

Challenges of Collective Development through Islamic Endowments – Case of LAKIM in Malaysia

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ABSTRACT

Waqf is a charitable vehicle in Islam with the ability to contribute toward deep socio-economic development. This paper focuses on the ability of a Public Trust Foundation toward collective development through a fund disbursement system similar to Waqf. The study utilises secondary data gathered through document analysis to portray various contributions made by LAKIM in educational development and challenges faced by the institutions along the way. Efficiency and Agency theory are used as a basis to explain the performance of LAKIM in managing Waqf fund and develop a conceptual framework for collective development. This study addressed several legal, administrative, accounting and management issues that are affecting Waqf's ability toward contributing toward educational development in Malaysia. Differences between western institutions and LAKIM are drawn with clear examples, and evidence of efficient performance in managing Waqf fund are highlighted through the study. Primary data through survey and interviews could not be provided due to the conceptual nature of the paper. Issues addressed by the paper will allow stakeholders to understand the true potential of Waqf in making sustainable development by contributing to the educational sector. Studies on Waqf in Malaysia have previously focused on the State Islamic Religious Councils (SIRCs) while this study is the first to introduce LAKIM, a private Trust that contributes toward educational and social development.

Keywords: Waqf, LAKIM, education, governance, trust, Malaysia.

1.0 INTRODUCTION

Undoubtedly, poverty becoming a household issue around the world. As a result, the majority of the world population lives in an abject poverty of less than \$2.50 per day (Poverty 2010). Hence, they lack the basic necessity of living such as

shelter, food, medical and education among others. Research has shown that poverty is responsible for poor health, low level of energy, and mental impairment. Also, the study of Olasupo (2013) reveals that hunger could lead to even greater poverty by reducing people's ability to work and learn, decline knowledge, as well as greater hunger.

NGO, Waqf and Zakat Institutions have been recognised by the public for their ability to tackle people's social problems. The reason can be the sector's track records and ability to respond quickly to the need of the poor. Some of the NGOs' provide services like Paul Hamlyn Foundation (2008) gives financial support to local NGOs', Community Health Information Education Forum (CHIEF) (2011) provides the following services; research, Primary Health Care and Management, Maternal Newborn Child Health (MNCH). Further to this, Havids Centre for Environment and Development (HCED) (2007) offers activities in the following areas research and training, education, peace initiatives and advocacy among others. While, Stephen Lewis Foundation (SLF) (2012) activities include care and support for women, orphans, grandmothers and people living with HIV and AIDS.

The studies on Waqf by Lahsasna (2010), Nor & Mohammed (2009) and Sadeq (2002), covered empowerment and religious issues respectively. However, unlike LAKIM, the aforementioned first study did not consider religious matters though the other two studies did. While, the three studies did not cover social development, human capital development (educational advancement) and assistance to the handicap like LAKIM foundation. This is why foundation like LAKIM is much needed to serve the poverty-stricken ummah in the society in diverse areas.

Poverty undeniably has become a household problem in every part of the world. The phenomenon is without exception to the Muslim communities. This could be as a result of several challenges confronting the countries of the globe including global financial meltdown (Chossudovsky 2008). Hence, it could be argued that most governments of the world regardless of being Muslim or non-Muslim states have neglected their social responsibilities towards the citizens. Given this, there is an urgent need for Non-governmental organisations such as foundations, Waqf and *zakat* to either supplement or complement the efforts of the governments. This could be argued by their track records coupled with less bureaucracy in dealing with social problems among the poor (Herzlinger 2000).

Hence, this paper focuses at the contribution of LAKIM in poverty reduction through their contribution to education development using a Waqf based endowment disbursement method. The main objective of the paper is to share insight on the ability of Waqf in making collective development for society. The

paper is divided into three sections. First, an overview of education development made by Waqf is provided followed by a brief background of LAKIM. Differences between the western foundation and LAKIM are clearly stated in this section. Second, theoretical perspectives for understanding the operations of LAKIM are drawn from efficiency theory of Archer (2010). Finally, the challenge faced by the institution are discussed along with strategies for improving the situation which is followed by concluding remarks.

