'ULŪM ISLĀMIYYAH THE MALAYSIAN JOURNAL OF ISLAMIC SCIENCES
Vol.34 No.3 (December) 2022 ISSN: 1675-5936 | eISSN: 2289-4799

Waqf -Linked Unit Trust Funds: A Qualitative Analysis of Recent Application in Malaysia

Syahnaz Sulaiman[1], Muhammad Taqi'uddin Mohd Hamzah[2], Aznan Hasan[3]

[1]Senior Lecturer, Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia (USIM), Bandar Baru Nilai, 71800 Nilai, Negeri Sembilan Malaysia

[2]School of Graduate Studies, The International Centre for Education in Islamic Finance (INCEIF), University Lane A, 59100 Kuala Lumpur, Malaysia

[3]Professor, IIUM Institute of Islamic Banking and Finance (IIiBF), International Islamic University Malaysia, Jalan Gombak, 53100 Kuala Lumpur, Malaysia

[*]Corresponding Author : syahnaz@usim.edu.my

Abstract

The *waqf* concept has been integrated into a variety of financial assets, including Shariah-compliant investment vehicles like unit trusts. With the appropriate structure and strategy, *waqf* can support many spheres of life, including the growth of the mainstream economy. This paper aims to highlight the recent development of *waqf*-linked unit trust funds within the Malaysian context and identify the underlying governance principle for *waqf*. The current study employed a qualitative research approach through document analysis of previous literature. The paper concludes that the *waqf* unit trust fund, which upholds strong governance of accountability and transparency as well as backed by the stakeholder theory may contribute to advancing the social and economic well-being of the ummah.

***Keywords**: Waqf*, Shariah-compliant unit trust fund, Islamic finance, governance

---

Introduction

Waqf is an absolute and voluntary devotion of any asset, whether movable or immovable, to be used in accordance with Allah's commands, i.e., to uphold human welfare (Iman & Mohamad, 2017). Any property dedication within the scope of *waqf* is acknowledged by Islamic law to be for charitable or

Manuscript Received Date: 10/08/22 Manuscript Acceptance Date: 10/12/22 Manuscript Published Date: 30/11/22

religious purposes. *Waqf* was a common practice in the time of the Prophet Muhammad (PBUH) and among his followers. A hadith narrated by Jabir bin Abdullah mentioning that "None of the companions of the Prophet Muhammad (PBUH) is not practising *sadaqah (waqf)*" supported the widespread adoption of *waqf* by the Prophet's (PBUH) companions. (al-Nawawi, t.t). *Waqf* is regarded as *sadaqah jariyah*, from which reward accrues until the Day of Judgement. Any strategy that is progressive in the growth of the *waqf*'s property might further demonstrate the *waqf*'s continuous or perpetual feature. The historical evidence has demonstrated the enormous contribution of *waqf* institutions to the advancement of the Muslim community. According to Hasan and Sulaiman (2016), all *waqf* assets should be adequately utilised and cared for in addition to ensuring the survival of *waqf* assets to guarantee the sustainability of the returns to the *waqf*'s beneficiaries. In the same way, the continual development of benefits from *waqf* use is itself a mechanism that helps enhance the ummah's standard of life and lessen challenges and poverty among the needy and the destitute (Kahf, 1999). *Waqf* assets should be used to finance the Sustainable Development Goals (SDGs) agenda which aims to end all forms of poverty, address environmental and healthcare problems, combat inequality, and ensure that no one is left behind (UNDP, 2017).

Literature Review

Waqf Initiative as a National Agenda

A study on *waqf* and Islamic capital market integration is undoubtedly a necessary call for sustainable socioeconomic development, particularly during the nation's economic recovery period from the COVID-19 pandemic shock. According to JAWHAR (2014), *waqf*' assets should be independent and self-sufficient in terms of income generation within the Malaysian ecosystem. The idea of establishing a National *Waqf* Masterplan is to facilitate the mobilisation of future endowment assets as well as improve and guarantee better *waqf* administration. (National Budget. 2021. Therefore, there is always a significant demand for ongoing research to combine the *waqf* concept with modern financial mechanisms to finance the development of *waqf* assets as well as community projects (Kahf, 1998). The Islamic capital market, in particular, has the ability to not only facilitate but also expedite the *waqf* assets on a larger scale in modern financial applications.

The venture into wealth in modern forms, such as shares and cash, diversifies *waqf* sources, which can improve *waqf* not only in terms of its flexibility but also in the public's involvement in *waqf*. Investing the *waqf* revenues in balanced, less volatile portfolios of the unit trust fund, where the assets underpinning these portfolios are predominantly stable fixed income assets classes like money market instruments and Sukuk, is one way to implement this diversification (Sulaiman et al., 2019). Fundamentally, the incorporation of investment tools like unit trusts and *waqf*s is a very desirable innovation that might be pursued as a mechanism for a sustainable investment paradigm.

Cizakca (2000) asserts that the concept of unit trust funds (or mutual funds) has been borrowed by the West from the concept of *waqf* (Cizakca, 2000). Similar to the *waqf* principle, which divides the duties of waqif and *mutawalli*, unit trusts' organisational structure separates the functions of investors and fund managers. Given the rapid expansion of the funds in Muslim countries, the structure appears to have the potential to be used as a new form of *waqf* asset (Cizakca, 2000).

