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HIGHER EDUCATION WAQF GOVERNANCE AT MALAYSIAN PUBLIC UNIVERSITIES: AN EXPLORATORY STUDY

Hisham Yaacob[1*]
Sharifah Nurzehan Syed Yusuf[2]
Intan Salwani Mohamed[3]

[1] Dept. of Accounting, College of Business and Economics, United Arab Emirates University, Al Ain, United Arab Emirates (E-mail: hisham.yaacob@uaeu.ac.ae)
[2] Accounting Research Institute, Universiti Teknologi MARA, Shah Alam, Malaysia (E-mail: shari893@uitm.edu.my)
[3] Faculty of Accountancy, Universiti Teknologi MARA Cawangan Selangor, Kampus Puncak Alam, Selangor, Malaysia (E-mail: intan838@uitm.edu.my
*Corresponding author: hisham.yaacob@uaeu.ac.ae

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Abstract*:* *The reduction in government funding for public education in Malaysia has led public universities to find alternative resources. Therefore, waqf (Islamic endowment) is proposed as one of the possible solutions. Waqf is interesting because the accountability system is different as it has triple accountability: upward accountability to God, lateral accountability, and downward accountability to beneficiaries and donors as well as other stakeholders. The objective of this study is to examine the higher education waqf governance practices at Malaysian public universities. This study is interpretive and applies the qualitative approach of grounded theory methods. A total of five interviews were completed for the exploratory study. The study used the purposive and theoretical sampling methods to select the sample. The study found the Malaysian Ministry of Higher Education prescribes three governance models and all three universities in the sample adopted the third model of shared governance with the State Islamic Religious Council. One important point voiced by a few respondents is that some improvements are needed in the governance structure to enhance the higher education waqf accountability and sustainability. The study is among the pioneer to examine the higher education waqf governance at Malaysian public universities using the grounded theory methods to understand the governance practices.*

Keywords*: education waqf, grounded theory, public universities, waqf governance*

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Introduction

The budget cut in government funding for Malaysian public higher education institutions (public universities) over the last five years has prompted public universities to find alternative resources (MOHE Malaysia, 2016). Therefore, waqf (Islamic endowment) is suggested as one of the possible solutions. The decrease in government grants has stunted the growth and development of the public universities in Malaysia (Nik Ahmad et al., 2019). Fewer scholarships for deserving students, less research funding, and fewer grants for students. So, the universities' waqf governance is very important to ensure trust and continuous contribution to the waqf funds. Effective governance should help the sustainability of the higher education waqf funds (Amezzian, 2024).

Waqf and endowments have attracted much attention in recent years (Yaacob et al, 2015; Nahar & Yaacob, 2023). There are centuries of records on the proven benefits of these organizations (Nahar & Yaacob, 2011; Shatzmiller, 1991). They provide public goods such as education, social welfare, health facilities, foreign aid, and medical research, thereby relieving the pressure on the government (Yaacob, 2013). This reduces the pressure on the government to find more revenue for fiscal expenditure (Yaacob, 2006, Yaacob et al., 2024), even though the aim of such organizations is non-profit (Dellaportas et al., 2012). In the UK, the estimated revenue of this sector is about £ 80 billion (Hyndman & McKillop, 2018), which has greatly helped the society and community in the UK and abroad.

Waqf institutions and managers should be highly accountable compared to other Islamic institutions because they carry the important *amanah* (trust) to collect and distribute waqf funds (Yaacob, 2006). Nahar & Yaacob (2011) and Yaacob et al. (2015) emphasize dual-accountability where accountability is not only to people but ultimately towards Allah, as accountability in Islam is transcendental; all Muslims are accountable for their actions and omissions in this world to achieve al *Falah* (success) in the hereafter (Abdul Rahman & Goddard, 1998). Waqf authorities need strategic and comprehensive training and planning to maximize available resources. And thus, secure the waqf funds. Based on the above, the study argues that good governance and management are essential to ensure the sustainability of waqf funds, to fulfil waqf's desire, and more importantly to ensure that the beneficiaries receive the intended benefits (Awaluddin et al., 2018).