2.0 OVERVIEW OF COLLECTIVE DEVELOPMENT THROUGH WAQF

Waqf is often viewed as similar to a conventional charitable organisation. It has a history older than Islam and has existed in ancient Mesopotamia, Greece, Rome as well as pre-Islamic Arab societies (Sadeq, 2002). The Islamic model of Waqf flourished extensively and influenced the world at large. As in the case of Oxford University, when it has been established by following the Islamic model of Waqf (Cizakca, 1998; Gaudiosi, 1988).

Waqf comes from Arabic word “Waqf” which means to hold still and last long. In short, Waqf involves the transformation of personal properties into public resources. Sadeq (2002) mentioned in his paper that Waqf assets could not be disposed of, its ownership cannot be transferred, only its benefits are to be used for the particular purpose(s), which is (are) mainly charitable in nature and it is a voluntary charity characterised by perpetuity. During the time of Prophet (PBUH), Waqf was developed with the aim of supporting the poor segment of the society and all other activities which are of benefit to people at large such as scientific research, education, health service (Karim 2013). Although religious education is usually covered by a Waqf on mosques, Madrasa education, in general, has been another significant user of Waqf revenues.

According to Danna (2007), the Al-Azhar University was built through the Cash Waqf fund and invested most of its cash Waqf fund to build the storage warehouse at the Suez Canal. Also, Oxford University has been established by following the Islamic model of Waqf (Cizakca, 1998; Gaudiosi, 1988). History provides evidence that Jerusalem had 64 schools at the beginning of the twentieth century, all of them were supported by Waqf properties in Palestine, Turkey and Syria (Karim 2013; Kahf 2003).

In Southeast Asia, Madrasa plays a vital role in providing education mostly to orphans and children from the needy family. Besides Madrasa, Waqf estates have been used to build schools, colleges and universities. Sadeq (2002) expressed that in Bangladesh 8,000 educational institution and more than 123,000 mosques are

based on Waqf, Cash Waqf facility provided by Social Islami Bank Bangladesh can provide support to Islamic religious schools and institutions for education that are experiencing liquidity problems (Ibrahim, Amir *et al.* 2013).

3.0 EVOLUTION OF WAQF IN MALAYSIA

In Malaysia, Waqf administration is the concern of each State, and different government bodies are responsible for achieving the effective management of Waqf properties. There are 14 states in Malaysia, and each one of them has appointed State Islamic Religious Council as the sole trustee to manage Waqf properties to ensure that the benefits are directed to the Welfare of the beneficiaries. Government divisions such as JAWHAR, MAIS and YMW are established to support the activities of SIRC. The dealing of Waqf properties is regulated through Waqf enactments by three among fourteen states. A detailed description of the legal framework, institutional aspects and problems relating to Waqf administration in Malaysia are discussed in the later part of this section. In Malaysia, the State Islamic Religious Council (SIRC) or Majlis Agama Islam Negeri (MAIN) governs all Waqf land, whether moveable or not as a sole trustee of those properties. The first law related to Waqf was enacted in the state of Selangor in 1952 followed by Kelantan (1953), Terengganu (1955), Bhang (1956), Melaka (1959), Parek (1965) and Johor (1978) which gave the responsibility and supervision of endowments to the Religious Council (Habib, 2004: 90).

Some States such as Selangor in 1999, Negeri Sembilan in 2005 and Malacca in 2005 embraced enactment of Waqf to administer Waqf properties, but that is not all encompassing. Section 2 of the Enactment defined Waqf as any property from which its benefits or interests may be enjoyed for any charitable purpose whether as Waqf Am or Waqf Khas by Shariah principles but does not include a trust which is defined under the Trustee Act 1949 (Hasan & Abdullah, 2008).

Section 32 of the Enactment provides that notwithstanding any provision to the contrary contained in any instrument or declaration creating, governing or affecting it, the Islamic Religious Council shall be the sole trustee of all Waqf, whether Waqf Am or Waqf Khas and section 91(2) (b) of the Administration of Religion of Islam (State of Selangor) Enactment 2003 states that private Waqf made by certain person during death caused by illness must be in writing before a witness or any Waqf more than one-third shall be invalid. According to Section 6 of the Enactment, every Waqf in Malaysia is required to be registered in the name of the Islamic Religious Council as proprietor by the National Land Code 1965.

