

**INFORMATION DISCLOSURE AND WAQIF
COMMITMENT: THE ROLE OF TRUST AS
MEDIATOR AND COMMUNICATION AS
MODERATOR**

by

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LIST OF ABBREVIATION

AD	Anno Domini
AH	After Hijrah
ANOVA	Analysis of Variance
AVE	Average Variance Extracted
AWQAF SA	National Awqaf Foundation of South Africa
BIBF	Bahrain Institute of Banking and Finance
BMA	Bahrain Monetary Agency
BR1M	Bantuan Rakyat 1 Malaysia
CGB	Charity Giving Behaviour
CPF	Central Provident Fund
CR	Composite Reliability
CTT	The Commitment-Trust Theory
GoF	Goodness of Fit
HTML	Hyper Text Markup Language
IBBL	Islamic Bank Bangladesh Limited
ICT	Information and communications technology
IP	Internet Protocol
JAKIM	Jabatan Kemajuan Islam Malaysia
JAWHAR	Jabatan Wakaf, Zakat, dan Haji
KMO	Kaiser-Meyer-Olkin
KPI	Key Performance Indicator
LUKMAL	Lembaga Urusan Wakaf, Zakah dan Baitumal
LV	Latent Variable
MAIS	Majlis Agama Islam Selangor
MUIS	Majlis Ugama Islam Sabah
NCVO	National Council for Voluntary Organizations
NPO	Non-Profit Organisation
PBUH	Peace be Upon Him
PLS	Partial Least Square
SEM	Structural Equation Modelling
SIBL	Social Investment Bank Limited
SIRC	States Islamic Religious Council
SPSS	Software Package used for Statistical Analysis
SWT	Glory to Him, the Exalted
URL	Uniform Resource Locator
USM	Universiti Sains Malaysia
WFF	Waqf Future Fund
WW	World War
YWM	Yayasan Wakaf Malaysia

GLOSSARY

<i>Amanah</i>	Trusteeship
<i>Baitulmal</i>	Islamic Treasury
<i>Fiqh</i>	Islamic law
<i>Hadith</i>	The Saying of the Prophet Muhammad Pbuh
<i>Yayasan</i>	Foundation
<i>Ibadah</i>	Worship
<i>Ibdal</i>	Sale of Waqf assets
<i>Ijma</i>	General consensus
<i>Ijtihad</i>	Legal reasoning
<i>Istibdal</i>	Exchange arrangement of Waqf assets
<i>Khilafah</i>	Vicegerency
<i>Madhab</i>	Islamic school of thought/legal
<i>Madrasah</i>	Religious (Islamic) school
<i>Mauquf</i>	Specific property to be converted to Waqf
<i>Mauquf alaih</i>	Recipient or Beneficiary of Waqf
<i>Mu'amalat</i>	Civil transactions
<i>Mudharabah</i>	Trading partnership in which capital is contributed by a capital provider and labour from an entrepreneur.
<i>Mufti</i>	Muslim cleric
<i>Mukallaf</i>	Legally sane to make decisions
<i>Mutawalli</i>	Trustee/manager
<i>Shariah</i>	Islamic law
<i>Sunnah</i>	The traditions of the Prophet Muhammad Pbuh
<i>Waqf</i>	Pious endowment
<i>Waqf ahli</i>	Familial Waqf
<i>Waqf khas</i>	Specific Waqf
<i>Waqf mushtarak</i>	Quasi Waqf
<i>Sighah</i>	Declaration or deeds for a Waqf
<i>Waqfiyyah</i>	Legal instrument
<i>Waqif</i>	Donor
<i>Zakah</i>	Islamic taxation

**PENDEDAHAN MAKLUMAT DENGAN KOMITMEN PEWAKAF:
PERANAN KEPERCAYAAN SEBAGAI MEDIATOR DAN KOMUNIKASI
SEBAGAI MODERATOR**

ABSTRAK

Peranan Wakaf tunai sebagai penyelesaian kepada masalah tanah Wakaf yang terbengkalai bukan lagi satu persoalan. Namun demikian, selepas 34 tahun pelaksanaan Wakaf tunai di Malaysia, pergelutan kekurangan dana dan sumber kewangan yang terhad untuk membangunkan tanah Wakaf yang terbiar masih menjadi isu yang utama. Di antara cara untuk mengekalkan dan meningkatkan pungutan Wakaf tunai ialah dengan memperbanyakkan pewakaf yang komited. Oleh yang demikian, kajian ini cuba untuk merungkai isu dengan meneroka hubungan diantara sikap komited pewakaf untuk lebih banyak memberi, tahap kepercayaan pewakaf, pendedahan maklumat dari institusi Wakaf, dan komunikasi. Selain daripada ujian regresi, kajian ini juga mengkaji tentang peranan kepercayaan sebagai pembolehubah mediator dan komunikasi sebagai pembolehubah moderator. Kerangka konseptual dibangunkan daripada teori Pertukaran Sosial (Model Perantaraan Kedermawanan), teori Komitmen-Kepercayaan, dan beberapa literatur lepas berkaitan factor komitmen yang terpilih. Kajian ini menerima pakai reka bentuk kajian rentas di mana borang soal selidik melalui atas talian internet (SmartSurvey.co.uk) diguna pakai. Sebelum pengumpulan data, kajian rintis yang melibatkan pembangunan soalan dan pembangunan borang soal selidik telah dijalankan. Hanya 558 sampel yang sah daripada keseluruhan jumlah 1284 peserta yang bertindak balas kepada jemputan kaji selidik atas talian internet. Dengan menggunakan perisian Smartpls (v. 3.2.6) untuk mengukur teknik *Structural Equation Modelling* (SEM), hasil analisis kajian mendapati bahawa komitmen pewakaf dipengaruhi oleh pendedahan maklumat masa

