waqf* management and administration (Sulaiman and Zakari, 2015). The strategy adopted here is useful to ensure successful *Waqf* management, since for *Waqf*, the corpus of the *Waqf* remains intact, and its lasting existence ultimately relies on the financial health of the institution. The framework can be employed to gauge success (in terms of efficiency and effectiveness) and performance accountability of any new managerial policy as well as giving insights on the competency of *Mutawallis*. Also, as discussed above, publicizing performance analyses and efficiency measures can help win the public trust leading to the successful operation of the *Waqf* institute.

Another salient aspect of *Waqf* handling is the basic managerial framework employed. A large number of studies have explored the management issues involved in *Waqf* administration; however, the notable ones proposing and identifying instances of successful *Waqf* management practices are by Isa et al. (2011), Hassan et al. (2018), Hassan and Shahid (2010) and Saad et al. (2013). Isa et al. (2011) undertook a comparative study to identify the various ways of managing *Waqf* properties within different Malaysian states and abroad including Brunei, Singapore, Indonesia, Bangladesh, and Kuwait. Consequent to an extensive research, the authors specify some noteworthy practices for Malaysia and other countries to follow suit. These include the practice of *Waqf* share schemes, greater role of local administrator (such as a *Qari* in a mosque) in *Waqf* development, standardized *Waqf* management framework throughout the country as opposed to varying practices in each state, an improvement in the information system and information technology (IT) facilities in handling *Waqf* management, the availability of clear information to *Mutawalli* regarding the intent of the *Waqf* land and bond production (Isa et al., 2011). Although reasonable to adopt, such proposed management practices are subject to the nature of the *Waqf* assets and the administrative environment of the country in question. Keeping in view the prevalent practices in Malaysia, these practices

appear to be relatively specific to the Malaysian context but they can be adapted for other countries according to their particular societal characteristics.

Besides, Hassan et al. (2018) offer a *Waqf* management framework by exploring *Waqf* management practices in two Malaysian states (Johor and Selangor) focusing primarily on cash and land *Waqf*. Using a qualitative approach, they identify the research management, investment management and property management, as three prime ingredients of an efficient *Waqf* management framework. The authors propose *Waqf* institutions (especially land *Waqf*) to include a special research division to propose a suitable developmental strategy for each given land, and to have an investment management unit so that managers can make informed decisions from all the available investment choices. Lastly, they propose to have a *Waqf* property development unit that can keep the managers updated with the different *Waqf* products (cash *Waqf*, educational *Waqf*, land *Waqf*, health or social development *Waqf*) to facilitate selection of the most appropriate *Waqf* kind beneficial to local stakeholders. Besides, the authors also consider management of manpower, marketing, administration, information, and finance as important contributors to the efficient management of *Waqf* assets. Despite its limited scope, the managerial recommendations posited are good enough to be adopted by any given *Waqf* institution since the success of an activity or organisation in any given domain heavily relies on the mode of its administration.

While observing the collapse of *Waqf* institutions due to mismanagement and lack of political will, integrity, and honesty, Hassan and Shahid (2010) propose the need to introduce ‘stakeholders’ principles in the body of the *Waqf* institutions and to professionally manage *Waqf* assets within a modern administrative framework following the foundational Islamic principles. Hassan and Shahid (2010) propose that the *Waqf* institutions could act as a non-governmental organization (NGO) exercising Islamic business management ethics. Islamic *Waqf* closely resembles a business corporation in terms of its unlimited lifespan. The stakeholder theory applied in the *Waqf* context therefore implies the establishment of any *Waqf* property/asset as an implicit social contract between all involved parties where responsibility of each stakeholder is based on the values of equity, trust (*Amanah*), benevolence and excellence (*Ihsan*), and responsibility for creating social profit and fairly distributing it. The theory also helps resolve the ‘responsibility dilemma’ of *Waqf*. The study further proposes to use cash *Waqf* fund and *Musharakah Sukuk* (Islamic bond) to finance the development of neglected *Waqf* properties and increase their productivity. Incorporating such modern managerial

practices can, in effect, revive this age-old institute into a welfare body supporting democracy and good governance and providing a buffer mechanism for the society's underprivileged segments.