Shatzmiller (2001) notes that despite the increasing interest in the waqf, most of the studies are conducted on legal and administrative issues. Yaacob (2006) conducted a study on a state-owned Islamic religious institution that manages the awqaf in Malaysia and found that the management and investment of awqaf assets and funds are not properly and systematically documented and accounted for. In addition, Nahar & Yaacob (2011) and Yaacob (2006) found that the distributions of awqaf institutions are very small compared to the amounts collected or received by them. Their study uses return on investment (ROI) to measure efficiency. Only Yaacob et al. (2015) find good and systematic financial management and accounting of awqaf assets managed by the Singapore Awqaf Board. The Awqaf Board has a comprehensive policy for management, accounting, and reporting. The awqaf assets also earn a favourable return to ensure their sustainability (Yaacob & Nahar, 2017). This study is important because it has successfully examined how institutions manage their collection and distribution of waqf assets. The awareness that they are responsible for managing these waqf assets is commendable. However, the study is only based on a single case, thus, generalizability is very limited.

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Therefore, this study aims to arouse interest and contribute to the body of knowledge on higher education waqf governance at public universities in the Malaysian context. Education has a great impact on countries and nation growth and development. The study believes that it is very important to research this topic. The research question for the study is, 'How the higher education waqf at Malaysian public universities are governed?' Hence, the objective of the study is to examine the current higher education waqf governance practices at Malaysian public universities.

This paper is organized as follows. The next section presented the literature review followed by research methodology. Next, the results and discussion sections. The conclusion is presented in the last section.

Literature Review

Governance (Latin: *gubernare*) means 'to direct or guide' and is derived from the Greek word '*kybernan*' which means 'to steer or guide a ship'. Governance can be defined as the process of controlling, directing, and regulating organizations, especially companies where shareholders, as the main stakeholders, have some financial interest in the company, which is managed by a set of managers (Yaacob & Basiuni, 2014). For charities, corporate governance is equally important as it determines the successful fulfilment of the charity's mission and vision as it depends on the resources of donors or contributors and even governments.

Literature on corporate governance is abundance and there are many cases of corporate mismanagement and fraud (Cao and Zhang, 2013; Ebrahim, 2005; Yaacob & Basiuni, 2014), but there is a lack of interest and studies on non-profit organizations, especially charities and faith-based institutions. This is not to say that the management of charities is insignificant, but the extent of fraud and mismanagement of resources in nonprofit organizations, especially charities, due to misappropriation and mismanagement of funds is not as great as in corporations (Yasmin et al., 2013). The managers of non-profit organizations also have incentives to manipulate financial reports (Trussel, 2003).

Nevertheless, any scandal can have a great impact on the charity to get more donations, such as the Red Cross in Shanghai, China (Cao & Zhang, 2013). Yasmin et. al. (2013) reported that in the UK, more than 30% of charities were investigated for poor governance and financial practices. Regrettably, Islamic charities accounted for 11% of all actions. The government needs to ensure that charities are properly managed and meet their objectives as most funding for charities comes from public donations (Vamstad & von Essen, 2012). The government provides significant funding for many charities, which is another reason they monitor the charity sector (Tacon et al., 2017).

Therefore, good governance is required as a basis for effective and efficient management to ensure that charities meet the legitimate expectations of their key stakeholders without neglecting other stakeholders (Wellen & Jegers, 2014). Furthermore, in the UK and the United States, several organizations maintain databases of charities to help donors make an informed decision about which charity to donate to (Connoly & Dhanani, 2013), for example, Charity Navigator (http://www.charitynavigator.org/). In the case of the waqf, this is still lacking as even the annual reports are outdated and waqf institutions or managers rarely evaluate themselves and publish the results (Siti-Rokyah, 2004; Kamaruddin et al., 2024).