hadapan dan kepercayaan. Manakala pendedahan maklumat berkaitan asas latar belakang, kewangan, bukan kewangan dan urus tadbir tidak mempunyai hubungan yang signifikan dengan komitmen pewakaf. Di samping itu, kepercayaan pewakaf dipengaruhi oleh pendedahan maklumat jenis latar belakang asas, masa hadapan, dan urus tadbir. Sementara itu, pendedahan maklumat kewangan dan bukan kewangan tidak mempunyai hubungan yang signifikan dengan tahap kepercayaan pewakaf. Kajian ini juga mendapati bahawa faktor kepercayaan memainkan peranan secara signifikan sebagai mediator di antara pendedahan maklumat masa hadapan dan pendedahan maklumat tadbir urus dengan komitmen pewakaf. Akhirnya, komunikasi telah disahkan tidak *moderate* hubungan di antara pendedahan maklumat dengan kepercayaan pewakaf. Dengan menyedari banyak faktor yang mempengaruhi komitmen pewakaf seperti utiliti yang dibuktikan, utiliti emosi, dan utiliti kekeluargaan, kajian ini hanya mengfokuskan pada kesan pendedahan maklumat. Kajian ini dijangkakan akan mengisi ruang pengetahuan dalam model komitmen pewakaf, kepercayaan pewakaf, pendedahan maklumat daripada institusi Wakaf, dan komunikasi di antara pewakaf dengan institusi Wakaf di Malaysia khasnya dan secara global umumnya. Dari perspektif praktikal, dijangkakan pungutan Wakaf tunai akan meningkat hasil daripada penambahbaikan komunikasi diantara pewakaf dengan *mutawalli* dan kadar kepercayaan yang lebih tinggi dikalangan pewakaf. Akhirnya, oleh kerana kajian ini dikira sebagai sangat baru dalam disiplin Wakaf, ada banyak kajian pada masa akan datang yang berpotensi dijalankan terutamanya kajian yang menerangkan dapatan kajian ini berdasarkan kajian kualitatif.

INFORMATION DISCLOSURE AND WAQIF COMMITMENT: THE ROLE OF TRUST AS MEDIATOR AND COMMUNICATION AS MODERATOR

ABSTRACT

The role of cash Waqf as a solution to the problem of idle Waqf land is no longer questionable. However, after 34 years of the implementation of cash Waqf in Malaysia, the struggle of the lack of capital and limited financial resources to promote idle Waqf assets remains a vital issue. One way to maintain and increase cash Waqf collection is by multiplying the committed Waqif. Therefore, this study attempts to unravel the issue by exploring the relationship between the attitude of Waqif commitment to donate more, the degree of trust among Waqif, information disclosure from Waqf institution and communication. Apart from regression test, this study also examines the role of trust as mediator and communication as moderator. The conceptual framework is developed from the theory of Social Exchange (Mediated Philanthropy Model), the Commitment-Trust Theory and selected previous literature concerning commitment. The research adopts cross-sectional survey design where a questionnaire web-based survey (SmartSurvey.co.uk) is adopted. Before data collection, a pilot study involving question development and questionnaire development has been conducted. Only 558 valid samples from a total of 1284 participants responded to the web survey invitation. By employing the software of SmartPLS (v. 3.2.6) to run the Structural Equation Modelling (SEM) technique, the results of the analysis found that Waqif commitment is affected by future information disclosure and trust. Basic background information disclosure, financial information disclosure, non-financial information disclosure, and governance information disclosure in other hands don't have any significant relationship with waqif commitment. In addition, Waqif trusts were affected by basic background information disclosure, future information

disclosure, and governance information disclosure. While financial information disclosure and non-financial information disclosure do not significantly affect Waqifs' trust. This research also found that trust significantly plays a role as mediator between future information disclosure and governance information disclosure to Waqifs commitment. Lastly, communication was confirmed not moderate the relationship between information disclosure and trust. By realizing many factors that may influence the commitment of Waqif such as demonstrable utility, emotional utility, & familial utility, this study only focuses on the effect of information disclosure. This study is expected to fill the knowledge gap in the model of Waqif commitment, Waqif trust, information disclosure from Waqf institution and communication between Waqif and Waqf institution in Malaysia specifically and globally in general. From a practical perspective, it is anticipated that the cash Waqf collection will increase as the result of communication improvement between Waqif and *mutawalli* and a higher level of trust among Waqifs. In the end, since this study is considered very new in the discipline of Waqf, there are a lot of promising future research that can be conducted especially studies that can explain qualitatively these research findings.

CHAPTER 1

INTRODUCTION

1.1 Background of the Study

Giving is a major tenet of Islam. There are several categories of giving in Islam, each with different implementation scenarios, but they all share a mutual purpose. The notion of voluntary charity distribution in Islam comprises of various aspects. First is *Sadaqah*, a concept of giving only to the poor and needy (Al-Zuhayli, 1997). Second is *Hibah*, an idea of giving to everybody including the wealthy and non-Muslims (Muda, 2008). Thirdly, *Waqf*, a concept of the perpetual dedication of any property from which its benefit may be used for any charitable purpose (Dahlan, Yaa'kub, Hamid, & Palil, 2014). Lastly, *Al-Wasiyyah* (last will) is a gift of property that arises after the death of a testator (Muda, 2008).

Waqf is the act of holding certain assets and preserving it for the benefit of the Muslim community (Kahf, 1998). Waqf is equivalent to the endowment and entails essential features that include the declaration of intention, the contributor, the property and the beneficiary. The main differentiating characteristics of Waqf are irrevocability, perpetuity and inalienability (Mohammad & Mar Iman, 2006). Property/money offered as Waqf ceases to belong to the individual or organisation that provided it in the first place. However, these properties could not be given away, such a property cannot be given out by anybody, inherited or sold by anyone. The Waqf is considered

to belong to Allah Subhanahu Wa Ta'ala¹ (SWT) (Man & Abdulwaheed A., 2011). Nonetheless, Waqf properties such as land can be sold via Istibdal law (land substitution with another land) (Hamat, 2014). In the case of cash Waqf, the rules of perpetuity do not. The concept of permanence does not allude to the physical element of cash Waqf but rather its benefit (Mohammad, 2009b). Therefore, the cash Waqf could be capitalised with a permanent interest can be invested as long as the interest will be perpetual.