Another approach to *Waqf* management with instances of successful execution is that of corporate *Waqf* whereby income is generated in the form of cash *Waqf*, *Waqf* share, and other asset investment methods (Ibrahim and Ibrahim, 2013). Corporate *Waqf* stands on the idea of combining business and corporate efforts with the concept of *Waqf*, in turn benefiting society. Saad et al. (2013) examine corporate management strategies of two Malaysian entities (*Waqf* An-Nur Corporation and International Islamic University Malaysia (IIUM) Endowment Fund) and one Singaporean corporate *Waqf* institution (Majlis Ugama Islam Singapura). For instance, Jofor Islamic Religious Council appointed WANCorp as a special *Mutawalli* to manage shares and assets of JCorp and transferred them as *Waqf* assets. The WANCorp, in turn, made contributions including health services, *Waqf* clinics, schools, mosque management, and development of *Waqf* land. Despite their different corporate models, the authors find that all three corporate entities while experimenting with new ways of managing and investing *Waqf* assets have opened new avenues for improvement for *Waqf* institutions thereby increasing gains for society at large. Such an approach appears good enough to be encouraged among corporate sectors of the contemporary world. It offers hope to resolve *Waqf* management issues such as managerial flaws, *Mutawalli* accountability, negligence, and inefficiencies.

In addition to that, a novel but a successful approach of *Waqf* collection is observed by a Malaysian insurance company. The 'Syarikat Takaful Malaysia Berhad' insurance company under the supervision of the Shari'ah Supervisory Council has been operating the 'Takaful *Waqf* Plan' making *Waqf* contributions to orphanages, mosques, and education funds. The participant and Takaful Malaysia enter into a *Mudarabah Mutlaqah* relationship, and the investment profits are divided among the two according to an agreed ratio. The framework also employs a combination of Islamic principles of *Mudarabah*, *Tabarru*, and *Wakalah*. The program has been successful in terms of attracting young, middle-income individuals to make *Waqf* contributions, benefiting all stakeholders (company, participant and recipient) (Hashim, 2007). It is a good practice in the sense that it allows young and financially conservative people to participate in *Waqf* charity rather than reserving charity as an exclusive privilege of the rich and old leading to an overall increase in the *Waqf* collection as well as total societal welfare. Also, the plan is relatively easy to

replicate/implement in any country through collecting and investing installments.

Furthermore, some interesting literature regarding successful approaches to the sources of *Waqf* fund collection and instruments of investment can be found in the studies of Razak et al. (2016) and Hasan and Abdullah (2008). The former discusses the successful collection of *Waqf* funds for higher education in selected countries (Malaysia, Indonesia, Turkey, and United Kingdom) through multiple sources including cash *Waqf* funds generated from business activity, government allocations, and alumni of the educational institutes. The latter work points out the successful investment instruments of land *Waqf* in Malaysia. These include the debt-based instrument, equity-based instruments, self-finance instruments and Islamic securities instruments. The positive development is further aided by the support infrastructure comprising a clear legislative framework regarding *Waqf* administration, implementation of a strong information technology system as well as a manual for management of *Waqf* land and oversight by the Fatwa Committee. Tapping into multiple sources of fund collection is a good practice as it provides various avenues for collection increasing the overall availability of funds for financing projects. Likewise, adopting different investment instruments for managing land *Waqf* can also qualify as a good practice given that other administrative issues, legal loopholes, and lack of finances are addressed as a foremost priority.

