



## **ACCOUNTABILITY PRACTICES OF WAQF INSTITUTION IN SELECTED STATES IN MALAYSIA: A CRITICAL ANALYSIS**

Aimi Fadzirul Kamarubahrin<sup>a,b</sup>, Abdullah Mohammed Ahmed  
Ayedh<sup>a,c</sup> and Khairil Faizal Khairi<sup>a,d</sup>

<sup>a</sup>*Faculty of Economics and Muamalat, Universiti Sains Islam  
Malaysia, Bandar Baru Nilai, 71800 Nilai, Negeri Sembilan,  
Malaysia. (Email: <sup>b</sup>aimi\_fadzirul4@yahoo.com,  
<sup>c</sup>abdullah.mohammed@usim.edu.my, <sup>d</sup>khairil@usim.edu.my)*

### **ABSTRACT**

This research explores case studies aiming to provide a comprehensive understanding of the *waqf* accountability practices in selected states in Malaysia. *Waqf* as the philanthropic body in Malaysia at this time is undergoing massive development. The development generates, among others, questions regarding managing accountability for *waqf* funds and assets. In Malaysia, the State Islamic Religious Councils (SIRCs) are accountable for handling *waqf* assets. Recent studies have assessed the functioning of the SIRCs in handling *waqf*. This critical analysis of accountability practices of *waqf* institutions is based on selected states in Malaysia. The article is primarily theoretical and conceptual in nature. Literature explores the history of SIRC establishment, the law applied, current practices and SIRC accountability practices. The results provide added value to current research on *waqf*.

JEL Classification: L30, L31, L33

Key words: Accountability practice, *Waqf* Institutions, Malaysia, Critical analysis

### **1. INTRODUCTION**

The governing body of *waqf* has big roles in Malaysia to manage public assets and cash (Yunanda, Shafii, and Tareq, 2016). *Waqf* is an instrument used to enhance living standards in society. It accommodates enhanced religious perspectives, disposing of neediness, enhancing wellbeing, education and so forth. In general,

*waqf* is similar to the endowment concept of the western world as demonstrated by universities such as Cambridge, Harvard and Oxford which were established under endowment programs. Nevertheless, in contrast, *waqf* has a solid connection to the *sharī'ah* guideline. *Waqf* includes the donation of properties for example land and buildings. Nowadays, things are permitted to be declared as *waqf*, but continuous discussions occur on whether to allow such donations (Dahlia and Haslindar, 2017). Although *waqf* has been practiced by the Malaysian Muslims since early 1887, it still lacks accountability practices and suffers problems such as mismanagement, lack of regulations and unawareness of it in Malaysian Muslim society (Ayedh and Kamarubahrin, 2018).

As part of the revival in this historic institution, calls were made for more prominent responsibility of the trustee in overseeing *waqf* (Cajee, 2008). Accountability in *waqf* is significant and aimed at guaranteeing that social services are adequately released to society. The requirement for transparency and accountability becomes crucial considering the trend in *waqf* management which has moved from land to cash *waqf* and even to digital money. As such, the *Mutawali* (trustee) should demonstrate proper accountability in managing a *waqf* to ensure loyalty of the various stakeholders. In fact, accountability had underpinned the success story of *waqf* in the past, while its decline was attributed to the degradation of the trustee's accountability (Rashid, 2008; Ihsan, Eliyanora, and Septriani, 2016; Ayedh and Kamarubahrin, 2018). In this sense, the importance of accountability in *waqf* is crucial.

The status of *waqf* has deteriorated to such an extent that in some countries *waqf* assets have been neglected and abandoned (Mohiddin and Nooraini, 2015); *waqf* and its administration in Malaysia have been especially dismissed by the pertinent experts for some time. In Malaysia, *waqf* is overseen by State Islamic Religious Councils (SIRC), as the sole trustees of *waqf* assets; the SIRC are accountable for handling *waqf* properties entrusted to them. The rise of Islamic finance and requests for greater accountability and better execution in public-sector organizations demanded *waqf* restoration in Malaysia. Thus, this present study aims at adding value to the existing literature on managing accountability of *waqf* institutions in selected states in Malaysia. Literature explores the history of the establishment, the law applied, current practices and accountability practices in *waqf* institutions in selected states in Malaysia. This paper is structured as follows; the first part gives an introduction to *waqf* followed by the literature review. The third part of the article explains the

methodology used in this study. The fourth part explains the results and findings. The fifth part offers a critical view and the final part concludes the study.

## 2. LITERATURE REVIEW

### 2.1 WAQF INSTITUTION

*Waqf* means an endowment of title to any property from which may be enjoyed any benefit, interest or profit in accordance with *shari'ah* principles (Rohayati, Rusnadewi, and Yaakub, 2016). *Waqf* is a permanent or temporary donation of an asset for a charitable purpose. It has its own legal personality that entails specific rights and obligations. There are two types of *waqf*; *Waqf Am* (general) and *Waqf Khas* (specific). *Waqf Am* means any *waqf* created for the welfare of the *ummah*. *Waqf Khas* means a *waqf* created for a specific purpose whether specified by the *waqif* (the person who creates *Waqf*) or by the *mutawalli* (*waqf* management). *Waqf* managers are not owners but trustees and must abide by all conditions set by the *waqf* in the first instance. Due to its perpetual nature, *waqf* activities have resulted in the accumulation of *waqf* assets devoted to provide increasing flow of revenues to help in the socio-economic development of Muslims. Its benefits are not restricted to the Muslim community alone but go beyond religious, cultural, racial and sectarian boundaries (Ayedh and Kamarubahrin, 2018).