Waqf and Good Governance

Organisations with good governance, including *waqf* institutions, are more able to achieve their objectives effectively. The issue of "to whom" one is accountable in the social sector including *waqf* institutions is complicated by the presence of numerous stakeholders. According to Ebrahim (2010), social organisations are frequently held accountable to stakeholders, such as the funders, patrons, regulators, government, clients, or community, as well as to themselves and their purposes. In this context, governance has a strong relationship with accountability, where organizations are responsible for demonstrating their performance in achieving the objectives to the relevant stakeholders. However, Kasim (2004) asserted that the use of accounting as a means of achieving accountability and performance cannot be taken for granted. Ebrahim (2003) argued that in addition to accounting and performance, other accountability mechanisms can be used to discharge accountability to the public. Beyond board composition, good governance incorporates components like transparency, strategic management, and risk-management procedures (Arshad et.al, 2022). Therefore, it is necessary to create a framework for good governance to direct and assist the *waqf* in managing and communicating their governance more effectively, as well as to foster greater trust and more efficient social service delivery.

Many attempts have been made to remedy the phenomena of the lack of accountability in philanthropic organisations including *waqf*. *Waqf* must be managed professionally to ensure its perpetual function, which requires a strong corporate governance framework. High transparency in the management of *waqf* and their reporting is essential to increase the confidence and trust of their stakeholders and narrow the gap between donors and administrators (Kamaruddin, 2018). *Waqf* management would be more transparent and accountable when it is handled by a professional fund manager (Ramli & Jalil, 2014), both of which are benefits that contribute to promoting prosperity. Thus, identifying good governance principles is crucial to create a robust framework for managing the *waqf* of unit trust.

Overview of the Shariah-Compliant Unit Trust Fund Sector in Malaysia

A Shariah-compliant unit trust fund or mutual fund is one sort of collective investment plan that offers investors the chance to invest in a diverse investment portfolio of shariah-compliant Sukuk, securities, money market instruments, commodities, or real estate. Shariah-compliant unit trust funds give investors the chance to diversify their holdings across several financial asset classes. Professional fund managers invest the funds raised from a wide portfolio of Shariah-compliant financial instruments, depending on the goals of the funds. According to the Securities Commission of Malaysia (SC) (2009,) there are two ways that investors in Islamic unit trust funds might generate income: through the distribution of income and/or through capital gains.

The total net asset value (NAV) of the unit trust fund industry in Malaysia is recorded at RM486.79 billion. Out of this, 21% of the total fund is Shariah-compliant which stands at RM 106.85 billion as of 30 June 2022 (SC, 2022). Given the enormous scale of the Shariah-compliant amount, there is obviously a large potential for developing a superstructure source of *waqf* funds; as a result, the existing mechanics should allow a pathway for unit holders or unit trust investors to channel portion of their dividend or units as *waqf* or endowment.

Permissibility of Waqf-Unit Trust

In its 111th meeting, the National Fatwa Committee for Islamic Religious Affairs resolves that a Shariah-compliant unit trust qualifies as a *waqf* asset and is therefore recognised by Islamic law (JAKIM, 2017). Earlier, at the Majma' Fiqh's 19th meeting, held in the United Arab Emirates in 2009, it was decided that *waqf* in the form of financial instruments, such as shares, sukuk, intangible rights and unit trusts, is permissible from the Shariah perspective (International Fiqh Academy, 2009):

> "Endowing shares (which are Shariah-compliant), intangible rights, Sukuk, unit trust, and benefits are permissible because they are assets that are recognized by Shariah" (Resolution No. 181)

In addition, the Shariah Standard of Accounting and Auditing Organization for Islamic Financial Institutions (AAIOFI) No.33 stipulates the permissibility of financial instruments such as sukuk and shares including unit trust as a subject matter of *waqf*

Legally, the endowment of assets in the financial form, like unit trusts and shares, is permitted by several State enactments in the Malaysian legal system. One of the most glaring examples is section 10 of the Enactment *Waqf* (Perak) 2015. This law demonstrates that unit trusts are allowed to be the subject of *waqf*, of which permissibility is according to the manner *waqf* of shares is defined which suggests the inclusion of "unit trusts". The legal provision shows that numerous State Islamic Religious Councils (SIRCs) in Malaysia have accepted the use of *waqf* in contemporary society through modern financial assets and modern applications.

Waqf **Unit Trust Fund Framework: Recent Development in Malaysia**

An effective technique for growing and empowering *waqf* appears to be its integration with the Islamic financial system. *Waqf* of unit trust has been identified as a practical method for enabling and speeding up the development of *waqf* assets on a larger scale (Sulaiman et al., 2019).

Guidelines of Waqf Unit Trust Fund

The updated Guidelines on Unit Trust Funds and the Guidelines for Unlisted Capital Market Products were released by the Securities Commission of Malaysia (SC) in November 2020 under the Lodge and Launch Framework (SC, 2020). The programme is designed to make it easier to offer the *waqf* feature in Islamic funds, which helps the Islamic social finance sector expand. Philanthropic investors have been drawn to this initiative because *waqf* development has been seen as a prominently promising area for wealth distribution, social development, and increased public welfare. There are currently four (4) unit trust fund managers offering *waqf of* unit trusts, indicating that the *Waqf* unit trust fund framework has encouraged the Islamic unit trust fund industry to venture into *waqf*. An Islamic fund with the *waqf* feature, as defined in Chapter 14 of the guidelines, enables unit holders to reserve their rights to the units they purchased and to *waqf* all or a portion of the distribution income.