The council's appointment as sole trustee to this Waqf property is to ensure that the Waqf property is well administered, efficient and can generate good results for

the beneficiaries or welfare purposes; whether predestined or unspecified by the Waqif (Rani & Abdul Aziz, 2010). Also, they also serve the purpose of mitigating problems related to trust, outside interference and deviation from the original purpose which might arise in the case of a private trustee. SIRC Waqf Institutions (SWIs) are dedicated Waqf division established by each SIRC to carry out their responsibility relating to Waqf administration within their jurisdiction.

The Federal Government constituted Department of Waqf, Zakat and Hajj (JAWHAR) in 2004 to monitor and coordinated the management of Zakat, Waqf and Pilgrimage in Malaysia and to increase the effectiveness and efficiency of its service delivery but not to take over the role and task of MAIN, SIRC or other departments. According to Tun Abdullah in the Ninth Malaysian Plan, the indigenous source of capital, such as endowment of land and property under the jurisdiction of the State Islamic Religious Council should be developed, and JAWHAR is established to assist in the process of such development (Ibrahim, Nor, & Muhammad, 2013: 281).

4.0 WAQF INSTITUTIONS' SOURCES OF FUNDS

Study of Oladapo *et al.*, (2011) reveals that Obafemi Awolowo University, Ile-Ife Nigeria generated income from employed Muslim students of the university. This is not in line with the income generating mechanism of LAKIM foundation. Maybank *Waqf* services in collaboration with Yayasan *Waqf* Malaysia (YWM) sourced funds from customers in the form of deposits as well as the return of a charitable fund. This stands for their *Waqf* contribution and as *sadaqah jariah* for those who contribute. The method employed by the above institution in raising funds is quite different from LAKIM foundation that is self-income generating.

These includes among other things like *buker*, *ijaratain*, *istibdal* and *Sukuk* musyarakah (Hanefah 2007). Further to this, *Waqf* authorities also introduced the cash *Waqf* concept for fundraising purposes such as *Waqf* shares, takaful *Waqf* and corporate cash *Waqf* models that were developed in Malaysia by *Waqf* authorities. According to Nor & Mohammed (2009), MAIS obtains income from investment and grants from the state of Selangor as stipulated in *Waqf* Enactment Act 1999. The fund generating mechanism of MAIS in Selangor, Malaysia excluding investment return, is contrary to the Qur'anic preaching on dignity and morality (*Qur'an Surah baqarah* verse 273). Also, is at deviance with the approach of LAKIM foundation in generating funds for its activities.

Moreover, IIUMWF major source of funds was from the government (Sulaiman *et al.*, 2009). Further to this, were the voluntary donations by staff to strengthen fund generating efforts of the *Waqf* institution. IIUM encouraged foster parents'

programme which also contributed to the fund generating efforts of IIUMWF. Not only this, the *Waqf* institution employed the services of agents for the purpose of collecting donations. On the other hand, investment returns are considered as another source of fund to the *Waqf* institution in IIUM.

Additionally, World *Waqf* Foundation sources of funds majorly are from allocation to WWF from ADB. Others sources are grants and donations from various quarters. However, WWF appears not to be self-dependence reliance like LAKIM foundation. As for MAIS, the organisation raised funds through public subscription and investment income (Isa *et al.* 2011). However, raising fund through public subscription is not in conformity with the approach of LAKIM foundation a *Waqf* like in practice. Further to the above, are the funds generated by *Waqf* institutions through donation (public good) and returns on investment (Shatzmiller 2001).