One of the charity-based institutions initially established in the formative stage of the Islamic state of Madinah, *waqf* refers to accumulating and sustaining the charitable assets for the benefit of Muslim society. Its foundation was nurtured during the Prophet Muhammad (*ṣal-Allāhu 'alayhi wa sallam*) rulings, whereby the earlier *waqf* during that time were *Masjid Quba'* and *Masjid Nabawi*. In addition, *waqf* has existed since the time of Prophet Muhammad (*ṣal-Allāhu 'alayhi wa sallam*), when Sayidina Umar al-Khattab *r.a* gained some land in Khaibar. Sayidina Umar met the Prophet Muhammad (*ṣal-Allāhu 'alayhi wa sallam*) to know what he should do with the obtained land. Prophet Muhammad (*ṣal-Allāhu 'alayhi wa sallam*) said that Sayidina Umar can donate the proceeds and not sell or give it to others (Safiah et al., 2006). During this time, the structure of *waqf* institution was very simple, with a minimum structure that consists of the founder who endows the property and the recipients. The establishment initially is mainly for religious purpose before it was expanded to another purpose such as welfare for the

Muslim society later. *Waqf* is also the property of the Muslims which is *waqf* for the benefit of the Muslims generally and welfare of the waqif to gain merit in this life and the hereafter.

*Waqf* institution has foundation of accountability to convey data about social reality for the current speculators and various stakeholders (Mohiddin and Nooraini, 2015). According to Yasmin, Haniffa, and Hudaib (2013), the connection between religion and accountability has been perceived as an individual trademark and a social factor can impact hierarchical basic leadership. Islam places an unprecedented emphasis on accountability and ethics, with conferred accountability not being just to fulfil social duties but instead in any event to fulfil religious commitments. The Islamic concept of accountability reflects the extent of answerability to Allah S.W.T as the Judge and Ruler of man. These days a call for progressively significant accountability is voiced especially for associations, government offices and non-profit associations. It turns out to be fundamental to the management of the non-profit association since its destinations are not income driven goals and the hold may be manhandled by anyone in the institution (Raedah, Obid, and Nelson, 2014).

## 2.2 ACCOUNTABILITY

The concept of accountability is a basic element of management and governance of any institution (Cameron, 2004). As described by Gray, Owen, and Adam (1996), accountability is defined as the duty to provide an account (by no means necessarily a financial account) or reckoning of those actions for which one is held responsible. Meanwhile, Robert and Scapens (1985) saw accountability as a relationship involving giving and demanding of reasons for conduct. Generally, the concept covers the relationship between *accountor* and *accountee* (Cameron, 2004; Gray and Jenkins, 1993; Hameed 2000; Rahman, 1998). Scholars describe accountability in terms of a process of holding actors responsible for actions (Fox and Brown, 1998) or as the means by which individuals and organizations report to a recognized authority (or authorities) and are held responsible for their actions (Edwards and Hulme, 1996). The literature further identifies four central parts of accountability (Ebrahim and Weisband, 2007). 1) Transparency, which includes gathering data and making it accessible and available for open examination; 2) Answerability or Justification, which requires giving clear thinking to activities and choices, including those not embraced, so they may sensibly be addressed; 3)

Compliance, through the checking and assessment of systems and results, joined with transparency in announcing those discoveries; and 4) Enforcement or Sanctions for deficiencies, inconsistency, avocation, or transparency. In addition, accountability can be defined as the processes through which an organization makes a commitment to respond to and balance stakeholder needs in its decision-making processes and activities, and delivers against this commitment (Lloyd, Oatham, and Hammer, 2007).

Accountability is viewed as important for the charities sector in maintaining public confidence and financial support by giving an account of charities' activities. According to Sinclair, Hooper, and Ayoub (2010), the charities sector plays such a rich role in modern society such that the sector's continued success depends on public trust and confidence in their work. Accountability is seen as not only a reactive response to influences such as regulation but should also be a proactive function attempting to ensure public confidence in the sector (Ebrahim, 2003). The concept of accountability is relevant in describing the *waqf* institution as it is appointed as the sole *waqf* trustee to manage public assets.

Sinclair et al. (2010) regard the need to discharge accountability through provision of accessible financial information as a low priority; they claim their stakeholders put no value on such information. In contrast, Connolly and Hyndman (2004) argue that distribution of the annual report is considered as the main outlet of accountability to external users. Yasmin et al. (2013) state that the issue of communicated accountability is particularly important in faith-based charity organizations as the donated funds and use of those funds is often meant to fulfil religious obligations for societal well-being. Ebrahim (2003) classifies the accountability mechanisms used by non-profits in practice: reports and disclosure statements, performance assessments and evaluations, participation, self-regulation, and social audits.

Today, there is a growing awareness concerning the need for *waqf* revival in order to create a better and just society. Muslim communities have recognized *waqf* as a potential tool for establishing an effective poverty eradication system by sustaining non-profit generating activities in aspects such as health and education, as well as increasing access to physical facilities, resources and employment (Sadeq, 2002). According to Ebrahim (2003) the notion of accountability is inseparably intertwined with the notion that accounting should supply a range of information to satisfy user needs. Accountability is seen as not only a reactive response to influences

such as regulation but should also be a proactive function attempting to ensure public confidence in the sector. Sacred accountability is evidently examinable from the vantage point of Islamic organizations such as *waqf*. Its unique attributes and socio-economic implications deserve due attention; especially the strategic role of accounting and reporting as accountability and transparency tools to enhance *ummah* confidence in current *waqf* practices (Nahar and Yacoob, 2011).

Increased transparency of non-profit organizations and better information would generate more confidence in the sector. Transparency works as a trust-building tool; the more accountable and transparent the organization, the more trustworthy it will be viewed by stakeholders. Transparency involves how much the organization tells the public about itself (Patrizia and Massimo, 2011). The lack of existing empirical research into *waqf* organizations represents a gap in terms of accountability and transparency. Accountability is important in this sector since the organization manages public wealth; however, there is sometimes a lack of awareness of reporting. Thus, this study provides a critical analysis of the accountability practices in *waqf* institutions in selected states in Malaysia.