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Governance in charities can be divided into internal and external mechanisms. The internal governance mechanism would be a board of trustees that includes some internal committees, such as the remuneration committee and internal audit (Hyndman, 1990). The external governance tools include accounting standards, financial transparency (Lecy & Searing, 2015), reporting requirements, government regulations, and external auditors (Hyndman, 1990). The study argues that good governance is important in gaining a positive reputation as it attracts potential donors and contributors.

Hyndman (1990) argues that the role of governance in charities is essential to determine accountability, how it is exercised and what information is produced, shared or communicated. All of this must be communicated to stakeholders, especially donors, as they are the most important external stakeholders (Chen, 2012). In addition, charities reduce conflict with donors by limiting their ability to divert funds to their members or officers and focusing more on their charitable activities. Charities have taken the form to reduce transaction costs and make them economically efficient compared to business entities (Connoly & Hyndman, 2004).

Poor governance of charities and especially waqf undermines trust and thus affects giving and activities if they cannot raise adequate funds (Cao & Zhang, 2013; Lecy & Searing, 2015). Donors' or contributors' perceptions are important. If they feel that the government is effectively monitoring charities, the potential for donations will increase. This increases confidence that their money is going to charitable causes. Although the non-profit form provides security to potential donors, stakeholders demand good governance and accountability increase when large numbers of funds are involved (Dellaportas et al., 2012).

In this ayat, the Qur'an particularly emphasizes the virtues of giving. In the following ayat from Aal-i-Imraan (3:92), Allah elevates the status of a person who gives to others and gives him high recognition:

لَنْ تَنَالُوا الْبِرَّ حَتَّىٰ تُنْفِقُوا مِمَّا تُحِبُّونَ ۚ وَمَا تُنْفِقُوا مِنْ شَيْءٍ فَإِنَّ اللَّهَ بِهِ عَلِيم

> (You will not attain righteousness unless you give of that which you love; and whatever you give, Allah knows it well).

Good waqf governance improves accountability (Awalludin et al., 2018). Islam encourages Muslims to engage and help each other to create a 'check and balance' process rather than blindly trusting the annual reports of the Awqaf trustees (Yasmin *et al.*, 2013). Thus, this study moves away from conventional governance research based on quantitative analysis of cross-sectional data (Tacon *et al*., 2017). The waqf is unique in that it has a threefold dimension of accountability compared to other types of non-profit organizations. There is upward accountability to God, lateral accountability to relevant authorities, staff, and communities, and downward accountability to beneficiaries. We argue that good governance is essential for compliance with the accountability framework (Tacon *et al*., 2017).

Methods

Qualitative research is concerned with 'verstehen' (understanding) the social phenomenon from the actors' perspective through observation and (non)participation in the life of those actors (Abdul-Rahman & Goddard, 1998; Taylor & Bogdan, 1984). Hence, the qualitative researcher is immersed in the phenomenon of interest that they studied as they are embedded in the real-life settings. Yin (1994) outlines some characteristics of qualitative research where the method

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tends to answer the how and the why; the researcher cannot manipulate the behavior of those involved in the study; it covers contextual conditions and believes it is relevant, and the boundaries are not clear between phenomenon and context.

Qualitative research focuses on context and thus it is interpretive (Marshall & Rossman, 2006). Grounded theory study takes place in the natural world (real-world setting) that the aim is to have a detailed understanding of people 's perceptions and comprehension of the real world through their personal experiences (Urquhart, 2023). This is impossible to achieve by using statistical analyses and models as a human is a unique and subjective creature, full of abstract, and concepts (Taylor & Bogdan, 1984).

The study adopted the Straussian grounded theory methodology, as this is the most suitable method to answer the research question and achieve the research objective. This method enables the discovery of theories from social construction (Corbin & Strauss, 2015). The two philosophical underpinnings of this grounded theory are interpretivism and pragmatism which guide the researcher on how to pursue the method. Pragmatism entails that humans select actions based on the context (Aldiabat & Navenec, 2018).