Muslims in Malaysia have practised the Waqf as far back as the inception of Islam in Malaysia (Mahamood, 2006), being pledged under the State List of the Federal Constitution 1957. The traditional management of Waqf was granted to the State Islamic Religious Councils (SIRC) in 1952 (Mohamad, Kader, & Ali, 2012). To date, SIRC is the official sole trustee of Waqf in Malaysia. Given that every state has their specific rules and regulation, the Federal government of Malaysia has strived to liaise with every country by establishing *Jabatan Wakaf, Zakat, dan Haji* (JAWHAR) in 2004 (Jabatan Arkib Negara, 2012). JAWHAR has been established with the aim to plan, implement, monitor and coordinate the development of Endowments, Zakat, Mal and Hajj / Umrah institutions in order to function more effectively in the socio-economic development of the Ummah. Waqf can be divided into two categories; Waqf *Khairi* (welfare) and Waqf *Zurri* (family) (Mughniyah, 1964). Waqf *Khairi* can be sub-categorized into Waqf *Am* (general purposes) and Waqf *Khas* (specific purposes) (Borham, 2011). As reported by Mahamood (2007), most of the forms of Waqf properties in Malaysia are mosques and obituaries. The supplementary forms of Waqf in Malaysia are different combinations of Islamic schools, prayer rooms, farms, idle

¹ Subhanahu Wa Ta'ala is Arabic words which means Glory to Him, the Exalted

lands, buildings, cash, shares, and corporate services, Takaful as well as health care centres.

Given its contributions to the Muslim Ummah, there is a need to sustain Waqf in the world, specifically in Malaysia. Moreover, the benefits gained from Waqf is also enjoyed by the non-Muslim community. Waqf covers the areas of poverty relief projects (Masoud Ahmad, 2015; Pramanik et al., 2015; Raimi, Patel, & Adelopo, 2014; Shirazi, 2014), supports education development (Ahmad & Hassan, 2015; T. Khan, 2015; Mahamood & Rahman, 2015; Ramli, Hashim, Dahalan, Ismon, & Romli, 2015), improves health care sector (Htay, Salman, & Soe Myint, 2014; Khan, 2015; Rahman, 2009), upholds the sustainability of Islam (Jalil & Ramli, 2008; Wan Yon, Abdul Latif, & Bahrom, 2008), aids the reduction of national debt (Ambrose, Aslam, & Hanafi, 2015; Ibrahim, Amir, & Masron, 2013), and promotes fiscal development (U. Ahmed, Mustafa, & Ogunbado, 2015; Ali, 2009; Ambrose et al., 2015; H. Ibrahim, Amir, et al., 2013; Suhaimi, Ab Rahman, & Marican, 2014). For these reasons, the behaviour of Waqif (Waqf donors) should be fully understood because they are the primary sources of charity (Waqf institution) (Johns, 2004; Taylor & Anderson, 2008). This is significant since the donation from 'token' donors is not sufficient due to the inconsistency of their contributions.

The background of the study serves as the basis for problem statement and eventually determine the research question, the significance of the study, and as a guide to make sure the conceptual model built later on does not conflict with the basic principles of Waqf. Overall, there are five types of giving in Islam, and each of them is a difference regarding many aspects. Although many scholars have given different definitions of Waqf, they all refer to perpetual endowments. There are not many arguments regarding the origins of Waqf, except concerning the first Waqf performed

in Islam; Quba Mosque or Khaibar land. In addition, the characteristics of Waqf, the pillar of Waqf, the types of Waqf purposes, the classification of Waqf, and also the position of mutawalli in Waqf has been simplified with the Waqf structure model. As far as this thesis has been written, there has not been a single comprehensive and up-to-date Waqf structure model.

On the whole, the practice of Waqf in Malaysia has started since the Islamic laws had existed and were well ingrained in the Malay Archipelago since the coming of Islam in the 13th century and continue to thrive up to this day. However, the development of Waqf in Malaysia disturbed during colonial times. In Malaysia, the issues and challenges of Waqf, in general, are social awareness, legislation loophole, idle Waqf land, data not up-to-date, insufficient expert, slow development, inefficiency administration, and inadequate Waqf revenues to cover operational cost of the Waqf asset.

As a conclusion, Waqf has contributed a wide range of contributions to Muslims and countries in terms of poverty alleviation, education improvement, health care and welfare enhancement, strengthening Islamic religion, and socio-economic development. All these contributions make the field Waqf is important and significant to study. The institution needs serious Waqif/donors to maintain or increase Waqf funds for the sustainability of Waqf. Thus, this study attempts to determine the factors that positively influence the commitment therefore, this study aims to determine elements that affect the Waqif's commitment by focusing on elements of information disclosure, trust and communication.

1.2 Problem Statement

The central issue highlighted in this study is the insufficiency and lack of sustainability of cash Waqf collection. The cash Waqf is projected to be the solution to the unproductive Waqf asset problem (Ahmad, 2008). Unfortunately, after 34 years of the implementation of cash Waqf, the struggle of the lack of capital and limited financial resources to promote idle Waqf assets remains a vital issue. The issues of idle Waqf asset such as land Waqf have been raised in several studies (Chowdhury, Chowdhury, Muhammad, & Yaso, 2012; Salleh & Muhammad, 2008; Hisyam, 2014; Pitchay, Mydin Meera, & Saleem, 2014). As far back as 1982, Jabatan Agama Islam Malaysia (JAKIM) has approved and allowed the concept of cash Waqf as one of the solutions to the problem of undeveloped Waqf assets.

However, the data on cash Waqf shows a fluctuating trend of Waqf cash collection in Malaysia. According to the various SIRC annual report, only Selangor shows an aggressive cash Waqf collection and followed by Johor. Selangor had begun cash Waqf collection in 2005 with a collection of just RM374, 973.00 and rose sharply to RM18, 066,493.00 in 2013, while the runner-up, Johor registered an increase of RM6, 817,540.00 in 9 years, which is 200% lower than Selangor. Other states such as Pahang and Penang, demonstrated a disappointing growth where Pahang for example, showed no real increase in nine years from 2005 until 2013. Penang on the other hand, faced declining donations dramatically in 1996 which lasted until 2010. The full report of the trend of cash Waqf collection in Malaysia with the graphic presentation is in chapter two.

The problem of cash Waqf collection problem has been addressed in previous literature such as receiving insufficient Waqf funds (Hanefah, Jalil, Sabri, Nawai, & Shahwan, 2009); inadequacy of Waqf funds (Pitchay, Meera, & Saleem, 2015;

Mohammad, 2015); insignificant contributions of cash Waqf among students (Osman, 2014); unattractive behavior of cash Waqf giving (Osman, Omar, & Aiman, 2015), the relatively low acceptance level of the Waqif/donors towards giving (Mahamood, 2007), and the inclinations of the Waqif/donors (M. I. Mohsin, 2009).