### 3. MATERIALS AND METHOD

This study carries out the positivist comparative case studies inspired by Yin (1994), Eisenhardt (1989), Miles and Huberman (1994) and a few other scholars who are strong proponents of and have wide practice in case study research. This research is an exploratory study based on multiple case studies aiming at providing a comprehensive understanding of the *waqf* accountability practices in Malaysia. It applies the disclosure information related to *waqf* activities as a proxy to measure the *waqf* accountability practices. It covers six *waqf* institutions in six states in Malaysia to study their disclosure level. Selection of *waqf* institutions in selected states is according to the criteria of region such as south, north, center (two states), east coast and east of Malaysia. This is to ensure the study gives an overview of *waqf* institutions in Malaysia. The researcher collected the data based on related manual guidelines, official web sites, financial reports and statements of the SIRC's in order to gain understanding on current accountability practice for *waqf* institutions in Malaysia.

The data analysis also involves a process known as coding. Coding involves conceptualizing, reducing, elaborating and relating data (Miles and Huberman 1994; Strauss and Corbin 2008). In qualitative research, coding represents another tool to support

researchers during early analysis. The coding scheme is used to organize segments of similar or related text for ease in interpretation and to search for confirming/disconfirming evidence of these interpretations. Coding itself can be performed with the help of a specialized computer program which facilitates the sorting, cutting, and pasting operations (Weitzman, 2008).

## 4. FINDINGS AND DISCUSSION

### 4.1 WAQF INSTITUTION IN MALAYSIA

As mentioned before, the main purpose of this research is to undertake an exploratory case study based on multiple case studies aiming to provide a comprehensive understanding of the *waqf* accountability practices in selected states in Malaysia. The purpose of *waqf* is to provide continuous charity that could generate a perpetual income flow for the needy. If good governance is in place, accountability can be discharged to various stakeholders such as donors and beneficiaries (Ramli and Muhamed, 2013). In Malaysia, the role of *waqf* in the economy has been recognized by the government. This is shown in several special allocations by the government as stated in the 9th Malaysia Plan and 10th Malaysia Plan. The perpetuity of *waqf* implies that *waqf* property needs to be preserved and the benefit can be gained without consuming it (Chowdhury et al., 2012; Kahf, 1998). The accountability to preserve and administer *waqf* property lies in the hand of the *mutawalli* that is the administrator, *nazir* or trustee (Mahamood, 2000). Therefore, the *mutawalli* has to be appointed to manage the property in order to ensure that the benefits will continually disseminate to the beneficiaries.

Malaysia adopted federalism and comprises thirteen (13) states. A constitution, the federal constitution of Malaysia, is defined to oversee the connection among state and federal governments (Mahamood, 2006). The constitution expresses that Islam is the official religion of Malaysia. The constitution additionally depicts the obligations of administrative and state governments, which are alluded to in the constitution as the “federal list” and the “state list” separately (Mahamood, 2006). The constitution likewise traces the role of the rulers, for example the sultans of the thirteen (13) states. In Part 1 of the Constitution, which is titled “The states, religion and the law of the federation”, Article 3 (2) states that: “In every State other than those not having a ruler, the position of the ruler as the Head of the religion of Islam in his state, in the manner and the extent acknowledged and

declared by the Constitution, all rights, privileges, prerogatives and powers enjoyed by him as Head of that Religion, are unaffected and unimpaired”.

The above is to underline that each state’s Sultan is the head of the religion in that state. Indeed, even with the foundation of the government, the matter of religion still falls under the state and not the federal government (Mahamood, 2006). The ability to institute a law in the state list is cherished in Article 74 (2) in Part VI – relation between the federal and the states – of the constitution expressing that: “... the governing body of a state may make laws in regard to any issues counted in the state list...”. There are eighteen (18) things in the state list and the first of these is Islam in that the state holds the power in: “Islamic law and individual and family law of people maintaining the religion of Islam, including the Islamic law identifying with progression *waqf*...”.

This passage clarifies that *waqf* is under religious issues and these fall under state jurisdiction, headed by the state Sultan. For the organization of Islamic issues, each state passes a law to make an element, a SIRC to help the Sultan on these issues. In this way, every state has a SIRC. As indicated by Al-Habshi (1991), *waqf* is viewed as a religious issue, its ward falls under the domain of the SIRC. The matter of *waqf* is featured in the establishments of organization of Islam in each state. Hence, the Islamic organization institution of each state has sanctioned that all *waqf* matters fall under the domain of SIRC. These include trusteeship, the board, advancement and checking of *waqf* grounds and structures.

TABLE 1

The *Waqf* Enactment Rules According to Selected States in Malaysia

State	Enactment	Section
Federal Territory	Administration Islamic Law Act (Wilayah Persekutuan) 1993 (Act 505)	61-68
Selangor	Administration Islamic Religious Enactment (Selangor) 2003	89-95
Penang	Administration Islamic Religious Enactment (Penang) 2004	89-95
Johor	Administration Islamic Religious Enactment (Johor) 2003	89-95
Kelantan	Islamic Religious Council and Malay Customs Enactment (Kelantan) 1994	61-66
Sarawak	Ordinance Islam Council Sarawak 2001 (Chapter 41)	43, 51-54



As a federally-structured government and through the division of jurisdiction between federal and state in the federal constitution, *waqf* enactment in Malaysia falls under the locale of the state and the institution is given in the establishment of the Islamic religious enactment or the authorization of Islamic law in each state. Table 1 displays the *waqf* enactment rules according to states in Malaysia covered in this study.