Data Collection and Analysis

Since there exists no specific method of collecting data suitable for all research methods (Fink, 1998; Yin, 1994), the best strategy, therefore, is to suit the methods with the research questions and objectives. As mentioned earlier, the qualitative approach involved collecting data in the field or setting (Ahrens & Chapman, 2006). The study applied the purposive and theoretical sampling to select the respondents. Purposive sampling is a non-random sampling that enable respondents with certain knowledge or perspective on the studied phenomenon chosen as interview samples (Robinson, 2014). The emerging concepts (codes) and categories in the previous interview determine the next respondents in theoretical sampling (Alammar et al., 2019). Accordingly, the study used semi-structured and in-depth interviews, and document analysis for the data collection (Ahrens & Chapman, 2006; Chen, 2012; Leonard & McAdam, 2000).

Interviews are conducted at the interviewees' premises after confirmation of the appointment is secured. Each interview is recorded on tape and written notes are taken during the interview for future reference and reflections (Qu & Dumay, 2011). The interviews are later transcribed and coded using NVIVO software. The transcript was coded after each interview and constantly compared. The coding is a data analysis process where concepts were identified from the interview transcript, and they are grouped to become a theme or category (Corbin & Strauss, 2015) to transform them into findings. This explanation can be theoretical or interpretive (Boeije, 2010). The semi-structured interview is employed as the researcher has some prepared questions based on identified themes and it is flexible and capable of soliciting hidden information (Qu & Dumay, 2011). However, Qu and Dumay suggest that the information should not be used to harm the interviewees as one of the most important relationship-based ethical rules (Corbin & Strauss, 2015).

The combined data formed a 'reservoir of materials of a social situation (Irvine & Gaffikin, 2006). An electronic recording is used to record interviews, and the transcriptions are kept in separate electronic data storage for future reference or scrutiny. This will help to reduce the risks of error or any misinterpretation of the conversation, as it needs to be referred to more than once (Leonard & McAdam, 2000). Moreover, interviews enable substantial data collection

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at a minimum time. This allows the researcher to do follow-up procedures for any clarification on uncertain matters (Marshall & Rossman, 2006).

The audio files are uploaded into an electronic storage system to create a database. The transcriptions are kept in soft copies for future reference and hard copies for analysis and verification. Each hardcopy is labelled with all the details such as the date of the interview, the time taken for the interview, and the venue. Memos and field notes are recorded in a special journal throughout the study (Figure 1). The data are then analyzed to get the concepts and themes (Irvine & Gaffikin, 2006). The study uses NVivo to aid the data analysis. On the other hand, it is important to note that the data analysis is conducted as soon as each interview was transcribed and the coding were constantly compared (Corbin & Strauss, 2015). Irvine & Gaffikin (2006) argue that this will help the researcher to shape and understand the study as it progresses.