5.0 LITERATURE REVIEW

5.1 Background of LABTIM

Kolej Islam Malaya Committee was responsible for the formation of KIM and also its foundation. The role of MKIM is to manage the endowed properties of KIM to develop those properties for the benefit of KIM (which was defunct in the late 60's). The transition period of 1970-1975 saw the foundation of public trust to private trust. However, when Lembaga Bersekutu Pemegang Amanah Pendidikan Tinggi Islam Malaysia (LBAPTIM) took over the leadership through High Court order, there was no cash except property. By 1970, nothing about KIM has known again. The sole initiative of late Tan Sri Aziz Zain (chief founder) started to acquire assets including PJ Jalan Gasing, Chawan, and section 16 PJ. One of the lands was acquired under LABPTIM and hectares of land were being alienated by the government of Selangor and private acquisition. Buildings were erected on the two separate lands.

Officially, LABPTIM was established as a Private Trustee to the Klang assets of KIM in 1973. Later LABPTIM had an investment in acquiring properties and received income from rental and leasing. The income is then spent or disbursed in the form of *Waqf* for various purposes where most of it goes to education at higher institution learning. In the year 2006, LABPTIM changed its name to Lembaga Amanah Kolej Islam Malaya (LAKIM) foundation. The practice of LAKIM foundation is giving out donation was similar with *Waqf*.

Lembaga Amanah Kolej Islam Malaya (LAKIM) foundation which was formed in 2006, stated as KIM in 1955 in Sultan of Selangor's palace. It had its first intake of

fifty-five (55) students from all over Malaysia with an inclusion of Singapore a border country to Malaysia and Brunei. It was initially established as a private trustee to manage the endowed properties of Kolej Islam Malaya (KIM) and to develop those properties for the benefit of KIM. Later, LAKIM became a public trustee. It accepted donations, funds and income from various sources and used the funds for various purposes and donation to various parties such as International Islamic University Malaysia (IIUM) that benefit over one million ringgits yearly.

The basis of income generating for the foundation operations is as follows, fifty percent of generated income is used for social development, educational advancement and religious matters. While the remaining 50% from income generating that is meant for operating expenses including staff salaries and others. However, less than the mentioned 50% is spent on operating expenses to build up accumulated capital for further expansion. The transformation of KIK to KIM was done in the conference of rulers and received the blessing of Royal Highnesses from the fourteen states in Malaysia in 1940.

LAKIM foundation transformed from receiving donations to self-sufficiency since 70's. This preserves its morality and dignity as the foundation does not continue to beg for a donation from the public (Qur'an 2 verse 138). The source of morality according to Islam is to abstain from asking others for some financial help, Allah will give him and save him from asking others, Allah will make him self-sufficient. (Bukhari). Also, self-sufficiency in Islam will command respect and dignity among humanity as mentioned in the Holy Qur'an (Baqarah, 273).

5.2 Challenges for Endowment Disbursement in the Form of Waqf by LAKIM

Since all *Waqf* matters are under the jurisdiction of the individual SIRC's, the system and operation policies adopted in running and managing the *Waqf* properties lie within the control of a few, i.e. the management committee of the respective SIRC's. The creativity in developing *Waqf* properties and the pro-activeness in solving issues depend greatly on the attitude of these several individuals. As a result, some SIRC's are at the forefront in developing their *Waqf* properties compared to other SIRC's.

5.2.1 Legal Issues

In Malaysia, the Constitution assigns the power over *Waqf* matters to the individual states, and these states have jurisdiction to make laws on *Waqf* and its

administration¹. Most of the policy, management and development issues in *Waqf* properties arise due to this supreme law of Malaysia, as well as the respective State enactments on the Administration of the Religion of Islam². Md. Dahlan and Syed Abdul Kader (2009) in their study have identified the following legal issues:

According to the Islamic law, an individual can dispose of the whole of his assets as *Waqf*, unless he decides to dispose of his properties during his death illness or by way of will by which he can only affect it to the extent of one - third. Unfortunately, there are some State Islamic Law Enactments that contradict the Islamic law on *Waqf*. For example, the Terengganu Administration of Islamic Law Enactment 1955 (Section 61) is silent about the *Waqf Inter vivos* (the whole *Waqf*) and only specifies that *Waqf* can only be made in respect of one-third of the property. What is more absurd is the Administration Islamic Law Enactment 1992 of Perak (Section 78(1)) which states:

No wakaf or nazar made after the commencement of this Enactment and involving more than one-third of the property of the person making the same shall be valid in respect of the excess beyond such one-third

This above provision can be construed that all *Waqfs* made in Perak can only be created within the limit of a third. This is contrary to the rules of *Waqf* in Islamic law. If the Learned Judges handling *Waqf* cases followed the provisions in these enactments without considering the actual unwritten Islamic law regarding the one-third limitation, problems would arise, and the actual intention of the *Waqf* creators would not be carried out.

