

UNIVERSITI TEKNOLOGI MARA

**DETERMINANTS OF
WAQF INSTITUTIONS'
EFFICIENCY
IN
MALAYSIA**

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PhD

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AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

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ABSTRACT

Waqf is a unique form of philanthropy in Islam with the objectives of providing spiritual rewards the donor (or *waqif*) continuously in this World and Hereafter, as well as to enhance the *ummah*'s (society) standard of living according to Islamic principles. It is estimated that the global *Waqf* assets are valued at US\$1 trillion, while in Malaysia, it has the potential to be as high as US\$ 325.4 billion. *Waqf* institutions are trusted bodies that manage *Waqf* in many Muslim countries. In Malaysia, *Waqf* is managed by the State Islamic Religious Councils (SIRCs) which are responsible to ensure that the *Waqf* assets and its objectives are managed efficiently by producing a maximum level of outputs given a certain level of inputs or minimize inputs given a certain level of outputs. In this study, the efficiency of *Waqf* institutions in Malaysia during the 2010 to 2016 period was analyzed through a two-stage analysis. In the first stage, the DEA Windows Analysis method was deployed to gauge the efficiency levels of the *Waqf* institutions, while in the second stage, the Pooled Ordinary Least Square (OLS) Regression Model was deployed to examine the *Waqf*-specific characteristics, macroeconomic conditions, and regulatory determinants on the efficiency of the *Waqf* institutions in Malaysia. The findings of the first stage analysis recommended that the efficiency of the *Waqf* institutions in Malaysia was underperforming and unfit to carry out its main functions efficiently. Furthermore, it was also discovered that the Scale Efficiency (SE) was more dominant over the Pure Technical Efficiency (PTE) in determining the technical efficiency of the *Waqf* institutions in Malaysia, which technically suggested that the inefficiency of *Waqf* institutions in Malaysia might be mainly caused by managerial inefficiency. In the second stage, it was discovered that the efficiency was influenced significantly by the Number of Employees (NOE), Size of *Waqf* Lands Under Management (SWLUM), Number of Branches available (NOB), Existence of *Waqf* Operational Websites (WEB), Number of Social Media adopted (SM), Economic Growth (GDP), Corporatization (CORP), and Board Size (BS). Overall, the findings of this study highlighted the importance of ensuring efficiency of *Waqf* institutions in Malaysia. Furthermore, relevant authorities, especially the SIRCs, the Department of *Zakat, Waqaf, and Haji* (JAWHAR), and the government ought to deploy efficiency enhancement measures of *Waqf* institutions as well as strengthening the collaborations between authorities and stakeholders in ensuring the noble objectives of *Waqf* institutions in Malaysia are successfully accomplished.

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