One of the primary goals of an investment fund with a *waqf* feature is not only to generate revenue but also to enable the unitholders to contribute all or a portion of that income for *waqf* as prescribed in the guidelines. The fund is only allowed to direct a portion of the distribution designated for *waqf* to the following recipients: (a) any state Islamic religious council (SIRC); or (b) any organisation or institution that the SIRC has authorised to act as a *mutawalli* (*waqf* administrator) or collection agent for *waqf*. The rule implies that the benefits can only be channelled to a designated institution and not to any individuals unless they are authorised by the SIRC.

The guidelines state that the fund must disclose in its product highlights sheet and prospectus the detailed descriptions of information related to the arrangement of the *waqf*, which must include the *waqf* initiatives and the names of the *waqf* recipients. This disclosure is required to ensure the transparency of the *waqf* distribution to the recipients. The fund must also provide investors with information about the *waqf* recipients and the status of the *waqf* activities. Aside from that, the fund manager is obligated to provide information about the *waqf*, the recipients of the *waqf*, and a link to the recipients' websites.

To support effective *waqf* governance, the clause expressly recognises the value of transparency in *waqf* reporting. Transparency and accountability are essential given the trend in *waqf* management, which has shifted from land *waqf* to cash *waqf* and even to digital currency. Accountability in *waqf* is important and aims to ensure that social services are released to society in an effective manner (Kamarubahrin et al., 2019). Accountability has been a pillar of prior *waqf* success stories, and the collapse of *waqf* has been attributed to the degradation of the trustee's accountability (Ayedh & Kamarubahrin, 2018).

Waqf Unit Trust Funds in Malaysia

Currently, there are four (5) *Waqf unit trust* Funds in Malaysia that philanthropic *waqf* investors may choose from. These funds are Makmur myWakaf Fund issued on 3 March 2021by BIMB Investment Management Berhad, PMB-An-Nur *Waqf* Income Fund issued on 18 March 2021 by Pelaburan Mara Berhad, Kenanga *Waqf* Al-Ihsan Fund issued on 13 April 2021 by Kenanga Investors Berhad, and Maybank Mixed Assets-I *Waqf* Fund issued on 3 May 2021 by Maybank Asset Management Sdn. Bhd. The most recent *waqf* unit trust fund is Kenanga Sustainability Series Emergency *Waqf* Musa'adah Fund which was launched on 6 October 2022 in collaboration with Yayasan *Waqf* Malaysia.

Table 1: Monthly Asset Under Management of *Waqf* Unit Trust Fund in Malaysia

Fund	Launch Date	AUM (RM 'million)																
		Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022
Makmur myWakaf Fund	3 March 2021	0.00	11.08	11.06	11.06	11.04	11.18	11.01	11.01	11.08	1.95	10.50	9.64	9.52	9.52	9.18	8.29	8.29
PMB-An-Nur Waqf Income Fund	18 March 2021	0.00	4.13	4.71	5.28	6.34	6.47	7.00	7.20	7.26	7.68	7.52	7.52	7.86	7.63	7.60	7.77	7.88
Kenanga Waqf Al-Ihsan Fund	13 April 2021	-	0.00	3.90	7.13	7.52	7.78	7.82	7.85	7.59	7.58	7.19	7.11	6.80	6.04	5.93	5.70	5.60
Maybank Mixed Assets-I Waqf Fund	3 May 2021	-	-	0.53	0.53	0.99	1.56	1.56	1.97	2.00	1.95	1.77	1.57	1.60	1.58	1.36	1.32	0.96
BSN Dana Wakaf Al-Ikhlas	25 Mar 2022	-	-	-	-	-	-	-	-	-	-	-	-	0.00	25.55	24.88	24.31	24.53
Total AUM		0.00	15.21	20.20	24.00	25.89	26.99	27.39	28.02	27.93	19.16	26.98	25.84	25.78	50.32	48.95	47.39	47.26

Source: Data as of 31 July 2022 extracted from Refinitive Lipper for Investment Management

As of 31 July 2022, the Asset Under Management (AUM) extracted from Refinitive Lipper for Investment Management of four *waqf* unit trust funds in the Malaysia IFM industry was recorded at RM47.26 million (Table 1). This amount is still relatively small which stood at only 4% of the total AUM of Shariah-compliant unit trust funds in Malaysia. Hence, lots of effort need to be concerted to increase awareness among the unit holders to endow part of the dividend as *waqf*.

Waqf Unit Trust Fund Proposed Models under the Guidelines of the Securities Commission

In a previous study, a number of conceptual models for unit trust *waqf* were proposed for future implementation (Sulaiman et al., 2019).

The following is a summary of these models:
a. Either the entire unit trust or a portion of it may be endowed to *waqf*.
b. Cash *waqf* is accumulated to buy (or invest in) unit trusts.
c. *Waqf* on the entire dividend or a portion of it.
d. The fund manager may donate all or a portion of the fees earned from running the *waqf* of unit trust.