#### 4.1.1 FEDERAL TERRITORY

The Federal Territory Islamic Religious Council (MAIWP) was established on 1st February 1974 simultaneously with the establishment of the Federal Territory of Kuala Lumpur. Its establishment is to take care of Islamic affairs in the Federal Territory of Kuala Lumpur which was previously placed under the Selangor government. MAIWP was subsequently responsible for managing the affairs of Muslims in Labuan and Putrajaya after they were announced as the Federal Territories on 16th April, 1984 and 1st February, 2001 respectively. The MAIWP's objective is to establish and create a dynamic and progressive Islamic society that always seeks the pleasure of Allah SWT. In addition, it fosters faith and strengthens the Islamic world among Muslims in the Federal Territory and in particular Malaysia to achieve unity of the *ummah*. In addition, MAIWP's objective is to extend the welfare efforts and to prevent disadvantages within the Muslim community and the latter to undertake efforts to increase MAIWP's assets through investments and other halal efforts for the benefit of the *ummah*. This includes managing investment and the addition of property acquired from *waqf* business. MAIWP has set up a *waqf* center for the Federal Territory Islamic Religious Council (PWM) Sdn. Bhd, which is a subsidiary of MAIWP and was registered in August 2014, which operates in managing *waqf* funds in the Federal Territory of Kuala Lumpur, Putrajaya and Labuan. Establishment of *Waqf* Centre MAIWP (PWM) Sdn. Bhd. serves to focus on managing *waqf* property affairs to make it more comprehensive and orderly. In fact, the establishment of this company will also enable the campaign and promotion of *waqf* to be implemented more systematically and effectively. This also allows PWM to invite many corporate companies to undertake any joint venture and partnership in developing *waqf* property.

From the legal aspect, *waqf* in Federal Territory is under the administration of the Islamic law (Federal Territories) act 1993 (act 505) which clarifies that notwithstanding anything to the contrary

provision contained in any instrument or declaration creating, controlling or affecting the matter, *Majlis* shall be the sole trustee of all *waqf*, whether general *waqf* or special *waqf*, all general *nazr*, and all trusts of any description creating any charitable trust to support and promote the religion of Islam or for the benefit of the Muslims must be in accordance with *shari'ah* law.

PWM also implemented several other *waqf* projects such as *Darul Ilmi*, *Darul Kifayah* and *Darul Hidayah*. *Darul Ilmi* was established as an institution that provides education according to the cottage system to senior citizens who are interested in deepening religious knowledge. The center adopts a cottage-based Islamic study that provides accommodation and not the concept of a senior care center. Meanwhile, *Darul Hidayah* complex is a one-stop center for newcomers. The construction of the complex shows MAIWP's concern and seriousness in helping newcomers in the country. For *Darul Kifayah*, it is set up to safeguard the well-being of orphans, *asnaf* and poor students by providing temporary shelter, providing religious and moral guidance as well as providing perfect educational facilities in the effort to produce virtuous and skilled Muslims. PWM also cooperates with Islamic banks such as Bank Islam, Bank Muamalat, CIMB Islamic and others including Yayasan *Waqf* Malaysia (YWM) and strategic partners for PWM *waqf* collection. PWM will continue to implement socialization programs to embark on *waqf* practices in the community, especially in raising the *asnaf* economy in the Federal Territory. In line with current developments and demands, PWM will continue to implement transformation by introducing various forms of new *waqf* in order to benefit the Muslim community especially foreconomic development (Ayedh and Kamarubahrin, 2019). Financial information, however, is not disclosed. Thus, accountability is limited only to the governance. Transparency on the donor's fund and property are not informed to the public. This might lead to misconduct in managing Muslim funds and property in the future.

#### 4.1.2 SELANGOR

The historic establishment institution of *waqf* in Selangor began on October 20, 2009. Perbadanan *Waqf* Selangor (PWS) was established with the purpose of managing the overall aspect of *waqf* administration in the state. In addition, it was strengthened as zakat management. The objective of establishing PWS is to cultivate and facilitate systematic and effective cultivation of *waqf* through the

diversity of *waqf* products based on guaranteeing the continued benefits of contributors. From the legal aspect, State Islamic Religious Councils (SIRCs) in *waqf* management committee meeting has decided to establish PWS in line with the decree of the Sultan of Selangor and Islamic religious administration (Selangor) under enactment 2003 and amendment 2008. It is covering sections 89 to 95. In addition, the related *waqf* matters were also under the endowment enactment (Selangor) number 7, 1999; and the order of establishment of the Perbadanan *Waqf* Selangor 2011.

In terms of accountability practice, PWS has disclosed its governance information. The structure of the organization, details of departments including the position of the officers were disclosed. Thus, it will benefit stakeholders and beneficiaries in terms of managing issues with PWS. In addition, PWS was transparent on disclosed *waqf* projects and the current progress of those activities; for example, the project on developing real estate in the Klang region. This will inform donors about what purpose they contribute which in return will benefit Muslim economics. Besides that, PWS effectively and transparently provides statistical financial information about real estate of *waqf*. As an example, there is available information about donation receipts for the years 2011 to 2016. PWS also provides statistical financial information on distributions of *waqf* donation. And for the years 2011 to 2016, the total of distributions of donation is 98 million Ringgit Malaysia (PWS, 2018). However, lack of accountability exists in PWS. Unavailability of financial reporting and audited financial report impacted on the PWS accountability and transparency. Thus, PWS should disclose all the necessary things in order to manage accountability and gain stakeholder trust.