There are many *Waqf* legal issues that arise from the National Land Code 1965 (NLC). Unlike the special provisions in respect to trusts, the NLC does not provide specific provisions about *Waqfs*. One of the issues is a person administering *Waqf* is not included in Section 43 of the NLC as one of the receiving parties which the State Authority may dispose of land too. As a result, *Waqf* lands are at risk of being converted to other purposes by irresponsible parties due to the vague status of the lands. Another issue arising from the NLC is about Section 64 of the land code which states that the State Authority can revoke a *Waqf* land at any time, either in respect of the whole land or part thereof. This affects the nature of inherent perpetuity of *Waqf*, thus contradicting the Islamic law.

Under the Land Acquisition Act 1960, *Waqf* properties may still be subject to acquisition by the State Authority for the purpose of public utility and economic development. Such obligatory acquisition will diminish the rights and interests of

¹ See *Federal Constitution*, Ninth Schedule, State List, item (1).

² State enactments authorize the *Majlis Agama Islam* (Religious Islamic Council) of each state to act as a *mutawalli* to administer and amange all *waqf* properties in their respective states.

the stakeholders under the Islamic law relating to *Waqf*. This can be seen in Commissioner of Religious Affairs Terengganu v Tengku Mariam (1970) 1 MLJ 222. In this case, the *mufti* issued a *fatwa* under the provisions of the Administration of the Islamic Law Enactment that the *Waqf* created was valid, but the Federal Court judge held that it was invalid. All the above legal issues persist to stifle the development progress that a *Waqf* institution is capable of making. Unless a reform and amendments are made to the law and enactments, *Waqf* institutions will, continuously, be fighting in courts over *Waqf* disputes, instead of spending available resources in developing the existing *Waqf* properties.

5.2.2 Accounting Issues

Various studies indicate that there is still an ongoing issue of accountability and transparency of *Waqf* trustees (Abdul-Rahman & Goddard 1998; Rokyah 2005). Three major accounting issues identified are the recognition of *Waqf* assets and income, the measurement and valuation of *Waqf* properties (historical versus current cost accounting) and some necessary disclosures to the financial statements. The accounting above issues exists because currently, the SIRC's do not apply proper accounting procedures to account for activities and transactions relating to the *Waqf* properties. In the conventional Western accounting, the capitalists use accounting as a tool to report their profit-oriented activities to their shareholders and creditors, ignoring other stakeholders', which is the general public, interest (Yaacob 2006).

Contrarily, the existence of various accounting treatment for *Waqf* properties in Malaysia, is due to non-availability of the accounting standard for *Waqf*. In Malaysia, currently, all SIRC's have their accounting procedures. There is no uniformity or standard of practices that can provide reliability to the accounting of *Waqf*. Many accounting scholars and Islamic accounting practitioners support the establishment of a *Waqf* Accounting Standard (WAS), as it will help to improve operational and financial accountability. WAS could function as Charity Accounting in the UK which provides guidelines and help charities in the UK prepare their financial statements in the annual report. In the UK, the Charity Accounting is governed by the Charities Commission. Therefore, the *Waqf* department in JAWHAR could emulate the role of this Commission.

5.2.3 Administration Issues

The empowerment of the SIRC's, under the Federal Constitution, as the *mutawalli* has continuously given rise to debates among scholars and the general public about the effectiveness of the SIRC's in administering *Waqf* properties. The shortage of qualified human resources has always been a relevant issue. The SIRC's may not be

able to administer hundreds of *Waqf* properties in their respective states with inadequate qualified and skilful personnel (Saleem 2009).