The low giving behaviour of a Waqif can be attributed to the loss of trust as shown in some studies which have been carried out on the controversy concerning weak management and accounting disclosure of Waqf institution from 1990 until today. For instance, Hashim (1990) claims that unproductive Waqf asset is due to inadequate control of mutawalli (Waqf trustee). Similarly, Saifuddin, Kayadibi, Polat, Fidan, and Kayadibi (2014) reported that the Baitul Mal's administration is inefficient and unsystematic. In another study, many State Islamic Religious Councils (SIRC) failed to provide an annual report regarding their financial activities given that only 7 out of 14 states annual reports were obtained (Sulaiman & Zakari, 2015). Similarly, Masruki & Shafii (2013) and Siraj (2012) discovered the lack of specific accounting framework for Islamic assets and funds held by SIRC/*baitulmal* institutions and the financial reporting practice in these organisations had less focus on the stewardship/accountability dimension expected of the public sector and not-for-profit organizations. On the contrary, Azmi and Hanifa (2015) discovered that Majlis Islam Selangor (MAIS) received excellent accountability ratings, with its accountability index rated at 93.6 justifying why the trend of cash Waqf collection at Selangor are way better than other states and strengthen the assumption of Waqf cash collection wavering due to loss of confidence as a result of inefficient accounting closure.

The crisis of weak accountability causes the donor to be provided with insufficient information, which is one of the most important factors needed to gain the trust of donors. Previous studies discovered that the lack of fund is an outcome of

deficient knowledge and lack of awareness of society regarding cash Waqf (Abd Latiff, Ramli, Ismail, Sulaiman, & Daud, 2006; Ismail, Rosele, & Ramli, 2015; Ismail, Salim, & Ahmad Hanafiah, 2015; Yatim, 2008; Saifuddin et al., 2014). This lack of both knowledge and awareness is possibly a result of a breakdown in communication between mutawalli and the Waqif or probably the information reaching the Waqif is not as expected.

The problem of trust should not be underrated. Interestingly, it was reported that Waqf donation decreases rapidly because the Waqif lacks confidence in the Islamic religious institution that manages Waqf such as in Uganda due to maladministration and illegal breach of mutawalli (Ahmed, Mohammed, Faosiy, & Daud, 2015). Hence, 90% of respondents in the study say they will donate if Islamic religious bodies in the country are responsible and improve their management practices.

Similarly, Snip (2011) reports that individuals will contribute more to charitable organisations if they are transparent and show fiscal responsibility as well as demonstrate the tangible impact of the donations. Moreover, there is a need for charity organisations, particularly, in developing countries to clearly communicate their functions in society for example, visible contributions, which can garner trust from the public resulting in erosion of any negative thinking towards charity organisations. Honesty, generosity, and dependability are key points that will build trust in the community (Matenge, Kealesitse, & Marandu, 2015). Therefore, this study attempts to unravel the issue by exploring the relationship between the attitude of Waqif commitment to donate more, the degree of trust among Waqif, information disclosure from Waqf institution, and communication.

1.3 Research Questions

Based on the points specified in the problem statement, the following research questions are posed in this study:

1. Does information disclosure significantly has the relationship with the level of Waqif commitment?
2. Does information disclosure significantly has the relationship with the level of trust?
3. Does the level of trust significantly has the relationship with Waqif commitment?
4. Does the level of trust mediate the relationship between information disclosure and Waqif commitment?
5. Does communication effectively moderate the relationship between information disclosure and level of trust?

1.4 Research Objectives

The main objective of this research is to study the behaviour of waqif commitment. There are five (5) specific objectives of this study, which are first to examine the relationship between information disclosure and Waqif commitment. The second objectives of this study are to examine the relationship between information disclosure and the level of Waqif trust. The third objectives are to examine the relationship between the level of Waqif trust and Waqif commitment. The fourth aim of this research is to examine the influence of trust as a mediator in the relationship between information disclosure and Waqif commitment. Lastly, the fifth objective of this survey is to examine the effect of communication as a moderator in the relationship between information disclosure and the level of Waqif trust.

1.5 The significance of the Study

The significance of this study can be discerned from theoretical and practical perspectives. From a theoretical perspective, this study is expected to fill the knowledge gap in the model of gaining commitment from Waqif based on trust by suggesting a new independent, antecedent, mediator, and moderator variables. From the literature review, the issues regarding reasons that determine why people give Waqf have been covered; however there is a dearth of studies relating to the Waqif commitment. This study is expected to cover the gap in the area of Waqif commitment in Malaysia specifically and globally in general. Although several studies have analysed the role of trust towards giving behaviour in conventional charity, there are still no studies concerning the effects of trust towards cash Waqf giving or Waqif commitment. In fact, the addition of trust as an independent variable will enhance the model of giving commitment among Waqif.

Furthermore, numerous researchers have studied the accountability of Waqf institution in many countries, but only covered the accountability practices adopted by Waqf institutions, whether the practices adhere to the standard procedure, the issue of accountability in Waqf institution, and the quality of accountability practised. However, there is still no research that covers information disclosure needed by Waqif. Thus, this research goes further to determine the kind of information the Waqif expects from Waqf institutions. In addition, this research will also cover the influence of communication as a moderator between information disclosure and trust, which has never been done before.

From a practical perspective, it is anticipated that communication between Waqif and *mutawalli* will improve when both parties share the same objectives (Friman, Gärling, Millett, Mattsson, & Johnston, 2002). It has been asserted that the

improvement of communication will promote a level of trust among Waqifs (Sargeant & Lee, 2004). The rise in trust among Waqifs is expected to encourage them to give continuously, which will boost cash Waqf collection (Sargeant, Ford, & West, 2006). The boost of cash Waqf collection is expected to resolve the problem of idle Waqf assets. Furthermore, the result of this study will be valuable to Waqf institution in the accountability perspective by synchronising their information disclosure and Waqif preferences.

The government bodies and the policymakers are suggested to have an obligation to ensure the Waqf assets development are on the right course. Until now, Waqf institution in Malaysia is not obligated to disclose their annual reports to the public. The practice of disclosing the annual report to waqif will lead to more efficient Waqf institutions because they would not want to be judged poorly by the donors. The findings of this study should make governments realize that mandatory information disclosure among Waqf institutions will help Waqf assets development.