#### 4.1.3 PENANG

The Penang Islamic Religious Council (PIRC) has also established Perbadanan *Waqf* Penang (PWP), a subsidiary company of the council as an effort to increase the wealth of *waqf* in the state (Ismail, Muda, and Hanafiah, 2014). The main purpose is to assist the PIRC in achieving the mission and objectives of *waqf*. Generally, the mission of *waqf* management is to manage and add value to *waqf* properties effectively through cultivating *waqf* culture for society benefit. Meanwhile, the objectives are to enhance the value added in *waqf* property management and cultivate *waqf* practices for economic development of society by efficacy and holistic approach in accordance with Islamic law. As for the legal aspect, *waqf* in Penang

was under the protection of religious law and governed through administration of the Islamic religious enactment (Penang) 2004 under section 89 to 95.

At present, PWP has not yet been the body that can contribute to solving the economic problems of the *ummah* (society). The establishment of Perbadanan *Waqf* Pulau Pinang (PWP) is for enrichment of Islamic property and funds. According to Dana *Waqf* Pulau Pinang (2017), the structure of the organization was disclosed to the public through the official website. Moreover, project availability and current activities also were disclosed in order to gain the trust of society on what PWP was doing. A few activities and projects were disclosed to attract donors and beneficiaries to contribute such as the development center of Al-Itqan education at Teluk Kumbar costing 2.5 million Ringgit Malaysia, developing Wisma Nurul Islam at Lorong Pupos, Georgetown which cost 2.5 million Ringgit Malaysia and the dormitory development for Islamic high school at Tanjung Putus, Permatang Pauh costing 5.8 million Ringgit Malaysia. Thus, the disclosed projects offer benefits to the PWP itself in order to attract donors and stakeholders to know about their purpose of contribution. Besides that, PWP disclosed total collection on cash *waqf* which is 2 million Ringgit Malaysia collected in the past 19 years. However, there is no information on the financial statement and no auditing for the financial statement. Thus, beneficiaries and donors are not aware of the PWP financial statement even though each project has provided details on costing.

#### 4.1.4 JOHOR

The first *waqf* practiced was in Johor in 1895, which was directly administered by the Sultan of Johor. Subsequently, the Johor State Secretary has been appointed as a trustee in managing *waqf*, before submitting the response to the Johor Religious Department under the administration of the President. From the legal aspect, *waqf* in Johor is under Section 89 to 95, affairs of *waqf* were administered by the Johor Islamic Religious Council (MAINJ). According to Section 89 of the enactment, MAINJ is the sole trustee of all *waqf*, *nazr* and charitable trust located in Johor to support and advance the religion of Islam or for the benefit of Muslims in accordance with the *sharī'ah* law. The scope of power held by MAINJ includes the administration, registration and management of *mauquf* in accordance with the objectives set by the wakif. Thus, Johor Corporation (JCorp)

appointed *Waqf An-Nur Corporation Berhad* (WANCorp) to be its corporate *waqf* administrator in order to generate wealth.

In line with the change of name, the WANCorp administration is now more focused on corporate *waqf* affairs. The appointment of WANCorp as special nazir by MAINJ enables the corporate *waqf* to be managed professionally and systematically on the basis of continuous integration and distribution of benefits and management autonomy (WANCorp, 2007). MAINJ is acting as the general nazir and is responsible for ensuring the corporate *waqf* implementation fulfils the conditions set forth. As a result, WANCorp is productive in generating wealth and is responsible for adding the value of *waqf* property such as stock. However, like other states of *waqf* institution, WANCorp also does not mention and disclose the financial information on the official website or other media. Thus, accountability is limited in all aspects. Transparency of the donor's fund is not made public. This might lead to misconduct in managing Muslim funds and property in terms of *waqf*.

#### 4.1.5 KELANTAN

Majlis Agama Islam Kelantan (MAIK) was established on December 24, 1915 through a declaration by His Majesty Sultan Muhammad IV. The establishment aims to advise His Majesty Sultan as the leader in respect of Islamic religious affairs and Malay customs of Kelantan. His Majesty Sultan Muhammad IV has established MAIK after obtaining suggestions and views from the ulama and scholars. The history of *waqf* in Kelantan began under Tengku Kaya Pahlawan who had bequeathed some land in 1921 for the purpose of *waqf zurri* which is being devoted 9/10 to family members and 1/10 for the virtues as determined by the donors in his *waqf*. Furthermore, Sultan Mansor was one of the earliest donors in Kelantan, in 1899. The late Sultan Mansor had been treating the land for the purpose of studying and pilgrimages.

As for the legal status of *waqf* in Kelantan, it is governed under Section 61 of the MAIK 1994 which states that notwithstanding any provision contrary to any instrument or declaration, the council shall be the sole controller of all *waqf*, whether general or special *waqf*, all general vows and all charitable trusts for the benefit of the Islamic religion and the Muslims, to the extent that the property is vested in him or situated in the state.

In Kelantan, the accountability practices were implemented as such all the information and reports on *waqf* activities are available on

the MAIK web site. Among them is the organizational structure which shows who runs the organization, governance, current activities and other reports relating to *waqf* in Kelantan can be found on the MAIK web site (Ayedh and Kamarubahrin, 2019). For example, information is given on the development of Pondok Bunut Gayung in Kota Bharu. The purpose is to develop an Islamic study center and two dormitories for students costing 5.6 million Ringgit Malaysia. This explains that MAIK strongly emphasizes the concept of transparency and accountability in matters related to *waqf* in Kelantan. However, in terms of financial statements and auditing, MAIK is not transparent and accountable because there is no statistical financial document disclosed for *waqf* purpose in Kelantan. Thus, donors and beneficiaries did not know about their contribution and its allocation. This will create mistrust among donors because they do not know what happens to their donation.