Accordingly, Saleem (2009) argued that in developing *Waqf* properties, the SIRC's would need to employ technical as well as managerially skilled personnel to manage, maintain and develop the *Waqf* properties. SIRC's are non-profit organisations, and they rely heavily on government funding for their operations. As such, they are not able to offer incentives to recruit the right set of skilled workers. Currently, most of the officers in the SIRC's do not have a formal qualification in property development. Most of them, however, are educated in Shariah, Fiqh and Usul Fiqh studies (Nor & Mohammed 2009).

5.2.4 Management Issues

All the above challenges, i.e. the policy, legal, accounting and administration issues, contribute to *Waqf* management inefficiency. For example, due to the various legal constraints and gaps in the legal framework that result in civil court interferences, the *Shariah* courts do not have the ultimate authority to decide on disputes relating to *Waqf* properties. Another example, through alienation or transfer of lands, under Section 215 of the National Land Code, although the *Waqf* lands are registered under the name of the SIRC's, the *Majlis* do not have proprietary rights to the land. The *Majlis* is only the administrator, not even the trustee of the lands. These pose difficulties to the SIRC's in managing the *Waqf* lands and other *Waqf* properties.

Additionally, Mismanagement of financial resources arises due to the lack of accounting transparency. The accounting issues as elaborated earlier have caused the SIRC's to face difficulties in getting sufficient funding to finance the development of *Waqf* properties. The SIRC's continue to rely heavily on government funding which is very limited and takes a long time to be approved. This is due partly to bureaucracy in obtaining approval as at when due. Hence, *Waqf* properties remain idle instead of being fully utilised for the benefits of the ummah.

Moreover, the management of *Waqf* properties is also inefficient because the human capital employed by SIRC's does not have managerial or property development expertise. As a result, the SIRC's have to "outsource" the development of *Waqf* properties to third parties. Furthermore, there are many *Waqf* lands that remain idle while much more are yet to be identified and registered. The SIRC's face problems in compiling and updating the data on the *Waqf* properties because, previously, there was no proper documentation of the *anqaf* made by the *wakifs*. It is a challenge to trace the assigned *muta wallies*, *wakifs* or the letters' descendants to verify the *anqaf*.

5.3 Differences in Fund Utilization between Western Foundations and LAKIM

The donations received by The Western University of Ontario, Canada are used for the purpose of the university and students as well as investment (Olasupo 2013). Further to the above, Oxford University, offers investment management services for the benefit of the University, the colleges and charitable trusts associated with the University. Also, are gifts and donations including a specific scholarship for educational advancement. Further to this, University of Pennsylvania used its funds for the library and associated expenses (Foley 2005). Likewise, Harvard University, Endowment helps to fund operations critical to the University's educational advancement and research objectives. Further to the above, they are a conducive environment for students living and learning and investment outlet. The approaches mentioned above do focus on social development such as procurement of wheelchairs for the handicaps like LAKIM. Also, the foundations are westernised as against LAKIM that is faith based.

Yale uses its funds mostly for education prize and investment. By extension, the funds also reach some specific units of the university, which includes the Faculty of Arts and Sciences, the professional schools, the library, and other entities. However, Yale University endowment was not used for religious matters and handicaps like LAKIM. Calvert Foundation which uses its generated funds as loans to leading nonprofit organisations, social enterprises and as well as protecting the environment. This is contrary to LAKIM foundation approach of funding education, a social development which buying of wheelchairs to the handicaps and religious matters.

Moreover, Casey Foundation focuses on community support for disadvantaged children and families in the United States more especially on schools. In addition to this, it is an investment of endowed funds. Contrary to LAKIM foundation, Casey foundation does not focus on religious matters. Hence, it could logically be argued that it not be faith based.

Funds generated by Northwest endowment have been used to support Christian higher education at Oklahoma Christian University as well as servicing the churches of Christ in Northwest. Although, Northwest Endowment of the above university is faith-based but not Islamic based like LAKIM. Further to this, is Genentech supports to medical education, contributions to nonprofit organisations that make a difference in some areas, which includes improving the lives of patients, furthering research and education efforts and strengthening the communities in which we live and work. Similar to LAKIM, the foundation (Genentech) focuses on education among others, but on like *Waqf* like foundation (LAKIM), it neglects religious matters.