As far as the SC's waqf unit trust fund framework is concerned, the applicable model of a *waqf*-linked unit trust is based on the *waqf*-dividend structure, which means that the endowed subject matter is the return or dividend of the unit trusts. The guidelines recognise the *waqf* on the entire or a portion of the dividend. Undoubtedly, this represents significant progress in integrating *waqf* into an Islamic capital market, particularly in unit trusts and the wholesale fund, but more work may be required to support the different models, as proposed by Sulaiman et al (2019).

Current Application of _Waqf_ Unit Trust Fund in Malaysia

Waqf Unit Trust Funds Objectives

Every unit trust fund targets a different set of general goals, such as growth, income, or a mix of the two. Regarding the *waqf* of unit trust, this fund is distinctive that it has a philanthropic goal, with a certain percentage of the earned income going to areas like healthcare, general welfare, community empowerment, human capital development, entrepreneurship, education and disaster relief. Based on *waqf* principles, each *waqf* unit trust fund encourages investors to donate the proceeds to organisations or communities in need through the designated *waqf* administrators. The percentage of distribution to be channelled for *waqf* purposes must also be spelt out in the prospectus.

Waqf management that is effective and productive may help the institution grow and become a mechanism for creating jobs for society. *Waqf* can be used to develop a variety of investments, providing jobs vacancy to the unemployed. An endowment devoted to entrepreneurship, such as the construction of commercial properties, may also directly produce job vacancies for the general public (Abdullah et.al, 2022).

Waqf Administrator and Waqf Recipients

Currently, there are three (3) institutions that have been appointed as *waqf* administrators (*mutawalli*) of the *waqf* unit trust funds. The Association of Islamic Banking and Financial Institutions Malaysia (AIBIM) has been designated as the *waqf* administrator (*mutawalli*/*nazir khas*) for the Makmur myWakaf Fund. *Waqf* An-Nur Corporation Berhad is the *waqf* administrator for PMB-An-Nur *Waqf* Income Fund. While Yayasan Waqaf Malaysia (YWM) is the *waqf* administrator for three (3) funds namely Kenanga *Waqf* Al-Ihsan Fund, Kenanga Sustainability Series Emergency *Waqf* Musa'adah Fund and Maybank Mixed Assets-I *Waqf* Fund.

The *waqf* administrators are also the legit recipients of the *waqf* distribution as stipulated in the Guidelines which can be summarised as follows:

a. The *waqf* administrator or *waqf* recipient must be authorised by the Federal or State Islamic religious council to act as a *waqf* administrator (*mutawalli*/*nazir khas*) or collection agent for *waqf* purposes;
b. Must have an adequate governance structure and framework;
c. Must have an audited annual financial statement; and
d. To publish the annual report on the *waqf* distribution including the recipients and utilisation on its website.

If the appointed *waqf* administrator ceases to meet the criteria, the fund manager will take immediate action to remove it and replace it with another *waqf* administrator that meets the criteria, subject to the approval of the *waqf* unit trust fund Shariah Adviser. Additionally, the fund manager may designate more than one (1) institution to receive the *waqf* contribution. By subscribing to the *waqf* unit trust fund, the investors also agree to delegate the authority to select or remove the *waqf* administrators/recipients, subject to the Shariah Adviser's approval.

Digital Platform

The requirement to disclose the annual report including *waqf* recipients and *waqf* projects at an online platform demonstrates that the fund managers are urged to fully embrace the digital agenda to enable a digitised ecosystem and fintech inclusion in the management of *waqf*. Islamic fintech has the potential to offer a solution to several stumbling blocks. As a result, it may efficiently carry out the duties set forth by Shariah and develop creative avenues for the accomplishment of some of the Muslim community's most important financial-related obligations. This will work in tandem with Strategic Thrust 3 of the Financial Sector Blueprint 2022-2026 to advance the digitalisation of the financial sector to increase the effectiveness of good governance, integrity and transparency.

Wages or Fees (Ujrah) of Waqf Management

According to al-Tarabulsi (1902), the Shari'ah does not set a specific rate of wages for the *nazir* (*waqf* manager) of the *waqf*. The imposition amount depends on the customary practice of a society taking into account the difficulties and challenges of *waqf* management. If appointed by a waqif or a private party he can earn higher wages on courtesy of the waqif (Othman, 2013). However, this privilege is not available if the *nazir* is appointed by the government because the wages paid are taken from the income generated from the *waqf* property which is subject to the condition of taking the wages as needed (Al-Qurtubiy, 2006).

In general, the wages given can be determined by waqif to be paid on a monthly or annual basis or based on a certain percentage of the *waqf* profit (Sobri, 2008). *Nazir*'s wages also can be determined based on the standard salary scale set by the government on monthly basis (Ramli & Abdullah, 2014). In this regard, *nazir* may apply to increase the rate of wages paid according to current needs (Muʿawwad & Abdul Mawjud, 1994).