#### 4.1.6 SARAWAK

In Sarawak, *waqf* administration is being handled by Tabung Baitulmal Sarawak (TBS) which was incorporated under the Sarawak Islamic Council Ordinance (Incorporation) (Amendment) 1984 (Siraj, 2012). One of the great hopes of Muslims in Sarawak as soon as achieving independence through Malaysia in 1963 was to see the rise of Islamic law in the land of the former Brooke colony. Thus, TBS was established in 1966 through the Zakat law in 1966 with the efforts of Haji Abdul Taib Mahmud. At that time, it was known as the Zakat and Fitrah Fund. From the legal aspect, *waqf* in Sarawak is under Section 43 and 51 to 54 of the ordinances 2001 which stated that the administration of Muslim's property shall be in accordance with the Islamic law (Ayedh and Kamarubahrin, 2019). Thus, the Sarawak religious council is accountable for managing Islamic matters in this state. The sequence, in preparation for a change in the 21st century, Tabung Baitulmal Sarawak (TBS) management restructuring was approved on 15th December, 1998. The general manager was appointed to lead the management of TBS. The Sarawak legislative assembly in November 2001 also approved the Sarawak Islamic council ordinance 2001 which directly further enhanced the role of TBS as a *waqf* institution. Since the restructuring, TBS has achieved remarkable success in implementing its policies and programs. Thus, the accountability practice is part of the success of *waqf* organization.

## 4.2 CRITICAL ANALYSIS

From the above analysis of the content are available information on the *waqf* institutions website and other related source of documents. Table 2 show the mechanisms of discharging accountability in Federal Territory, Selangor, Penang, Johor, Kelantan and Sarawak in Malaysia. Hence, the *waqf* matters are handled by the State Islamic Religious Councils (SIRCs), the information is gathered through the website of SIRCs and some of the states have established a sole body to manage *waqf* matters. Table 2 explains a critical analysis from the findings of this research.

The first mechanism of discharging accountability practices in these selected *waqf* institutions in Malaysia is reflected by the availability of the institution's website. From the findings it shows that all of the selected states involved in this study have their website to disclose information. All these selected *waqf* institutions developed existing and static or dynamic website to attract stakeholders to visit. From this availability of website, these selected *waqf* institutions were disclosing qualitative and quantitative information.

From the perspective of qualitative information, several criteria were identified to ensure the practice of accountability for *waqf* institutions in Federal Territory, Selangor, Penang, Johor, Kelantan and Sarawak in Malaysia. Qualitative mechanism of discharging accountability such as governance, organizational structure, project, beneficiaries and events are listed under qualitative information. From these findings, *waqf* institutions in Selangor, Penang, Kelantan and Sarawak have disclosed their governance, organizational structure, project information, beneficiary's details and events for donors/stakeholders. Besides, Federal Territories and Johor neither disclose their beneficiary's information nor events for donors or stakeholders.

Meanwhile, for quantitative information on mechanism of discharging accountability this study examined: financial statements, audited financial statements, expenses, total donations or funds and project statistics. From this perspective of study, Selangor and Federal Territories fully disclosed on the quantitative mechanism of discharging accountability. Besides, Penang, Kelantan and Sarawak only disclosed on donations or funding and project information. From the findings, Johor did not disclose their quantitative information. Thus, for the purpose of this study, the mechanism of discharging accountability on quantitative or financial matters is unavailable for Johor.

TABLE 2  
Mechanisms of Discharging Accountability

Mechanisms for accountability	State					
	Selangor	Federal Territory	Penang	Johor	Kelantan	Sarawak
Website Availability	√	√	√	√	√	√
Static/dynamic website	√	√	√	√	√	√
Qualitative Information						
Governance	√	√	√	√	√	√
Organizational structure	√	√	√	√	√	√
Project information	√	√	√	√	√	√
Beneficiaries information	√		√		√	√
Events for Donors/Beneficiaries	√		√		√	√
Quantitative/Financial information						
Financial Statements	√	√				
Audited Financial Statements	√	√				
Expenses	√	√				
Donations/Fund Projects	√	√	√		√	√
Feedback Communication						
Social Media	√	√	√	√	√	√
Website Q&A/Contact us	√	√		√	√	√

Notes: √ = is for disclosure.

The final mechanism of discharging accountability in selected *waqf* institution in selected states in Malaysia is on feedback of communication toward response from stakeholders. From findings, only Penang is not providing website question and answer information. The rest are well practised on delivering information to take care of their stakeholders.

Moreover, by checking and investigating the present practices of the *waqf* establishments in the selected *waqf* institutions in Malaysia, we can understand the difficulties confronting the *waqf* advancement and recovery process: legitimate practices, the executives and responsibility. *Waqf* involvement in Selangor could be considered as the best with regard to *waqf* foundation contrasted with others in Malaysia because of exceptional execution of *waqf* practices and adaptability of authoritative document (transparency and



accountability of the *waqf* institution) and the less interference by the government which improved the trust of *waqf* and network by and large. Also, it is making a dynamic *waqf* establishment by producing income from contributing *waqf* property which improves the trust of *waqif* and network as a rule.

## 5. CONCLUSION AND RECOMMENDATIONS

In conclusion, from the analysis of accountability practices in *waqf* institutions in selected states in Malaysia, the management of *waqf* institutions is different between states. For specific states, they practice share plan and a few states do not practice such. As indicated by Harun et al. (2012), there are also some similarities, for instance, the greater part of the *waqf* properties are created for basic purposes for example social welfare, mosques and educational development. For instance, Selangor (PWS) is more accountable in managing *waqf* property through transparent information and details provided to society; this will gain trust and confidence to the wakif. This paper attempted to conduct critical analysis of the accountability of the *waqf* institutions organized by the SIRC's in Malaysia. The critical analysis of *waqf* institutions in selected states provides a superior picture of *waqf* practices in a systematic and practically identical way. The critical analysis is based on four main principle components, in particular: a history of *waqf*, legal aspects, current practices, and accountability practices in *waqf* institutions involved.