#### 4. Effective *Waqf* Management by Solving the Moral Hazard Problem

The concept of moral hazard has been applied in different areas of Islamic economics and finance such as in Islamic profit-loss sharing contracts and private equity (Yousfi and Hassan, 2014). As discussed in the previous section, *Waqf* management poses significant challenges in terms of accountability of the *Mutawallis*. This can also be classified as the problem of asymmetric information in particular moral hazard. In simple words, a moral hazard results when one party has more information as compared to another party leaving the party with more information to exert less effort or motivation to do something. Some initial literature on the theory of moral hazard exists in research conducted by Pauly (1974) and Shavell (1979). In the context of *Waqf* management, moral hazard may be understood with the help of the Principal-Agent Theory. An assessment of public accountability entails a description of who is (or is required to be) answerable to whom. This is a central component of the principal-agent framework. In principal-agent frameworks, an actor (or group of actors) known as the agent commences an action for another actor (or

group of actors) known as the principal. The principal is able to take decisions which influence the incentives of the agent to undertake any of its different likely actions. This procedure of constructing incentives for the agent is the primary motive of the principal agent theory. The choices made by the principal that alter the agent's motivations to undertake diverse actions formulate a contract in the principal-agent theoretical framework (Gailmard, 2014).

There exists a vital difference in the kinds of principal-agent models such as between those concerned with moral hazard or hidden actions, and those concerned with adverse selection or hidden information. In issues pertaining to moral hazard, the agent takes one of the several possible actions that affect the principal's utility. The principal and agent possess varied preference sets for the possible activities the agent can undertake, and the principal cannot directly control the agent's action. Though, to make the problem intriguing, the principal detects some information affected by or related with the agent's action, and provides a reward or punishment (such as, a bonus payment) on the basis of that knowledge (Gailmard, 2014).

As discussed above in this study, the principal is the *Waqif* (the *Waqf* endower) and the agent is the *Mutawwali* (the manager of the *Waqf* funds or assets). The *Mutawwali's* actions are not always aligned with the objective of the *Waqif* and the *Mutawwali* has an incentive to exert less effort sometimes in managing the *Waqf* funds or to mismanage them for personal gain. Hence in order to incentivize the *Mutawwali*, it is important to give certain incentives and reduce this problem of moral hazard. To align the interests of the *Waqif* and *Mutawwali*, it is important for the *Mutawwali* to be accountable to an independent *Waqf* board and report to them on a frequent basis. The *Mutawallis* are already provided a handsome salary in some cases, and with the additional monitoring, they would be able to perform their duties without any chances of corruption which has been detected in a few societies in the recent past. Given this context, Malaysia is an example of an economy where many *Waqf* institutions have been successfully managed (Hashim, 2007). Simultaneously, Singapore is an example of another success story for *Waqf* management (Isa et al., 2011). Other countries, not just in Asia but also in other parts of the world may learn from such success stories to eliminate the problem of moral hazard in *Waqf* management.

## 5. Concluding Remarks: Lessons for the Future

*Waqf* has a long tradition of offering social welfare and human security services

in multiple domains including education, health, urban utilities, infrastructure, and community development. Therefore, there has been extensive research pursued in this area. However, the majority of the research deals with the challenges faced by the *Waqf* institute in realizing the full potential and proposals to overcome those impediments. At the same time, literature regarding instances of successful *Waqf* management remains limited. This review, therefore, examined the successful *Waqf* management practices in some of the Muslim countries.

As discussed above, no set standards of the *Waqf* managerial framework exist and given their unique socioeconomic and political context, countries generally employ different practices in terms of managing, sustaining, and developing their *Awqaf* assets. However, often some similar or closely related practices achieve success in multiple countries. The specific management practices have succeeded in particular countries as observed above due to several regional and time-specific factors. Overall, as noted in different studies, these included the simultaneous supportive role of an independent, authoritative *Waqf* supervisory body (as opposed to direct government control), especially in Kuwait, Egypt, Indonesia and Sudan. Also, multiple sources of *Waqf* funds, careful investment in diverse areas, and an efficient utilization and distribution of *Waqf* revenues were important contributing factors. Also, a strategic reform approach with appropriate regulatory policies, together with active monitoring and administrative procedures, provided a conducive scenario. Addressing accountability concerns through open accounting procedures ensuring transparency helped build public repute which, in turn, revived public interest and led to increased *Waqf* donations. Moreover, countries expanded their area of *Waqf* activities beyond the traditional spending in religious areas. Moreover, the adoption of *Shari'ah* compliant practices and procedures built on Islamic principles further paved the way for successful development and management of *Waqf*. Additionally, aligning the incentives of the *Mutawalis* with the donors and reducing moral hazard has proven to be a key successful feature of *Waqf* management.