The *waqf* manager (*nazir*) is allowed to take wages/fees for managing the *waqf* asset at a reasonable amount and it does not reach the point as if the property belonged to the *nazir*. (Al-Syawkani, n.d.). A question arises about whether the wages can be taken from the capital or the yield generated from the capital. On 28 July 2011, the Fatwa Committee of the State of Selangor resolved that the addition of the phrase "with the purpose of taking part of the *waqf* capital as wages" is not permissible as the *waqf* capital cannot be reduced from the original *waqf* amount unless with the permission of the *waqif*. In this regard, the Fatwa Committee of the State of Selangor on 21 November 2011 concluded that Perbadanan Wakaf Selangor (PWS) can take as much as 15% of the profits of *waqf* investments as wages *(ujrah li al-nazir al-waqf)* for management and administrative purposes. As a solution to the issue of using *waqf* capital as a *nazir* wage, the Selangor State Fatwa Committee proposed that PWS may take wages from a portion of *waqf* benefits or fixed allocations by MAIS, the Selangor State Government or any institution that carries out *waqf* activities with their consent.

In response to the same issue, the Melaka State Fatwa Committee Meeting No. 4/2015 which convened on 28 Safar 1437H (10 December 2015M) has examined and discussed the Usage of 10% of the Collection of *Wakaf* Shares as Wages to the Appointed *Amil,* the meeting has decided as follows:

i. Not agreeing to use 10% of the collection of *waqf* shares as a reward to the appointed *amil* because the *waqf* belongs to Allah SWT. The *waqif* is the owner of the cash for Allah SWT. All (capital) that is pledged (as *waqf*) should not be reduced or taken any percentage of it.

ii. However, the Melaka Islamic Religious Council may allocate a 10% rate to pay wages to the appointed *amil* by using *baitulmal* money or investment profit from the *waqf* share.

This fatwa is following the hadith of the Prophet Muhammad PBUH which means: "It is not wrong for the *Waqf* Board to eat (take benefits) in a good way *(bil-ma'ruf)"* (Hadith narrated by Bukhari, Muslim and Ibn Majah).

It can be concluded that the two fatwas in Malaysia are in conformity with the ruling according to Shafi'i School as mentioned in Fiqh Manhaji in discussing the wage for a *nazir*:

إذا شرط الواقف للناظر شيئاً من الريع جاز، وكان له أخذه، فإن لم يذكر الواقف للناظر أجرة،فلا أجرة له فلو رفع الناظر الأمور إلى الحاكم، وطالب أن يقرِّر له أُجرة، جاز للحاكم أن يقرِّر له الأجرة التي يراها مناسبة لعمله، وهذا إذا لم يجد متبرعاً يقوم بالنظر على الوقف من غير أجر، وللناظر أن يأكل من ثمرة الموقوف بالمعروف.. كما قال عمر – رضي الله عنه

(لا جُناح على مَن وليها أن يأكل منها بالمعروف)

Translation: If the endower stipulates to the *nazir* (*waqf* manager) the wage, (thus) the wage is permissible, and the *nazir* has the right to take it. If the waqif does not mention a wage to the *nazir*, then there is no wage for him. If the *nazir* raises the matter to the ruler and demands that a fee is fixed for him, it is permissible for the ruler to decide for him the wage that he deems appropriate for his work. If a person who could look after the *waqf* without any payment does not exist, the *nazir* may take (the wage) from the income of the *waqf* asset based on necessity (al-Khin et.al, 2008).

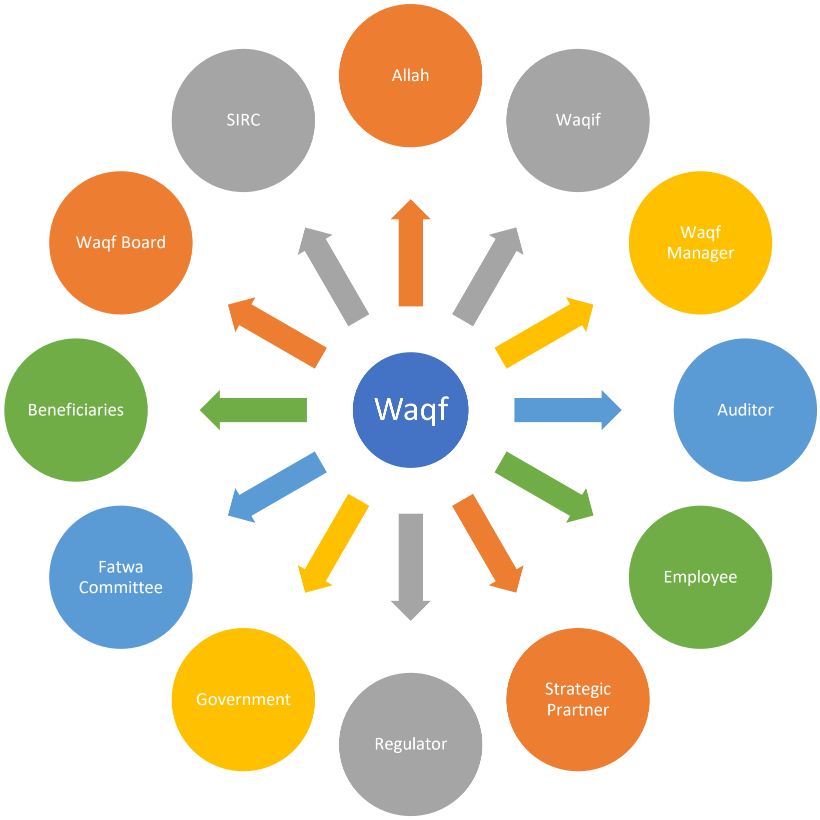
Based on historical evidence, it is documented in 1986 that al-Azhar University spent a total of LE147,324,300 university *waqf* funds to finance infrastructure facilities, development costs, academic activities including emoluments of academic staff including for *huffaz* al-Quran. In fact, according to this fatwa, the cost of managing *waqf* can be taken directly from the *waqf* capital if approved by *the waqif* as stipulated in the *waqf* deed. This may happen if the *waqf* fund was not successfully developed or invested thus failing to reap the expected profit which caused the management activities to be disrupted. At that point, a portion of the *waqf* capital can be allocated to finance the required management costs. This is where the wisdom behind the sanctioning of *waqf* is that most of the rulings are built based on flexible *ijtihad* which benefits the parties involved (Ali & Osman, n.d.).