From the critical analysis, it could be seen that three fundamental issues arise in the development and sustainability of *waqf* institutions, to be specific: the authoritative document of *waqf* which confined the *waqf* funders' conditions, a method for the board, and speculation. Second is the issue of corruption in *waqf* institutions and the third hindrance is government meddling in overseeing *waqf*. Other than that, it could be concluded that Selangor *waqf* experience was phenomenally breathtakingly likewise with thorough legitimate (for example government) necessities the *waqf* institution in Selangor was ready to meet every single lawful prerequisite (transparency, quality administration, and so forth) and furthermore was ready to pick up the open trust in *waqf* the executives and change to salary generator as opposed to being collector of gifts as it were. Then again, Federal Territory experienced record remarkable execution because of less interference by the state government and foundation of sound administration, internal control and accountability instruments.

Despite the present work having laid the ground for further observational examinations and contributing fundamentally to research on *waqf*, it has its limitations. Initially, as expressed before the research relies on basic investigation of the *waqf* experiences through literature review of *waqf* institutions in the Federal Territory, Selangor, Penang, Johor, Kelantan and Sarawak. Future research may incorporate this basic investigation with direct observation. Furthermore, there is less data about *waqf* incorporated into this investigation; future research may incorporate more encounters. Regarding the ramifications of discoveries, it trusts that the discoveries give progressively extensive and cross states picture of *waqf* experience and practice, which will help the related *waqf* controllers in assessment of *waqf*; based on the findings, the board decides the best practice and also set up a benchmark for *waqf* executive management particularly in Malaysia. This work is expected to improve the institutionalization of *waqf management* by shedding light on the best practices as far as legitimate, current practices, and the board responsibilities are concerned.

#### ACKNOWLEDGEMENT

This research was funded by Universiti Sains Islam Malaysia (USIM) under the Geran Penyelidikan Universiti. PPP-FEM-10517-00. Faculty of Economics and Muamalat.

#### REFERENCES

- Al-Habshi, S.O. “*Waqf Management in Malaysia.*” In *Islam and the Economic Development of Southeast Asia: The Islamic Voluntary Sector in Southeast Asia*, edited by Ariff, M. Singapore: Institute of Southeast Asian Studies, 1991.
- Ayedh, A.M.A and A.F. Kamarubahrin. “The Management of *Waqf* Concept, Development and Issues.” In *Analytical Review of Selected Muslim and Non-Muslim Countries in Waqf Experiences*, edited by Ramli, N.M., M.R. Ab. Aziz, and M. Alias, 84-102. Negeri Sembilan, Malaysia: USIM Press, 2018.
- Ayedh, A.M.A, A.F. Kamarubahrin, and K.F. Khairi. “Accountability Practices of *Waqf* Institution in Malaysia: A Critical Analysis.” *International Journal of Management, Accounting and Economics* 6, no. 2 (2019): 146-71.
- Cajee, Z.A. “The Revival of *Waqf* in Muslim Communities.” Implementation of the Recommendations of the International *Waqf* Conference South Africa, Cape Town, *Conference*

- Proceedings, International Conference on Waqf and Islamic Civilization*. Isfahan, Iran (2008): 243-78.
- Cameron, W. "Public Accountability: Effectiveness, Equity, Ethics." *Australian Journal of Public Administration* 63, no. 4 (2004): 59-67.
- Chowdhury, M.S.R., I.A. Chowdhury, M.Z. Muhammad, and M.R. Yasoa. "Problems of *Waqf* Administration and Proposals for Improvement: A study in Malaysia." *Journal of Internet Banking and Commerce* 17, no. 1 (2012): 1-8.
- Connolly, C. and N. Hyndman. "Performance Reporting: A Comparative Study of British and Irish Charities." *British Accounting Review* 36, no. 2 (2004): 127-54.
- Corbin, Juliet, and Anselm Strauss. *Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory*. Thousand Oaks, CA: Sage. 2008.
- Dahlia, I. and I. Haslindar. "*Revival of Waqf Properties in Malaysia*." (2017).  
[http://www.academia.edu/9186230/Revival\\_of\\_Waqf\\_Properties\\_in\\_Malaysia](http://www.academia.edu/9186230/Revival_of_Waqf_Properties_in_Malaysia).
- Ebrahim, A. "Accountability in Practice: Mechanisms for NGOs." *World Development* 31, no. 5 (2003): 813-29.
- Ebrahim, Alnoor and Edward Weisband. *Global Accountabilities: Participation, Pluralism, and Public Ethics*. Cambridge: Cambridge University Press, 2007.
- Edwards, M., and D. Hulme. "Too Close for Comfort? The Impact of Official Aid on Non-Governmental Organizations." *World Development* 24, no. 6 (1996): 961-73.
- Eisenhardt, K.M. "Building Theories from Case Study Research." *Academy of Management Review* 14, no. 4 (1989): 532-50.
- Fox, Jonathan A. and Lloyd David Brown. *The Struggle for Accountability: The World Bank, NGOs, and Grassroots Movements*. Cambridge: The MIT Press, 1998.
- Gray, A. and B. Jenkins. "Codes of Accountability in the New Public Sector." *Accounting, Auditing and Accountability Journal* 6, no. 3 (1993): 52-67.
- Gray, R, D. Owen, and Carol Alison Adam. *Accounting and Accountability: Changes and Challenges in Corporate Social and Environmental Reporting*. London: Prentice Hall, 1996.
- Hameed, S.M.I. "The Need for Islamic Accounting Perceptions of its Objectives and Characteristics by Malaysian Accountants." PhD thesis. University of Dundee, 2000.
- Harun, R., M.I. Zuraidah, and A. Norhidayah. "Preliminary Findings