1.6 Definitions of Key Terms

Specialized terms used in this study include Waqf, cash Waqf, commitment, trust and communication. These terms are adopted for the Malaysian context. In this research, Waqf refers to the perpetual dedication of valuable aids, the value of which is subsequently remunerated, and its proceeds or revenue are later is spent on the welfare of named beneficiaries (Mohammad Tahir Sabit Mohammad, Mar Iman, & Omar, 2005). Cash Waqf according to Saifuddin et al., (2014) is the dedication of some money from one's possessions and establishing a Waqf based on that amount and offering it to the benefit of people generally or allocating them to a particular segment of the community. Commitment is an intention to maintain the relationship with the

Waqf organisation and willingness to put in efforts to maintain the relationship (MacMillan, Money, Money, & Downing, 2005). Trust refers to the extent of a donor's confidence that a charity will behave as anticipated and realise its obligations (Sargeant & Lee, 2004). Information disclosure can be defined as informing the public about the financial status of the firm (Agca & Onder, 2007) or as the free option by company management in offering accounting and other information on the part of company management to provide accounting and other information considered pertinent to the decision needs of users of their annual reports (Meek, Roberts, & Gray, 1995). Lastly, communication can be defined as the perception of the quality of information delivery regarding responsiveness, quality, timely and choice provided and the overall presentation (Sargeant et al., 2006).

1.7 The scope of the Study

This research principally involves an empirical investigation of the relationship between information disclosure and Waqif commitment in Malaysia. The research is accomplished by examining the opinions of Waqif among Muslim concerning the kind of information disclosure they wanted to make them more committed to giving Waqf. By realising many factors that may influence the commitment of Waqif such as demonstrable utility, emotional utility and familial utility, this study only focuses on the effect of information disclosure. The study also extends the use of the Social Exchange Theory to explain giving behaviour and Charity Giving Behaviour Model (Sargeant et al., 2006) to account for the relationship between information disclosure and commitment.

The model is empirically tested using Malaysia as the study site. There is no case study chosen due to the absence of data in every state in Malaysia. Thus, this

research adopts quota sampling due to the inability to ensure that subjects are randomly assigned to the subgroups. This research also focuses on donors who contribute Waqf to State Islamic Religious Council (SIRC) only. As the sole Waqf trustees, SIRCs are accountable for safeguarding, managing and developing Waqf assets and funds by the stipulated terms and conditions.

1.8 Research Process

The research process for this study comprises of four phases (see figure 1.1). This include:

Phase one: In this initial phase, the research started with a deep review of Waqf literature to understand the whole concept, current issues and gap. Then, the core issue was chosen, and problem statement was created. Next, the research question and research objectives were developed based on the problem statement.

Phase two: This phase is intended to find out how to answer the research questions. Therefore, a profound review of past literature concerning theories of giving behaviour, commitment, information disclosure, and trust is crucial to building a basic theoretical framework. From this theoretical framework, conceptual framework and hypothesis are developed.

Phase three: Data collection is considered as the third stage of this research after developing the conceptual framework and the respective hypotheses. The data are collected through quantitative survey method (questionnaire). The questionnaire is distributed by the method of quota sampling to every state in Malaysia.

Phase four: At this final phase, the data collected is stored using IBM SPSS. The reliability and validity test and descriptive analysis would be analysed by using the software of IBM SPSS Statistics (version 23.0). Then, measurement model

(confirmatory factor analysis) and a structural model for the relationship between proposed variables in conceptual framework is analysed by using Structural Equation Model (SEM) by using SmartPLS. Finally, hypothesis statement will be proven, and key findings, implications and conclusions will be discussed.

1.9 Organization of the Chapters

This section focuses on the organisation of the chapters in the present study, adding further clarity and understanding about the thesis structure in an efficient manner. Therefore, for further focus on the process of the work, a total of six chapters are introduced;

The first chapter commenced with an overview of the background of the study and is followed by the problem statement which is the description of the issues addressed by this research. Next, the chapter is followed by addressing the research questions, the significance of the study and scope of the survey. Finally, the research process, an organisation of the chapters and operational definitions are outlined.