Management Fee of Waqf of Unit Trust

In practice, there are two applicable methods imposed in calculating the fee *(ujrah)* in managing the *waqf* of unit trust. The first method clearly spelt out in the prospectus that the fee will be deducted based on the daily transaction of the unit trust fund. In other words, it has been agreed upfront that the fund manager is allowed to take a reasonable fee from the *waqf* capital based on the approval by the endower of *waqf* of the unit trust. In the case of Kenanga *Waqf* al-Ihsan Fund, the management fee is computed and accrued on a daily basis and is payable monthly to the fund manager which is up to 1.50% per annum of the NAV of the fund. While for the other method, which is applicable for *Waqf* of ASNB under Permodalan Nasional Berhad (PNB), the fee will be calculated towards the end of the financial year after the dividend is declared.

Waqf Governance: Implementing Stakeholder Theory in the Waqf of Unit Trust

A popular definition of stakeholder as defined by Freeman (1984) is “any group or person that can influence or is affected by the achievement of an organization's objectives”. According to this definition, a stakeholder may be a person, a group, or an institution. The involvement of the other parties is derived from their ability to directly or indirectly influence the organisations. The stakeholder theory has been embedded in management and accounting studies for corporations and not-for-profit organizations (NPOs). Historically, organisations have a reputation for prioritising financial stakeholders, or fund sources, over other stakeholder populations (Hakim, 2019). While an organisation must still pay attention to its owners or financing sources, it is now also exposed to the influence of a wider spectrum of stakeholders which could be internal or external. The stakeholder theory claims that organisations that can handle their stakeholders effectively will thrive as compared to organisations which do not. In addition, this theory also emphasizes the relationship between the internal and external stakeholders that may affect the sustainability of an organisation (Che Salleh, 2020). The previous literature has listed a wide range of multiple *waqf* stakeholders including divine and worldly stakeholders among others Allah SWT, *waqf* (endower), beneficiaries, Sultan (Islamic Ruler), *waqf* manager (sole trustee/*mutawalli*/*nazir*), public, *waqf* board, fatwa committee, auditor, government, regulator, non-governmental organisation, strategic partner and employee (Hakim, 2019).



Stakeholders of *Waqf* of Unit Trusts Fund Structure

Author's Own

In the context of the management of *waqf* of unit trust, the application of stakeholder theory seems to fit the structure to observe the right and duties of each stakeholder such as the waqif, the beneficiaries, State Islamic Religious Council (SIRC) as the sole trustee and fund managers. Figure 1 depicts the stakeholders of *waqf* of unit trusts fund structure. Thus, integrating the role of all the stakeholders to achieve the charitable *waqf* objectives as outlined in the prospectus of the *waqf* unit trust funds is crucial.

From the Islamic perspective, the stakeholder theory is attributed to a hadith of Prophet Muhammad SAW which mentioned that: "It has been narrated on the authority of Ibn 'Umar that the Holy Prophet (SAW) said: Beware. every one of you is a shepherd and everyone is answerable concerning his flock. The Caliph is a shepherd over the people and shall be questioned about his subjects (as to how he conducted their affairs). A man is a guardian over the members of his family and shall be questioned about them (as to how he looked after their physical and moral well-being). A woman is a guardian over the household of her husband and his children and shall be questioned about them (as to how she managed the household and brought up the children). A slave is a guardian over the property of his master and shall be questioned about it (as to how he safeguarded his trust). Beware, every one of you is a guardian and every one of you shall be questioned about his trust" (Sahih Muslim, Book 20, Hadith 4495).

From the hadith, it can be inferred that, depending on their positions within the *waqf* of the unit trust structure, all of the stakeholders are mutually accountable to one another. Hence, in managing the *waqf* of unit trust the role of fund managers are crucial to ensure that the fund is managed efficiently and professionally to the ultimate effect of ensuring a sustainable return to all *waqf* beneficiaries and achieving the charitable objectives of each fund.

Conclusion

The establishment of the *waqf* unit trust fund in Malaysia is strongly supported by the resolute fatwa decisions coupled with a strong regulatory and thorough supervision framework. In addition, good governance in managing *waqf* unit trust is crucial to achieving philanthropic objectives and ultimately empowering ummah's well-being. The integrated participation and contribution of all relevant stakeholders particularly the fund managers are vital to ensure the benefits of *waqf* could be channelled to serve the community at large. Through the *waqf* concept, the unit trust fund seeks to expand and reinvent the role of philanthropic investors in contemporary society by supporting charitable causes and connecting with the local community *waqf* concept. The Malaysian *waqf* sector should be revitalised to move toward digitalization and fintech inclusion given the recent growth of the digital economy.