- on Waqf Management Practices among Selected Muslim Countries.” *International Conference on Economics Marketing and Management* 28, (2012): 117–20.
- Ihsan, H., Eliyanora, and S. Yossi. “Accountability Mechanisms for Awqāf Institutions: Lessons Learnt From The History.” *Journal of King Abdulaziz University: Islamic Economics* 29, no. 1 (2016): 41-54.
- Ismail, C. Z., S. Muda, and N.J.A. Hanafiah. "Challenges and prospects of cash waqf development in Malaysia." *Journal of Basic and Applied Scientific Research* 4, no. 2 (2014): 340-48.
- Kahf, M. “Financing the Development of Awqaf Property.” Paper presented at the *Seminar on Development of Awqaf*, Kuala Lumpur, 1998.
- Lloyd, R., Oatham, J. and Hammer, M. “2007 Global Accountability Report.” London: One World Trust. 2007.
- Mahamood, S.M. “*Waqf in Malaysia: Legal and Administrative Perspectives.*” Kuala Lumpur: University of Malaya Press, 2006.
- Miles, M.B. and A.M. Huberman. *Qualitative Data Analysis, An Expanded Sourcebook*. Second Edition, Thousand Oaks: Sage Publication, 1994.
- Mohidin, H., and H.M. Nooraini. “*Waqf Development in Malaysia and Singapore: A Comparative Study.*” (2015). <https://ethos.bl.uk/OrderDetails.do?uin=uk.bl.ethos.650210>.
- Nahar, H.S., and H. Yaacob. “Accountability in The Sacred Context: The Case of Management, Accounting and Reporting of a Malaysian Cash Awqaf Institution.” *Journal of Islamic Accounting and Business Research* 2, no. 2 (2011): 87-113.
- Patrizia, G., and R. Massimo. “*Transparency in Italian Non-Profit Organizations.*” Varese, Italy: University of Insubria, 2011.
- PWS. “Perbadanan Wakaf Selangor.” (Selangor waqf corporation). [www.perbadananwaqfselangor](http://www.perbadananwaqfselangor.com) (PWS).
- Raedah, S., S.N.S. Obid, and S.P. Nelson. “Towards Developing a Disclosure Index for Malaysian Zakat Institutions.” *The Journal of Muamalat and Islamic Finance Research* 11, no. 1 (2014): 1-11.
- Rahman, A.R.A. “Issues in Corporate Accountability and Governance: An Islamic Perspective.” *The American Journal of Islamic Social Science* 15, no. 1 (1998): 55-69.
- Ramli, N.M. and N.A. Muhamad, “Good Governance Framework for Corporate Waqf: Towards Accountability Enhancement.” *Proceedings of World Universities’ Islamic Philanthropy*

- Conference (2013). <https://ssrn.com/abstract=2437260>.
- Rashid, S. K. "Reason for Decline of Awqaf and How to Bring About Their Revival." *Proceedings of the International Conference on Waqf and Islamic Civilization*, Isfahan, Iran (2008): 135-68.
- Roberts, J. and R. Scapens. "Accounting Systems and Systems of Accountability –Understanding Accounting Practices in Their Organisational Contexts." *Accounting, Organisations and Society* 10, no. 4 (1985): 443-56.
- Rohayati, H., A.R. Rusnadewi, and N.I. Yaakub. "Exploratory Study on *Waqf* Implementation in Malaysian Public and Private Universities: With Special Reference to Turkish Universities." *International Journal of Business, Economics and Law* 9, no. 4 (2016): 16-23.
- Sadeq, A.M. "*Waqf*, Perpetual Charity and Poverty Alleviation." *International Journal of Social Economics* 29, no. 1-2 (2002): 135-51.
- Safiah, M., D. Dalila, S.R. Zain. dan A.C. Yaacob. "Ke Arah Pelaksanaan Sistem Perakaunan Wakaf Yang Piawai". Paper presented at *Konvensyen Wakaf Kebangsaan* 12-14 September 2006.
- Sinclair, R., K. Hooper, and S. Ayoub. "Perspectives of Accountability in Charities." Paper presented at the *6th Asia Pacific Interdisciplinary Research in Accounting (APIRA)*, 11-13 July 2010.
- Siraj, S.A. "An Empirical Investigation into the Accounting, Accountability and Effectiveness of *Waqf* Management in the State Islamic Religious Councils (SIRCs) in Malaysia." Thesis, Cardiff University, 2012.
- Siti, M.M. "The Administration of *Waqf*, Pious Endowment in Islam: A Critical Study of the Role of the State Islamic Religious Councils as The Sole Trustees of a *Waqf* Assets and The Implementation of Istibdal in Malaysia with Special Reference to The Federal Territory of Kuala Lumpur." Ph.D. Thesis, Birmingham University. 2000.
- Wancorp. "Laporan Tahunan Waqaf An-Nur Corporation." 2007. <http://wancorp.com.my/>.
- Weitzman, E. "*Software and Qualitative Research*." In *Handbook of Qualitative Research* (2nd ed.), edited by M. Denzin and Y. Lincoln (Eds.), London: Sage, 2008.
- Yasmin, S., R. Haniffa, and M. Hudaib. "Communicated Accountability by Faith-Based Charity Organizations." *Journal of Business Ethics* 122, no. 1 (2013): 103-23.

Yin, Robert K. *Case Study Research, Design and Methods*. Second Edition, Thousand Oaks: Sage Publications, 1994.

Yunanda, R.A., Z. Shafii, and M.A. Tareq. "Accountability of Islamic Based Non-Profit Sector: The Case of *Waqf* Organizations." *Jurnal Ekonomi dan Bisnis Islam* 2, no. 2 (2016): 105-24.