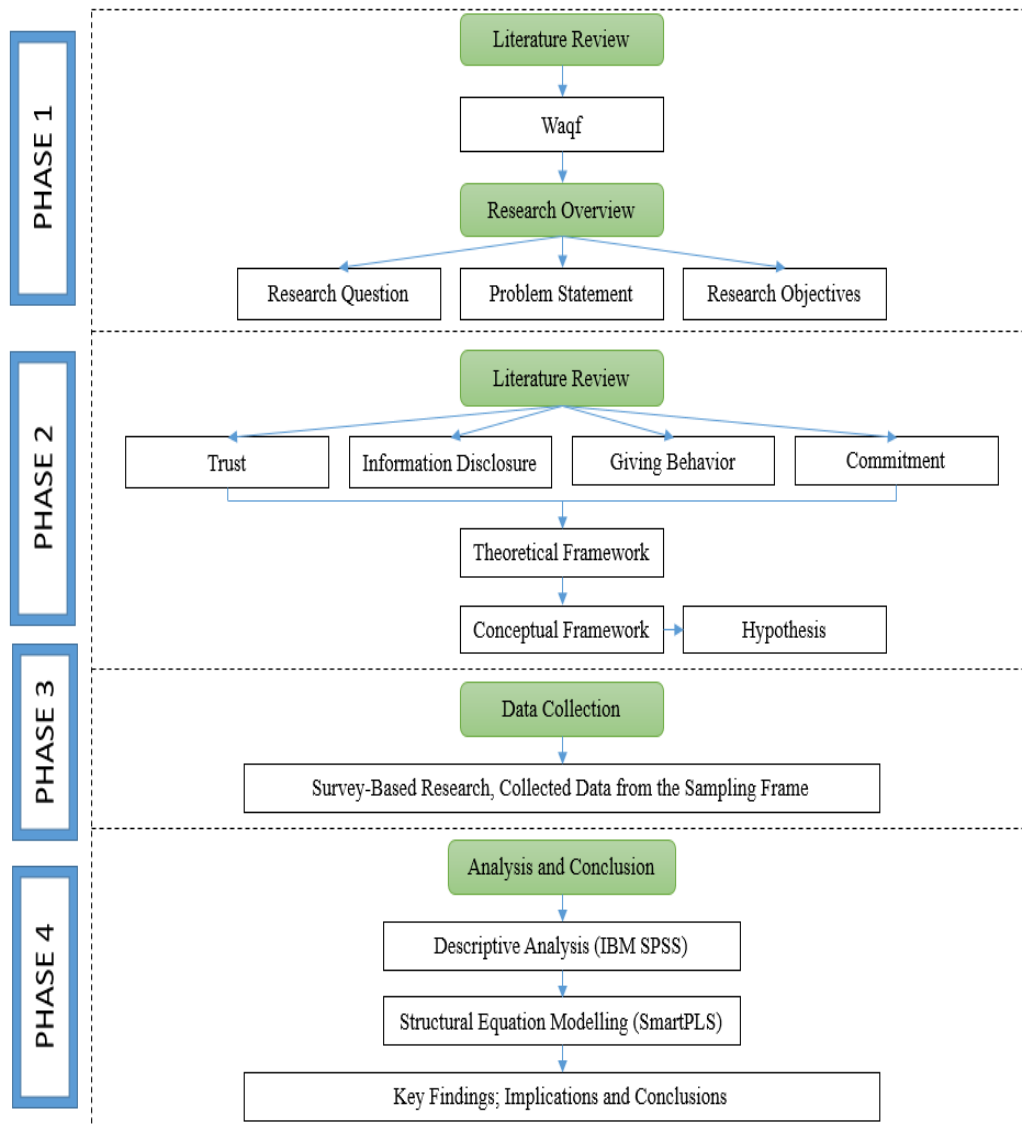


Figure 1.1: The Research Process

An overview of Waqf is presented in chapter two. The concept of giving in Islam which is Zakah, Sadaqah, Hibah and Waqf were discussed at the beginning of the chapter. The chapter is then followed by the discussion of the definition of Waqf and the origin of Waqf. It is continued with an explanation of the characteristics of Waqf and the pillars of Waqf. Next, the chapter is followed by addressing the types of Waqf purposes and the classifications of Waqf. Afterwards, the discussion of cash Waqf and Istibdal were discussed. The chapter continues with the debate about Waqf

in Malaysia concerning the history, issues and its challenges. Lastly, the contribution of Waqf is summarised.

Chapter three primarily reviewed the literature that has been conducted in the area of the study. Specifically, this chapter argued on relevant concepts, theories, theoretical framework, conceptual framework and the development of hypothesis for the present study based on the literature.

Chapter four presents the research method used in this study. The chapter is initiated by the illustration of a research design which consists of the development of measurement, pilot study, the study site, population and unit analysis, sample and sampling method, sample size, data collection technique and data editing and coding. This chapter continues by explaining the data analysis section, comprising of descriptive analysis, SEM procedure, and reliability and validity analysis.

Chapter five is mainly presenting the results of the statistical analysis. Specifically, this chapter shows the result of model measurement assessment which takes into account the point of internal consistency reliability, indicator reliability, convergent reliability and discriminant reliability. This chapter also discussed the structural conceptual model measurement by looking at coefficient determination (R^2), path coefficient and hypothesis testing. The mediating analysis and moderating analysis are also shown in this chapter.

Lastly, chapter six provided discussions and implications of the findings in the present study as well as limitations of the current study. Furthermore, suggestions for future research are provided, and ultimately the conclusion of the research findings is discussed.

CHAPTER 2

OVERVIEW OF WAQF

2.1 Introduction

This chapter begins with the exposition of the concept of giving in Islam, which comprises of *Zakah*, *Sadaqah*, *Hibah*, *Nazar*, *Takaful*, *Wasiyah* & *Waqf*. Then, this chapter will start discussions about *Waqf* with the definition of *Waqf* and the origin of *Waqf*. Afterwards, the characteristics of *Waqf*, the pillar of *Waqf*, *mutawalli*, the types of *Waqf* purposes, and the classification of *Waqf* will be deliberate in this chapter. After that, this chapter will confer about the cash *Waqf* by explaining the definition of cash *Waqf*, the history of cash *Waqf*, and the *Fiqh* of cash *Waqf*. Lastly, this section will explore the application of *Waqf* in Malaysia, their issues and challenges, and the contribution of *Waqf* in Malaysia specifically and in the world generally.

2.2 The Concept of Giving in Islam

Although all wealth, asset and natural resources in this world belong to Allah, they can be exploited by mankind in whatever economic activity. In the process of generating wealth, people usually gain the income by wage, the lease, or profit when they get involved directly with economic activity. However, there are also people who obtain wealth without involving with economic activity, for example through charity from others.

Charity is one of the fundamentals of Islam where giving to the needy is encouraged but displaying the act publicly is discouraged. Charitable giving is one of

the major obligations Islam and a strong Muslim norm endorses giving to the needy, but discourages public displays of giving (Lambarraa & Riener, 2012). Various justifications and evidence can be found from Quran and Hadith that justifies the importance of giving for an example from al-Quran (*Surah Al-Baqarah*, verse 215), the translation in English is:

“They ask thee What they should spend (In charity). Say: Whatever ye spend that is good, Is for parents and kindred And Orphans And those in want And for wayfarers. And whatever ye do That is good-Allah Knoweth it well”.

Statement from hadith regarding giving in Islam can be found many in the book of Hadith for an example book of Hadith Bukhari (Volume 1, Book 2, Number 7);

Narrated Ibn 'Umar: *“Allah's Apostle said: Islam is based on (the following) five (principles): 1. To testify that none has the right to be worshipped but Allah and Muhammad are Allah's Apostle; 2. to offer the (compulsory congregational) prayers dutifully and perfectly; 3. To pay Zakat (i.e. obligatory charity); 4. To observe fast during the month of Ramadan; 5. To perform Hajj”*.

There are two forms of giving in Islam which can be distinguished (Lambarraa & Riener, 2012): a mandatory form called Zakah, which works comparably to a redistributive tax system. While Islahi (1992) has listed *Sadaqah, Hibah @ Hadiyah, Wasiyah, Qard al Hassan, Nazar, Waqf, and Takaful* as a form of voluntary giving in Islam².

² This chapter will not discuss Qard al Hassan since it is a loan without interest and not authentic giving.