Rockefeller Foundation uses its funds on five major areas. These are basic survival safeguards, global health, climate and environment, urbanisation and social and economic securities. Rockefeller not only operates in the US but also around the world while LAKIM operates within its based country- Malaysia.

On the hand, funding an Endowment applies the endowment on administration, community development, school service, family education, Jewish Community Library, Israel education initiative and investment. Despite the fact that Funding and Endowment cover education and community social development, it does not take cognizance of religious matters like LAKIM Foundation in Malaysia.

5.4 Theoretical Perspective

Efficiency theory defines efficiency as the measure of effectiveness that produces the minimum waste of time, effort, and skill on the part of the human personnel (Archer 2010). According to Archer (2010), strong surplus results in increased amount of distribution, which means raises across the board in the national scale thus resulting in a more powerful and efficient system to produce higher quality products, at a lower cost. Efficient distribution of donations and investment of surplus funds can allow charity organisation to make a significant contribution toward human capital development and poverty alleviation.

Also, this same work could be linked to principal and agent theory whereby the agent is so loyal to the principal in this case. Agency theory suggests that where there is a separation of ownership and control of a firm, the potential for agency costs arises because of conflicts of interests between contracting parties (Jensen & Meckling 1976; Watts 1977). The concept of misalignment of interests between principal and agent was introduced by Jensen & Meckling (1976) which suggests a potential conflict that inherently reduces the value of the firm as an economic entity. The ability of the workforces to listening and adhere strictly to the organisation directives make a lot of positive effects.

6.0 METHODOLOGY

In this section, the method used in the literature review is discussed in details. The entire process of literature review can be divided into three parts. The first sections relate to the journal search procedures. The second section refers to the application of relevant criteria for a paper to be included in the review and period covered. The last part discusses the structured method of analysing papers included for the literature review. Articles were initially searched in Scopus indexed journal. However, papers relating to Waqf fund utilisation are limited in nature. As

a result, a wider search for contents was made through Google Scholars. Searching for words “Waqf”, “Efficiency” and “Management” provided satisfactory results in Google Scholar. By the relevance and citation, twenty-seven papers were collected. Specific criteria were applied to include them in the literature review. Articles with a detailed discussion of Waqf fund management were included. This process provided fourteen papers that discussed the selected topic.

7.0 CONCEPTUAL FRAMEWORK

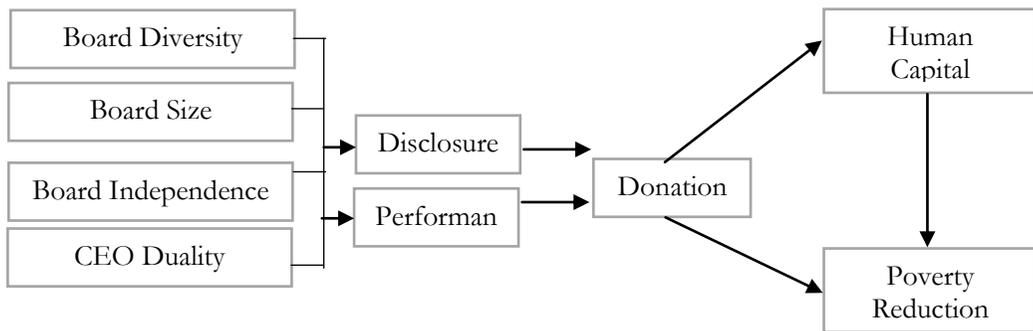


Figure 1: Conceptual framework of Collective Development through Islamic Endowments

The conceptual model provided in figure 1 is developed using the propositions of agency and efficiency theory. Agency theory indicates the existence of a conflict of interest between agents and principals which can be reduced by imposing a higher level of governance mechanisms (Jensen & Meckling 1976). Agency theory has been successfully used to explain both mandatory and voluntary disclosure. In the proposed model, three mechanisms of internal governance are introduced which might influence the level of disclosure by Private Trust Foundation such as LAKIM.

