

UNIVERSITI TEKNOLOGI MARA

**CROWDFUNDING FRAMEWORK
FOR WAQF PROPERTY
OPTIMISATION OF WAQF
INSTITUTION IN MALAYSIA'S
NORTHERN REGION**

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ABSTRACT

State Islamic Religious Council (SIRC) is an institution responsible for administering and managing waqf property. Waqf property provides an institution with fortune and prosperity. Those waqf property must be utilised and managed properly to achieve the best results in eradicating poverty and improving people's well-being. During the 2023 Budget Presentation, Malaysian Prime Minister emphasised that only approximately 3,500 hectares, or merely 12 percent of the registered waqf land, has been successfully developed. This clearly shows that SIRC is dealing with problems in managing and optimising waqf property which affect the development and management of the property. Findings from previous studies found that most SIRC face challenges in terms of management and governance practices in collecting waqf funds. This causes waqf property to be underdeveloped and was not used optimally to achieve an overall impact to the beneficiaries. Furthermore, the lack of funds and still implementing the traditional method in collecting waqf fund, results in ineffective funds collection. Hence, there is a need to improve the management and the process of collecting funds for the purpose of the optimising the waqf property. The three objectives of this study are; i) to identify the current waqf property optimisation of waqf institutions in the Northern Region of Malaysia; ii) to explore the current practices of crowdfunding for waqf property optimisation in the Northern Region of Malaysia; and iii) to develop crowdfunding framework for waqf property optimisation in the Northern Region of Malaysia. This study used a qualitative research approach with the three SIRC institutions in the Northern Region as the unit of analysis. Data were collected using formal, semi-structured in-depth interviews and document review. The interviews were conducted with the head of waqf unit management for each institution. The data was analysed based on the themes from the interview questions to answer the three objectives of this study. Thus, this study provides a platform for SIRC to make an optimal use of their waqf property through crowdfunding as an alternative to collect funds. The significant findings of this study aims to proposed the crowdfunding framework for waqf property optimisation of waqf institution in the Northern Region of Malaysia, which consists of four basic components; i) input; ii) process; iii) output; and iv) feedback. Through the development of this framework, SIRC institutions may increase the waqf funds of every waqf institutions using the crowdfunding platform. Futhermore, this framework may reduce the liquidity constraints among the waqf institutions. In addition, this framework creates many spaces for collaboration between waqf institutions and other agencies. With the collaboration, waqf property can be developed and optimised effectively and efficiently. Furthermore, this framework may increase public confidence and trust towards waqf institutions when optimising more waqf property in Malaysia. This framework can be adapted to different types of waqf institutions to enhance more proactive and optimal development and optimisation of waqf property. This framework can fulfil one of the Malaysian government's Wakaf Madani agenda where waqf instruments can contribute 20 percent in Islamic financial sector by year 2030 and for economic sustainability empowerment planning and strategies based on values, ethics, and morals. Hence, this will ensure the existence and growth of SIRC is in line with the local and global changes.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

This section introduces and delves into a comprehensive background overview of the study. Subsequently, the chapter discusses the problem statement, serving as the foundation for this study. Additionally, the chapter outlines the research questions, research objectives, and significance of the study. Furthermore, it presents the study's scope, delimitations, and its definition. Finally, this chapter concludes with an explanation of the organisation of the thesis and a summary.

1.2 Background of Study

Waqf is a concept that predates Islam, though it wasn't specifically termed 'waqf' back then. However, the underlying principle was evident through the construction of mosques and suraus. These places of worship were funded by public donations for their maintenance (Dahlia & Haslindar, 2013; Meri Indri et. al., 2022). While many Muslims associate waqf solely with religious purposes, the reality is that waqf can benefit people across all levels of society. What sets waqf apart from other forms of voluntary philanthropy is not only its spiritual foundation but also its enduring commitment to maintaining donated assets. This commitment ensures the continuous availability of benefits, with resources directed toward beneficiaries (Abdur-Rashid, 2020).

Islamic social finance has leveraged the current expansion of Islamic economics and finance, as noted by Uluyol et. al., (2021). According to Fahmi Medias et. al., (2022), waqf stands as one of the most vital institutions driving socioeconomic growth in the Muslim world. The term waqf is rooted in the Arabic word *waqafa*, signifying restraint, limitation, or cessation (Ab Rahman, 2009; Muh. Abdulloh et. al., 2021). Furthermore, the connotation of waqf varies based on its purposes and usage in language. As per Kamus Dewan (2015), the term waqf encompasses something given for the use of the public (as a donation), something given or allocated for needs which are related to Islam.