2.2.1 *Zakah*

In Arabic linguistics, *Zakah* is infinite of the verb *Zakah*, meaning “to grow, to purify and to increase” (Bello, 2009). Consequently, Munzer Kahf (1999) defines *Zakah* as “blessing, growth, cleanliness, purification or betterment”. In the Islamic law, the word *Zakah* refers to the decided split of wealth to be allocated among the groups of recipients which have been decreed by Allah. It is a compulsory payment by the wealthy to the economically underprivileged (Matthews & Tlemsani, 2004). Officially, the definition *zakah* is “the sum of money or kind acquired from particular categories of wealth when they achieve a particular amount at a given time which requisite be spent on certain categories in particular ways” (Htay et al., 2014). *Zakah* can be provided in the form of cash and the kind, depending on their categories. Not all properties are subjected to zakat, for example, revenue from Waqf assets, jewellery apart from gold and silver, and farm animals besides camel, cow, and sheep. As understood by a statement from Sarea (2012), *Zakah* is an obligation in respect of funds paid for a specified type of purpose and specified categories.

Zakah is the third pillar of Islam and the term is mentioned around 70 times together with their litanies in the Al-Quran (Htay et al., 2014). It is compulsory for all Muslims who have the financial means (*nisab*) to meet this obligation (Nik Mustapha, 1987). According to Islamic jurisprudence, *nisab* is the minimum amount of wealth or property that must be possessed by a Muslim before he/she is required for zakah. It is also defined as a measurement that determines the obligation of paying zakat for male or female Muslims (Powell, 2010). For example, if a person has five camels (*nisab*) in one year (*haul*), he/she need to pay zakah of a one-year-old goat. According to Abd Majid (2003), Waqf property should not be subject to zakat. Al Qaradawi (2008) has listed eight categories of beneficiaries who can receive the money collected for zakat:

The poor (*Fuqara*), The needy (*Miskeen*), The manager and caretaker of zakah (*Amil*), The sympathisers (*Muallaf-at-Quloobuhum*), to free slaves (*Riqab*), The person in debt (*Gharimin*), for the cause of God (*Fisabillillah*), The person who is stranded during a journey (*Ibnus Sabil*).

2.2.2 *Sadaqah*

Sadaqah is a word from Arabic which in English is defined as alms by means of a gift given by a Muslim to another people spontaneously and voluntarily without being limited by time and any particular amount. *Sadaqah* can also be defined as a gift given by someone as good hopes for the love of Allah and the reward alone. The concept of *Sadaqah* is giving only to people of poor and needy with a sincere heart, without expecting any reward or recompense by the word of God in the Quran (Surah Al-Baqarah, verse 271).

2.2.3 *Hibah*

Narrated by 'Azra bin Thabit Al-Ansari in the book of Sahih Bukhari, he said;

“When I went to Thumama bin 'Abdullah, he gave me some perfume and said that Anas would not reject the gifts of perfume. Anas said: The Prophet used not to reject the gifts of perfume”.

The concept of *hibah* is very similar to *sadaqah* except *hibah* is given to everybody including rich people for the sake of fostering better relationships and encouraging love. In contrast, the purpose of *sadaqah* is to help the beneficiaries.

2.2.4 *Nazar*

Nazar is a vow or dedication, to acquire either good fortune in specific regard or to escape from difficulty in a particular way. The vow must be sworn of moral deeds or religious services which also includes humanity (Islahi, 1992). *Nazar* is a charity that begins voluntarily but completed as an obligation. Whenever, a person vowed a *Nazar* orally or literally, he or she is obliged to perform what had been promised.

2.2.5 *Takaful*

“Takaful” originated from the Arabic word “Kafala” which means to guarantee, guard and protect. Takaful refers to guaranteeing each other (Shril et al., 2012). According to Takaful Brunei Darussalam (2011), Takaful operates more like a cooperative promise in which all partakers contribute their shares of payments into a fund and mutually agree to compensate those members who suffer from a covered peril. In part of Johor, Malaysia, some Muslim communities practised takaful in the names of “*khairat kematian*” where every person in the community has to pay some agreed amount to the families who have suffered the death of a relative. Nowadays, Takaful plays a crucial role to replace the conventional insurance which is not sharia-compliant.

2.2.6 *Wasiyah*

Wasiyah (a will in the legacy) is generally for those relatives who are not getting a share in the legacy or favour of some public purposes (Islahi, 1992). Every Muslims have an obligatory duty to planning *wasiyah* as prescribed by Allah in Al-Quran (Surah Al-Baqarah: 180). According to (Shafii, Yusoff, & Noh, 2013), *wasiyah* in Islam is not only perceived as a fragment of *Ibadah*, but it is as well measured as a segment of

social responsibility since it indirectly supports the socio-economic through *sadaqah jariyyah*. *Wasiyah* is different from *Faraid*. *Faraid* is an allocation that has been specified under Islamic sharia to the inheritors. While *Faraid* denotes the *fiqh* of inheritance where it allowed a person to know the percentage that he or she are entitled to from the estate of the deceased, *wasiyah* is not for heirs and the amount is up to the giver as long as not more than one-third of his/her total wealth.

2.2.7 *Waqf*

In the opinion of Imam Abu Hanifa, *Waqf* can be described as the restriction of a particular property in possession of the contributor (*Waqif*) and the dedicating its benefits or usufruct in charity for the poor and needy or other pious purposes (Ibrahim, Amir et al., 2013). In other terms, a *Waqf* is an action of retaining some property and conserving it for the confined benefit of specific charity that prohibits any usage or nature of it outside the particular purposes (Kahf, 1998). Toraman, Tuncsiper, and Yilmaz (2007) established that *Waqf* relates to non-perishable properties which means that any benefits could be extracted without consuming the property itself.

The structure of *Waqf* as shown in figure 2.1 explains the comprehensive and contemporary of the *Waqf* structure. Based on figure 2.1, to commit a *Waqf*, there must have four pillars of *Waqf* which are the *Waqif* (donor), *mauquf* (asset/property of *Waqf*), *mauquf 'alaih* (beneficiary of *Waqf*) & *Sighah* (declaration) to be fulfilled. Without any one of the pillars, the *Waqf* will be invalid. The model also shows the important position of *mutawalli* in *Waqf*. Although *mutawalli* is not one of the *Waqf* pillars, its existence is crucial since the *Waqif* already hands over the property ownership status to Allah. The *mutawalli* appointed by *Waqif* will be fully responsible for ensuring the *Waqf* property is well managed as intended by the *Waqif* and in

accordance with all the sharia rules. There are two matters relating to mauqf which are their characteristics and type of object. The Mauqf 'alaih (beneficiaries) depends on the purposes of Waqf, which is specified through sighah (declaration). The Waqif also has to declare the timing of Waqf and its classification. Overall, the process of Waqf is very simple, when a person or organisations have a valuable asset, he/she/they just declare verbally or orally that he/she/they want to give their asset as Waqf. The asset is automatically in sharia law being a mauqf and not belong to Waqif anymore. In the declaration, Waqif must mention who the beneficiaries are, the timing and classification.