Board size is the first governance mechanism and studies have reported that a bigger board have a positive influence on the quantity and quality of financial reporting (Fathi 2013). Board independence is the second internal governance mechanism. The presence of independent directors on the board has a positive impact on both voluntary and mandatory financial disclosure (Chau & Gray 2010). Duality exists when the CEO of the company is appointed as the Chairman of the board. The dual role is found to play a negative role regarding financial disclosure (Al-Janadi *et al.*, 2013).

The study of Abdullah & Page (2009) tried to capture the notion that the relationship between corporate governance and performance needs to be measured by long-run effects. Results for two separate time periods show that the relationship between governance and performance varies with the period investigated. Research conducted by Amba (2014) on 39 firms listed in Bahrain bourse found that corporate governance variables do influence firm performance. Investigation of the influence of accounting information on donors' giving behaviour have already been conducted by Buchheit & Parsons (2006) and found that information disclosure did not translate into increased actual giving. While individual donors continue to give, they are beginning to signal that they are not happy with the current level of information provided by charities.

Efficiency theory provides emphasis on the optimum allocation of resources to serve each in the best way while minimising waste and inefficiency. Thus, the performance of charities in effective utilisation of resources have become an important indicator of sustainable donations. Wiele, Williams, & Moxham (2009) have investigated the importance of performance among charity donors and concluded that effectiveness is seen as an important factor.

Finally, the ability of Waqf Fund in reducing poverty from a Muslim country have been explored in various studies. Pramanik *et al.* (2015) have investigated the ability of Waqf resources in human resource development and poverty alleviation in the context of Bangladesh. Waqf funds can uplift human resources among the productive poor through various training and entrepreneurial development programs. Hasan & Abdullah (2008) opt for the concept of using Waqf resources for enhancing human resources. Hasan (2010) in his integrated model of Zakah, Waqf institutions and IsMF suggests that sufficient educational facilities and human capital development can help in poverty alleviation.

8.0 CONCLUSION

Managing and developing *Waqf* properties have become so complex in these modern days, especially in Malaysia that has many races that practice various religions. For proper managing and developing Waqf properties, challenges faced by the *Waqf* institutions must be cleverly addressed. LAKIM has made the right decision to be incorporated as a trust company. By doing so, it avoids the legal and statutory constraints that institutions face when they declare themselves as "*Waqf fund*". LAKIM can continue to professionally manage and develop the *Waqf* properties of KIM, hence expanding the existing pool of funds and properties. Nevertheless, in its enthusiasm to grow the *Waqf* funds of KIM, it must not forget the decision made by the members of Majlis KIM in their last meeting on September 25, 1970, before KIM's operations were halted. It was agreed at that

meeting that all the *Waqf* properties of KIM must be used for the establishment of an Islamic university called University Islam Malaysia. Therefore, with its current strong financial standing, LAKIM should be able to provide its support towards the establishment of this university. Furthermore, although LAKIM is a public trust, it is managing all the *Waqf* properties of KIM. As such, LAKIM should not be reluctant to give its full commitment to the setting up of the university and thus, reviving KIM.

To address the issues raised by some critics on the credibility and transparency of LAKIM in managing KIM's *Waqf* properties and funds, it is recommended that seats be allocated to several KIM alumni to be members of LAKIM. This will make the operations of LAKIM transparent to all parties. It is also recommended that an Islamic scholar, who is knowledgeable on *Shari'ah* law, be appointed as a member of LAKIM, to provide guidance on the financial transactions and economic activities involving the *Waqf* funds. This will erase all doubts regarding the management of LAKIM and increase the credibility of the trustee.

Nevertheless, it is acknowledged that LAKIM has successfully increased the *Waqf* funds of KIM. The creativity of the trustee in doing so should be replicated by other institutions managing *Waqf* funds and properties. So long as the *Shari'ah* principles are observed, and the trustee is honest in managing the *Waqf* funds and properties, LAKIM will not diverge from being a credible trustee. It will continue to carry out its responsibilities and duties as the *mutually* for the properties of Kolej Islam Malaya, ensuring the founders' desire for the establishment of an Islamic university becomes a reality.

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