



**EFFECTIVENESS AND EFFICIENCY OF WAQF  
INSTITUTION IN MALAYSIA TOWARD FINANCIAL  
SUSTAINABILITY**

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## **ABSTRACT**

Poor management of waqf institutions has been spread out by the people. According to Ismail, Salim and Ahmad Hanafiah (2015), most of SIRC faced the same problem in inefficient of waqf administration. This may lead to the failure to generate income and manage the waqf assets. Yet, Malaysia has established Department of Awqaf, Zakat and Hajj (JAWHAR) to systemize the management of waqf in all states. However, there are still lacking in recording and reporting of waqf accounting standard and inconsistent in recording it. Thus, it is necessary to study factors that influenced efficiency and effectiveness of waqf institution in managing the institution toward financial sustainability. Main objective of this study was to determine the performance of waqf institution using efficiency ratio approaches toward financial sustainability. In addition, this study also conducted three specific objectives which are to identify the efficiency of waqf institution according to their fundraising efficiency, operating expenses efficiency and distribution efficiency. Waqf institution that I choose to study was National Endowment Foundation (YWM). The efficiency of YWM was the dependent variable while fund-raising efficiency ratio, operating expenses efficiency ratio and distribution efficiency was the independent variables. The data collected in this study are secondary data which extracted from annual financial reports of National Endowment Foundation (YWM). Data extracted are from January 2011 till December 2015.

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# CHAPTER 1: INTRODUCTION

## 1.0 INTRODUCTION

Waqf or endowment from the sharia point of view means holding a specific property and preserving it for the benefit of ummah and any use or disposition other than for specific objectives was prohibited (Sanusi & Mohd Shafiai, 2015). Endowment can be in form of financial and non-financial endowment. Literally waqf means “hold, confinement or prohibition” while technically means “holding certain property and preserving it for the confined benefit of certain philanthropy and prohibiting any use or disposition of it outside that specific objective” (Hartini, Mohamed Aslam, & Hanafi, 2015). waqf is a private possession or asset in any form that has been put under injunction from any form of transaction including sale, inheritance, hibah (grant) and wasiyyah (will) whilst its physical source remains intact and unchanged (Masruki & Shafii, 2013).

Ibn ‘Umar reported: “Umar acquired land in Khaibar. He came to the prophet Muhammad (pbuh) and sought his advice in regard to it. He said; “Allah’s Messenger, I have acquired a land in Khaibar. I have never acquired more valuable for me than this, so what do you command I do with it?” Thereupon the Prophet (pbuh) said; “if you like, you may keep the corpus intact and give its produce as sadaqah declaring that the property must not be sold or inherited or given away as a gift.” And ‘Umar devoted it to the poor, to the nearest of kin, to the emancipation of slaves, to wayfarers or guests, and in the way of Allah. (Sahih