Although various country-specific factors determine the fate of their *Waqf* organisation; however, one of the key elements in the success and progress of any given *Waqf* institute is its religious appeal to the Muslims. Since Islam lays great emphasis on performing good deeds and helping the poor and needy, the system of *Waqf* being a recurring charity holds special regard for every Muslim in terms of attaining *Taqwa* (piety) and *Thawab* (reward in the Hereafter). Moreover, unlike any conventional institute, most *Waqf* institutes can (and did)



survive even with minimum external supervision relying largely on trust and self-regulatory mechanisms. This is because accountability is also a central theme in Islam, and perhaps the inbuilt notion of being ultimately answerable for all our deeds acts as a deterrent for most Muslims to cross a certain moral threshold. Hence, there always remains a supportive layer for perpetual charity like *Waqf* maintaining its survival however weak the *Waqf* institution may have become in the recent past. Also, the practices that emerged successful as observed above were mindful in that they catered to the then current needs of the respective country complementing their existing *Waqf* policies. Further, the success resulted from the concerted efforts of all stakeholders involved, and with the administrations' keen interest and commitment towards reviving its *Waqf* institution. Lastly, the integration of modern, innovative strategies with traditional *Waqf* system provides a breakthrough in the quest for revival of *Waqf* in the present times. Instances of these success stories include innovative ways of finance in Sudan, corporate *Waqf* experiences in Malaysia and Singapore, a collection of *Waqf* by a Malaysian insurance company, tapping multiple sources for fund collection to finance higher education in Malaysia, Indonesia, Turkey and UK, and adopting varying modes of investment instruments in Malaysia for managing land *Waqf*.

The institution of Muslim endowments or *Waqf* in India also possesses a long history. *Waqf* in India is believed to be as old a phenomenon as Islam itself in the country. The majority of *Waqf* in India were created in the pre-colonial periods. Presently, the *Waqf* institution possesses an enormous amount of financial resources, and the role of this institution can be very important in reducing poverty particularly for the Muslim community. Ironically, a large proportion of *Waqf* lies dormant in countries such as India and Pakistan that top the lists of world poverty rankings. This is due to poor management practices which are depriving these countries of the potential benefits of the *Waqf* system in tackling poverty. However, one limitation of the research is the unavailability of management data for each *Waqf* institution in different countries. Once such data becomes available, more significant insights can be obtained for effective management of *Waqf*. While countries such as Malaysia, Indonesia, and Singapore have developed successful management frameworks for effective utilization of *Waqf*, other Muslim countries have not been able to replicate their success. It is imperative to have a proper management framework in place for effective and efficient utilization of *Waqf* as a vehicle for combating poverty and paving way for sustainable development through social justice and greater financial inclusion especially for women.

There needs to be an effort to shift the nature of *Waqf* used in Muslim countries and diversify from simply religious *Waqf* to include more productive assets for example business centers, transportation centers, commercial buildings, and educational institutions. There is a need for a comprehensive definition, standardization, and streamlining of *Waqf* laws to manage funds effectively. Finally, it is recommended that *Waqf* laws should ensure inclusiveness so that even minority communities (non-Muslims) should also be eligible to benefit as this would truly ensure social justice for all. To re-emphasize, all these objectives would require dedicated management of *Waqf* especially across the developing world to achieve poverty reduction and socio-economic progress. In conclusion, the existence of a comprehensive and robust governance and regulatory framework is critical for successful utilization of *Waqf*.

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