Acknowledgements

The authors gratefully acknowledge the financial support from Universiti Sains Islam Malaysia's research grant scheme, PPPI/FEM/0121/USIM/14921 to conduct this research.

References

Al-Khin, M., Al-Bugha, M., & al-Syarbaji, A. (2008). *Al-Fiqh al-Manhaji 'ala Mazhab al-Shafi'i.* Vol.5. Dar al-Fikr:Beirut.

Ayedh, A. M. A & Kamarubahrin, A.F. (2018). The management of *waqf* concept, development and issues. In Analytical review of selected Muslim and Non-Muslim countries in *waqf* experiences, edited by Ramli, N. M., M. R. Ab. Aziz, & M. Alias, 84-102. Negeri Sembilan, Malaysia: USIM Press.

State Bank Malaysia. Financial Sector Blueprint 2022-2026.

Bernama. (2020). Islamic Finance in Budget 2021. https://www.bernama.com/en/thoughts/news.php?id=1903726, [retrieved, 30 January 2020>

Çizakça, M. (1998). Awqaf in history and its implications for modern Islamic economies. Islamic Economic Studies, 6(1), 43-70.

Cizakca, M. (2000). A History of Philanthropic Foundations, the Islamic World
from the Seventh Century to the Present. Istanbul: Bogazici University
Press.

Ebrahim, A. (2003). Accountability in Practice: Mechanisms for NGOs. World Development, 31(5), 813–829.

Ebrahim, A. (2010). The Many Faces of Non-proft Accountability. Jossey-Bass Handbook of Non-proft Leadership and Management, 3, 98–121.

Hamdan, N. Osman A.Z & Rashid, H.M.A (2019). The Stakeholders Ecosystem of *Waqf* Institutions In Malaysia, Jurnal Syariah, Jil. 27, Bil. 2 (2019) 281-300 .

Hasan, A. & Sulaiman, S. (2016). The use of Islamic real estate investment trust (I-REITs) as a contemporary instrument in developing *waqf* assets: Potential structure, issues and challenges, 24, Special Issue, 521-540.

Iman, A.H.M & Mohamad, M.T.S. (2017). *Waqf* as a framework for entrepreneurship. Humanomics, 33(4), 419-440.

International Islamic Fiqh Academy (2009). Resolution no. 181 (7/19). Jeddah: International Islamic Fiqh Academy.

Jabatan Kemajuan Islam Malaysia (Jakim. (2017). Compilation of legal opinions of the National Muzakarah Committee. Putrajaya.

Kahf, M. (1999). Towards the revival of awqaf: New fiqhi issues to reconsider. Paper presented at the Harvard Forum on Islamic Finance and Economics, 1 October, Harvard University, Cambridge.

Kamarubahrin A. F., Ayedh, A. M. A., & Khairi, K. F. (2019). Accountability practices of *waqf* institution in selected states in Malaysia: A critical analysis. International Journal of Economics, Management and Accounting, 27(2), 331-352.

Kamaruddin, M. I. H. (2018). A case study on *waqf* reporting practices for governance, performance and socio-economic impact in Malaysia. International Journal of Management, Accounting and Economics, 5(9), 693-714.

Kasim, A., Aziah, N. & Scapens, Robert W. (2007) *Corporatisation and accounting change: the role of accounting and accountants in a Malaysian public utility*. Management Accounting Research, 18 (2). pp. 209-247

Kenanga, (2021), "Media Release: Kenanga Investors Appointed Fund Manager For Disaster *Waqf* Fund". https://www.kenanga.com.my/news/media-releases/kenanga-investors-appointed-fund-manager-for-dana-wakaf-bencana/ [retrieved 30 December 2021].

Mohsin, M. A. A. (2013). Financing through cash-*waqf*: A revitalization to finance different needs. International Journal of Islamic and Middle Eastern Finance and Management, 6 (4), 304-321.

Mohsin, M. M. A. (2019). *Waqf*intech and sustainable socio-economic development. International Journal of Management and Applied Research, 6(3), 130-141.

Rabbani, M. R., Khan, S., Thalassinos, I. E. (2020). FinTech, blockchain and Islamic finance: An extensive literature review. International Journal of Economics and Business Administration, 2, 65-86

Ramli, A. M., & Jalil, A. (2014). Corporate *waqf* banking model: Analysis of selangor muamalat *waqf*. Journal of Management, 42, 159-167.

Securities Commission of Malaysia. (2009). Islamic capital market-Islamic equity market. Petaling Jaya: Lexis Nexis.

Securities Commission of Malaysia (2020). SC introduces new framework to facilitate offering of Islamic funds with *waqf* features. https://www.sc.com.my/resources/media-releases-and-announcements/sc-introduces-new-framework-to-facilitate-offering-of-islamic-funds-with-*waqf*-features [retrieved 30 January 2021].

Securities Commission of Malaysia. (2022). Unit trust fund summary statistic as of 30 June 2022. https://www.sc.com.my/api/documentms/download.ashx?id=4ee325c4-41b0-4085-bc94-8a068c648a8a [retrieved, 30 December 2021).