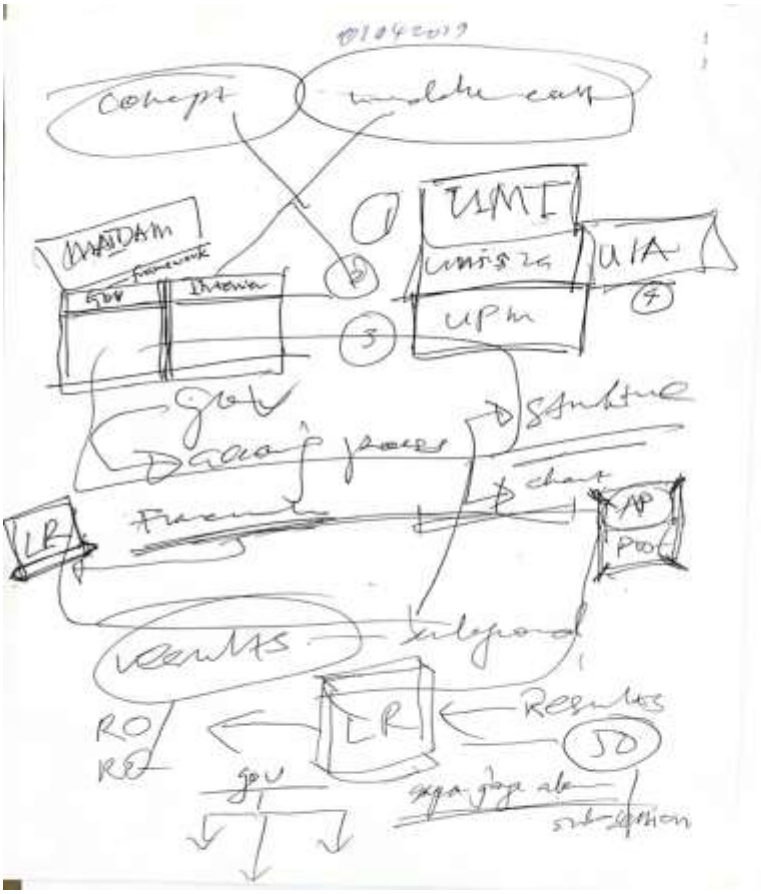

Figure 1: Sample memo
Source: author

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Findings and Discussion

Table 1: Demographic

Interview	Organization	Age	Gender	Location	Position	Qualification
Int01	UMT	30-40	Male	Terengganu	Director	PhD
Int02	UMT	40-50	Female	Terengganu	Deputy Bursar	Bachelor
Int03	UNZ	40-50	Male	Terengganu	Director	PhD
Int04	MDM	30-40	Male	Terengganu	Religious Officer	Master
Int05	UMP	30-40	Male	Pahang	Manager	Master

Source: NVIVO

The interviews followed a broad theme with questioning and probing used to interview respondents from the UMT located at Kuala Terengganu, Terengganu. Terengganu is one of the states on the east coast of Peninsular Malaysia. The director of the Islamic Centre is the first interviewee. He is very cooperative and honest in his opinion. The interview was attended by another two colleagues from the faculty of business of the university. The Islamic Center is the secretariat for the Waqf Ilmu UMT. The second interview was with the Deputy Bursar, Puan F. in her office at the Bursar building. The next interview was with the director of the waqf and zakat center at the faculty of business building at the UNISZA also located in Kuala Terengganu, Terengganu. The fourth interview was with the manager of Mygift UMP which oversees the waqf funds. UMPSA is in the state of Pahang, Malaysia. The fifth interview was with the Religious Officer at the state religious council of Terengganu, the MAIDAM, the interview was conducted at his office at the MAIDAM Building located in the city center of Kuala Terengganu, Terengganu. Four of the interviewees are male and one is female. Two hold a Ph.D., two master's degrees and one bachelor's degree. Their age ranges from thirty to fifty years old. All interviews were conducted face-to-face, and the interview times were between forty minutes to one hour and thirty minutes.

The three universities are on the east coast of Peninsular Malaysia. All of them were colleges before and were upgraded into a full-fledged university. The Universiti Malaysia Terengganu (UMT) was the Kolej Universiti Sains dan Teknologi Malaysia, The University Sultan Zainal Abidin was the Kolej Ugama Sultan Zainal Abidin, and the Universiti Malaysia Pahang was the Kolej Universiti Kejuruteraan dan Teknologi Malaysia. The state religious council interviewed is the MAIDAM.

The exploratory study only utilized the initial or open coding, and the axial coding, it has not undergone the selective coding process yet as it is still in exploratory stage. The initial coding results in 44 open codes from the five interviews. Among the main codes were governance structure; competency and good governance; governance model; and governance status.

