

**UNIVERSITI TEKNOLOGI MARA**

**PERFORMANCE EFFICIENCY OF  
*WAQF* INSTITUTIONS IN  
MALAYSIA**

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## ABSTRACT

*Waqf* is defined as a voluntary charity that cannot be disposed of and the ownership cannot be transferred once it is declared as *waqf* assets. *Waqf* institution is one of the important instruments in Muslim's economic development. The roles of *waqf* not only help Muslim *ummah* yet the whole community. *Waqf* can be used as tools to improve wellbeing, poverty alleviations and provide basic needs to the poor and less privileged which they cannot get such as access to health and education. Since *waqf* institution act as intermediaries between giver (*waqif*) and beneficiaries (*Mawquf 'Alayh*), this institution has to perform efficiency in order to maintain the public confident towards them. Consequently, efficiency of *waqf* institution is the main indication of organization on achieving the objectives. Failure to achieve these objectives will reduce public confidence towards the ability of *waqf* institutions to manage *waqf* assets. Despite a lot of issues on *waqf*, there were still very few studies done to determine the exact usage of *waqf* assets. Furthermore, most studies found only focused on problems of management and administration of *waqf* properties and documentation. This study utilized secondary data sources which are library research and information from annual report method. Thus, this study examines the efficiency of *waqf* institutions in Malaysia by utilizing Data Envelopment Analysis (DEA) and using five states as Decision Making Unit (DMU). In addition, this study also determined the most influential efficiency dimensions of Pure Technical Efficiency (PTE) and Scale Efficiency (SE) towards *waqf* institutions in Malaysia. The result indicated that only Selangor and Johor are efficient throughout the years of analysis while other states namely Pulau Pinang, Melaka and Federal Territory are far from the frontier level. It also found that as general the inefficiency score of *waqf* institutions is contributed by the PTE rather than SE. Hence, this study suggested that the role of government in federal and states level in supporting *waqf* institutions must be strengthened to improve their performance efficiency. Cooperation among all parties and stakeholders is crucial for the betterment of the institutions to ensure the objectives of *waqf* endowment are achieved.

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# CHAPTER ONE

## INTRODUCTION

### 1.1 INTRODUCTION

*Waqf* (pl. *awqaf*) literally means dedication of some properties in the name of Allah S.W.T and the ownership of the properties was return to Him (M. T. S. Mohammad & Mar Iman, 2006). *Waqf* is a voluntary charity that cannot be disposed of and the ownership cannot be transferred once it is declared as *waqf* assets. Generally, *waqf* can be defined as a gift of money, property or other items of charity, which have been held and preserved for the confined benefit of certain philanthropy. Undeniably, history has already proven that *waqf* can help in development of *ummah* and society as overall. *Waqf* assets manage by *Nazir* (trustee) (basically institutions) appointed by the government to take charge of all matters pertaining to *waqf*. These institutions play an important role in helping the development of Muslims *ummah* through wealth distributions. *Waqf* assets such as land, buildings, house and cash are endowed by the *waqif* or donor based on certain objectives. Hence, to ensure the objectives of the donor can be achieved, trustee has to present exceptional performance in managing all *waqf* assets. As a non-profit organization, an effective management of *waqf* properties will generate positive returns for both beneficiaries and *waqif* (giver). This chapter begins with background of study, followed by problem statement, research objectives and research questions, scope of study and significant of this study.

### 1.2 BACKGROUND OF STUDY

This section begins with a brief explanation on definition of *waqf*, criteria of *waqf* and followed by the *waqf* institutions as sole trustee. Finally, the explanation on performance efficiency of *waqf* institutions was highlighted.