2.3 The Definition of Waqf

Classic Islamic scholars interpret Waqf as endowments, largely valuable assets that can be perpetually utilised (Othman, 1982). Ibn Manzur (1990) claimed Waqf originates from the Arabic words *Waqafa*, *al-habs* or *al-man* which are translated to mean stop, to hold or resist, respectively. However, in the text of sharia, the intimate terms for Waqf is *sadaqah* and *habs* (Mohammad, 2004). Waqf is frequently defined by most legal Islamic scholars as “holding capital and take advantage of its benefits” (Laldin, Mahmud, & Sawari, 2008). As time evolved and financial tools become complex, the definition, the concept of Waqf is required to be updated without deviation from the teachings of Al-Quran and Hadith.

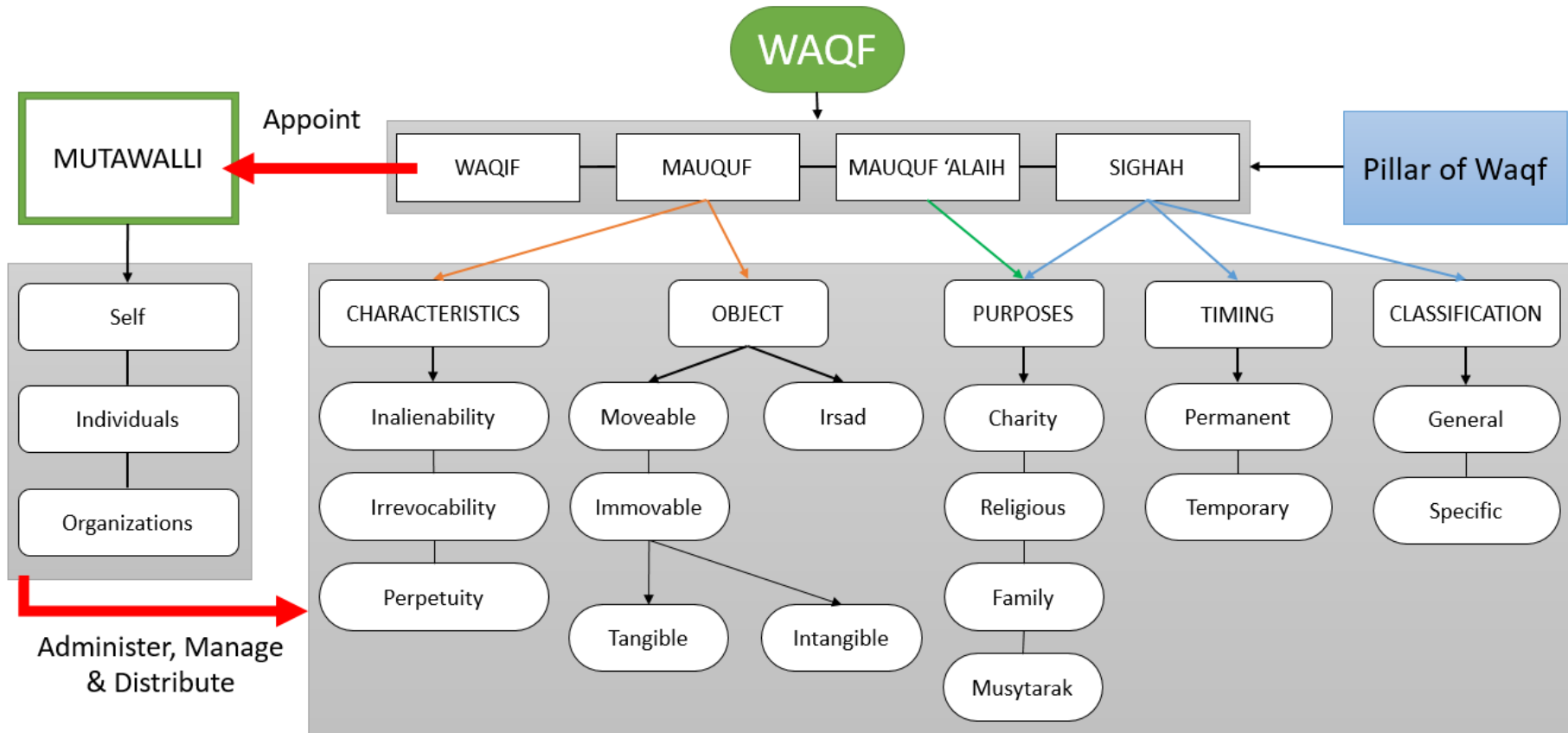
Monzer Kahf (1998) redefined Waqf as holding a *maal* (an asset) and preventing its usurpation with the aim of continually extracting its value for the benefit of a purpose representing righteousness and charity. Recently, Malaysian Accounting Standards Board (2014) defined Waqf as the commitment of a specified asset (*mawquf*) by a settlor (Waqif) to the administration of a mutawalli through a legal

instrument (*sighah/Waqfiyyah*) such that the income or value derived from that asset benefits a stated beneficiary (*mawquf alaih*) or is utilized for an affirmed purpose. Aligned with previous clarification and permission to use cash Waqf in Malaysia, Mohammad et al., (2005) redefined Waqf as the perpetual dedication of valuable assets, the value of which is subsequently amortised, and its profits or revenue are later expanded on the welfare of stated beneficiaries.

The definition of cash Waqf differs from Waqf. This study uses the definition of cash Waqf from Saifuddin et al., (2014), which is the dedication of some money from one's possessions, establishing a Waqf based on that amount and offering it to the general benefit of people or allocating it to some sectors of the community.

2.4 The Origin of Waqf

In Islamic history, Waqf has been prescribed since Prophet Muhammad PbuH (peace be upon him) migrated to Madinah. There are two popular opinions from Islamic scholars regarding who has first practised Waqf. People of *Muhajirin* claimed Khaybar land donation from Umar was the first, while people of *Ansar* said Quba Mosque by Prophet Muhammad PBUH was the first.



Source: (Abd Jalil, Pitchay, & Yahya, 2017)
 Figure 2.1: The Waqf Structure Model