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Table 2: Initial Codes

	alternative to waqf,	Challenges and target,
collective efforts on waqf,	competency and good governance,	diplomacy strategy,
early history of waqf in Terengganu,	experiences,	formation,
Fund management,	future aspiration,	Governance status,
Governance structure,	Governance model,	history UMP,
inculcate benevolent culture,	internal control,	Investment procedures,
Issues in waqf education,	issues with the tax authority,	land issues,
legislation and acts,	mission and vision,	misunderstanding on waqf concepts,
networking,	perseverance,	proactive leadership,
public trust,	public waqf awareness,	responsibility,
source of waqf fund,	State Religious Council,	tax rebate,
teamwork in managing waqf,	venturing into waqf,	waqf accountability,
waqf development and financing,	waqf expenses,	waqf fund distribution,
waqf investments,	waqf management,	waqf marketing,
waqf reporting,	waqf stakeholder,	waqf zuriyyat,

Source: NVIVO

Governance Structure

The Ministry of Education concerning the Purple Book they have published a framework for the waqf initiatives and prescribed the governance structure of the education waqf. There are three governance models. The first model includes the waqf under the management of the university board without any direct relationship with the state Islamic religious council.

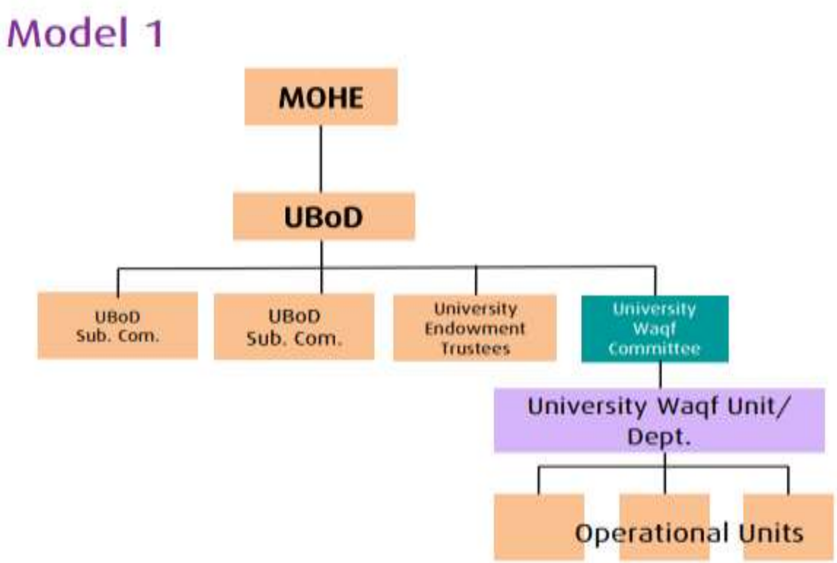

Figure 2: Governance Model 1
Source: MOHE Malaysia, 2016

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Under this model, the university that has been awarded the administrator status sets up a unit or department within the university itself. In addition, a University Waqf Committee is set up under the University Board of Directors (UBoD) as one of the board committees. All decisions on waqf programs and activities are made upon approval by university management. All accounts and financial management of waqf are under the jurisdiction of the university management (MOHE Malaysia, 2016).