Shariah Standard of Accounting and Auditing Organization for Islamic Financial Institutions (AAIOFI), Bahrain.

Sulaiman, S. & Hasan, A. (2021). An integrated approach of unit trust and *waqf* as a sustainable investment conceptual model in the COVID-19 era. International Journal of Liberal Arts and Social Science, 8(12), 30-41.

Sobri, Ikrimah Saʿid. *al-Waqf al-Islamiy Baina al-Nazariyah wa al-Tatbiq*. Jordan: Dar al-Nafaiz, 2008.

Sulaiman, S., Hasan, A, Noor, A. M., Ismail, M. I., & Noordin, N. H. (2019). Proposed models for unit trust *waqf* and the parameters for their application. ISRA International Journal of Islamic Finance, 11(1), 62-81.

Syamsuri, S.A, Feldro, A., Wibisono, V.F., Rivai, V., Subagja, I.K, Basalamah, S., initial (2019). Existence of *waqf* in enhancing of Indonesia financial stability in era Industrial Revolution 4.0: A conceptual design. East African Scholars Journal of Economics, Business and Management, 2(12), 744-753.

Syed, M.H, Khan, S., Rabbani, M.R., Thalassinos, Y.E., (2020). An artificial intelligence and NLP based Islamic FinTech model combining zakat and qardh-al-hasan for countering the adverse impact of COVID 19 on SMEs and individuals. International Journal of Economics and Business Administration, VIII (2), 351-364.

UNDP. (2017). *Waqf* for financing the Sustainable Development Goals (SDGs). http://www.id.undp.org/content/indonesia/en/home/presscenter/articles/2017/12/11/untapped-great-potential-of-*waqf*-for-sustainable-development-in-indonesia-.html {Retrieved 31 January 2021].

Don, M.A.M. & Osman, M.R. (n.d.). Sorotan Fatwa Wakaf di Negeri Selangor dan Kaitannya dengan Pengurusan Wakaf di Universiti, https://www.academia.edu/35442756/Sorotan_Fatwa_Berkaitan_Pengurusan_Wakaf_di_Negeri_Selangor_dan_Kaitannya_Dengan_Pengurusan_Wakaf_di_Universiti_docx, retrieved on 1 October 2022.

Al-Tarabilisiy, Burhanuddin Ibrahim bin Mūsa bin Abi Bakar ibn Ali al-Hanafi. *al-Isʿāf fi Ahkām al-Waqf*. Mesir: Matbaʿah al-Hindiyyah, 1902.

Othman, R. (2013). . *Institusi Wakaf Sejarah dan Amalan Masa Kini*. Kuala Lumpur: Dewan Bahasa dan Pustaka,

al-Qurtubiy (2006). A.B. Beirut. Lubnan, al Resalah Publishers, 2006.

Muʿawwad, Ali Muhammad dan Abdul Mawjud, ʿAdil Ahmad (1994). (ed.). *Mughni al-Muhtaj ila Maʿrifah al-Maʿaniy al-Minhaj.* al-Syarbini, Shams al-Din bin Muhammad bin Muhammad al-Khatib. Jil. 3. Kitāb al-Wakalah, Beirut: Dar al-Kutub al-ʿilmiyyah, 1994.

Muhammad Subari bin Ramli, M.S & Abdullah, M. (2014). International Research Management and Innovation Conference 2014 (IRMIC 2014) KL, 17 – 18 November 2014, http://rmc.kuis.edu.my/irmic/wp-content/uploads/2014/12/Full-Paper_Muhammad-Subari-Marliana_-Penentuan-Kadar-Ujrah-al-*Nazir*-dalam-Pengurusan-Wakaf.pdf.

Al-Bugha, M., Al-Khin, M & Syarbiji, A (1998). Al-Fiqh al-Manhaji 'Ala Madhahib al-Imam al-Syafii. Beirut: Dar al-Syamiyyah.

Freeman, R.E (1984). Strategic Management : A Stakeholder Approach (Massachusetts: Che Mohd Salleh, M., Razali, S.S., Megat Laksana, N.N., Che Embi, N.A. and Abdullah, N.I. (2020), "Developing a sustainable model of *Waqf*-based Takaful for flood victims in Malaysia", Journal of Islamic Accounting and Business Research, Vol. 11 No. 9, pp. 1941-1952. https://doi.org/10.1108/JIABR-10-2016-0114

Kasim, A., Aziah, N. & Scapens, Robert W. (2007) *Corporatisation and accounting change: the role of accounting and accountants in a Malaysian public utility.* Management Accounting Research, 18 (2). pp. 209-247.

Arshad, R., Kasim, N., Muda, R., Ahmed, C. (2022). Governance Framework for Philanthropic Organizations Directed Towards Taqyid Al-Mutlaq. In: Ismail, A.G., Abdullah, R., Zaenal, M.H. (eds) Islamic Philanthropy. Palgrave Studies in Islamic Banking, Finance, and Economics. Palgrave Macmillan, Cham. https://doi.org/10.1007/978-3-031-06890-4_18.

Sahih Muslim, Book 20, Hadith 4495, https://www.iium.edu.my/deed/hadith/muslim/020_smt.html, retrieved 1 October 2022.