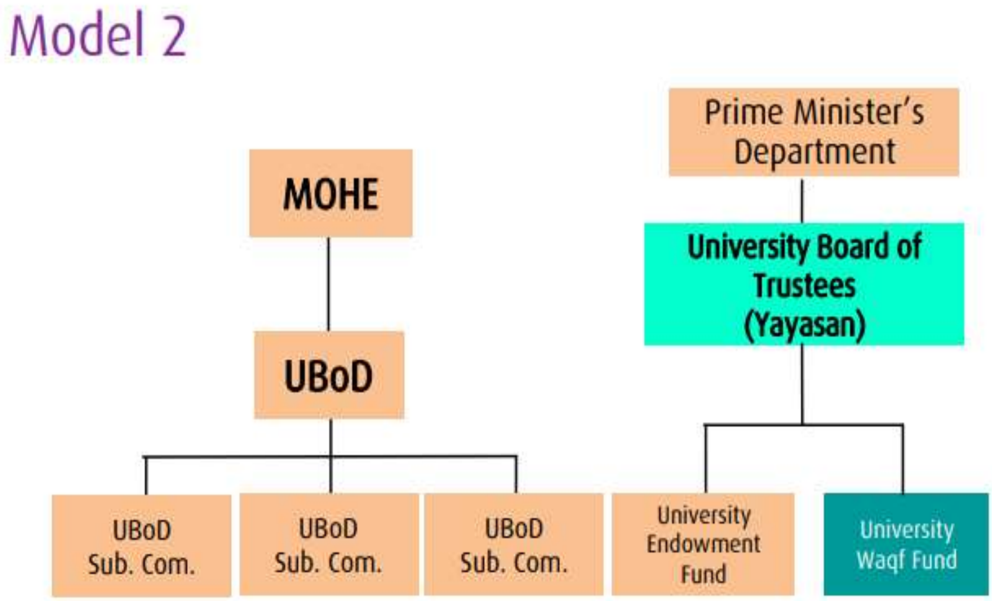

Figure 3: Governance Model 2
Source: MOHE Malaysia, 2016

Under the second model, the university sets up a waqf office under the University Board of Trustees. The University Waqf Fund is under the Board of Trustees as a project under the University Foundation (Yayasan) and will have a separate account and financial management. All decisions on waqf programs and activities are conducted upon approval by the University Board of Trustees (MOHE Malaysia, 2016).

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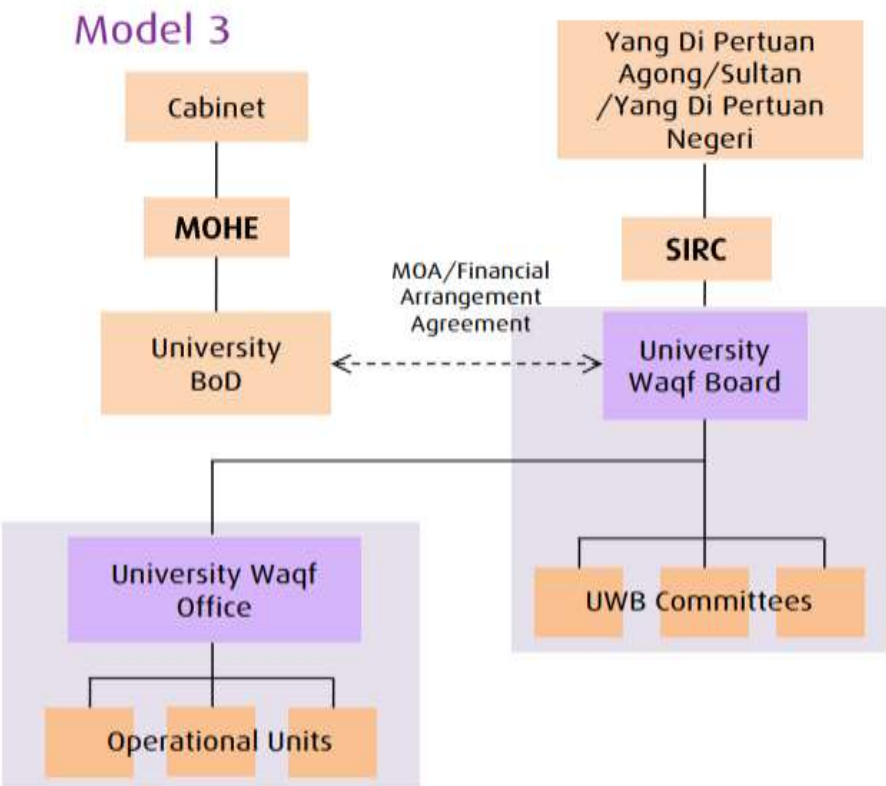

Figure 4: Governance Model 3
Source: MOHE Malaysia, 2016

In Model 3, the university established a University Waqf Board (UWB) as a separate and independent entity. Collaboration and coordination, as well as roles and responsibilities of the UWB, are spelled out in a written agreement or Waqf Deeds. UWB members comprise representatives from both the University and state religious councils (MOHE Malaysia, 2016). This is confirmed by *Ustaz* R. from MAIDAM in the interview. The study found some issues to highlight in terms of getting the approval to set up the education waqf. UMT has taken a few years to get the approval to set up the education waqf. They had several meetings with the state religious council (MAIDAM) and were finally approved in early 2018. They started the initiative in 2012. Quotation from Dr. R.:

> *"In the enactment, only the state religious council is allowed to manage waqf, we finally got the approval on 28 March 2018 to officially open the UMT Education Waqf Fund (Dalam enakmen dia tulih hanya dia saja yang buleh, so selepas tu kita pada akhirnya pada 28 March 2018, tahun lepas baru kita dapat mou dengan pihak Maidam dan kelulusan untuk pembukaan Tabung Waqaf Ilmu UMT)".*

UNISZA, however, played a different ball game as mentioned by the Director of the waqf. Quotation from Dr. A. on the strategy:

> "*We prepare the waqf paper and called MAIDAM for consultation, and we invite them to give us input and the venue is at the hotel, then MAIDAM will tell us what to include and what to exclude in the proposal paper… (kita buat paper kita*

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panggillah dulu MAIDAM untuk beri input, buat di tempat2, kita buat di hotel, hahaha ya berilah input, dia kata ooo yang ni kita buang, ha yang ni kita tambah…)

They have a good strategy as mentioned by the director, first, they invited MAIDAM to a briefing session and after that, a follow-up session to get the feedback and they got the approval just in about two years' time. Meanwhile, UMP has a very good political connection with the state religious council. It seems that political connection does pay its due. The chancellor is from the royal family, and the state religious council is under the royal family. So, they have had the least problem, furthermore, the MAIP gave them the power to manage the funds themselves albeit it is just by the project. This gives a lot of managerial efficiency in terms of funds allocation and usage.

The study inferred that the relationship with the State Islamic Religious Council, especially power and the political connection is very important to the universities to manage their waqf effectively and efficiently. This is evidenced in the case of UMPSA where the head of the state religious council is also the chancellor of UMPSA. UMPSA is in an advantageous position to ask or in negotiating with the state religious council although it is a public university. It is a different scenario with the UMT and UNISZA. UNISZA was originally an Islamic college that belonged to the state and thus they have a long relationship with MAIDAM. UMT used to be an engineering college, and it is now a public university.

Conclusion

UMT, UNISZA and UMPSA need to find alternative resources for their funding as the government has been reducing the public university grant in their government budget. The MOHE sees waqf as one the plausible alternatives to get funds to cover the reduction in government grants. By the year 2016, the MOHE has asked all the public universities in Malaysia to form the education waqf and prescribed three governance models for them to choose from. All three universities adopted the third model, which has a joint board from the university and the State Islamic Religious Council.

The study argued the third governance model is more advantageous to the State Islamic Religious Council, especially in the case of UMT and UNISZA where the waqf funds are kept by the state religious council in investment accounts at the Islamic bank. There is a tedious process to get to use the waqf funds. The strongly recommend that the long processes at the university level and the state religious council level be shortened and simplified to achieve the waqf objectives. Shortening processes means time saving and the utilization of the funds is much faster. If we look at UMPSA, although they also did not get the full *mutawalli* status the state religious council allows them to manage the funds at the university level with periodical reporting to the state religious council (MAIP). On the other hand, we commend the management of the waqf funds at the three universities, as they are proper rules and procedures. UMT and UNISZA remit the waqf funds every three months or quarter to the state religious councils as UMPSA keep it in their account.

The study concluded that the universities' waqf management has done a particularly excellent job and is managed by competent and qualified managers unlike the case when the state religious councils managed waqf in the past (Yaacob, 2006; 2013). All the waqf managers have tertiary education of master and Ph.D. degrees, and the state religious council officer is a master's degree holder indicating the level of skills, knowledge, and professionalism. However, a few respondents expressed their dissatisfaction with the governance models especially when they do not have the autonomy to manage the waqf funds (Yaacob et al., 2024). Future research may investigate how an improved governance model, such as the corporate or quasi-corporate governance model could enhance the higher education waqf governance practices for better accountability and sustainability.

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