



Waqf Management Through Fintech in Malaysia

Zaki Ahmad^{a*}, Mushtaq Ahmed^b, Mahvish Nawaz Mokaf^c

^a School of Economics, Finance and Banking, Universiti Utara Malaysia

^b Hamdard University Pakistan & Islamic Business School, University Utara Malaysia

^c School of Language, civilisation and Philosophy, University Utara Malaysia

*Corresponding author: 94zakahmad@gmail.com

Abstract

Cash Waqf has gained acceptability in Malaysia, with the Malaysian National Fatwa Council issuing a fatwa allowing cash Waqf in 2007. Waqf is seen as a strong instrument that could help Malaysia's poverty problems. Waqf management in Malaysia has to be strengthened and revitalized, nevertheless. The goal of this study to provide a technology-based model (FinTech) to modernise the administration and investment of Islamic charity endowments, known as Waqf as a solution for disadvantaged areas that were being suffocated by a lack of financial goods and services. The study concludes on the note that FinTech business is an alternative platform may be accessible at any time for the beneficiaries.

Keywords: Fintech, Crowd Funding, Cash, Malaysia

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1. Introduction

Going back to the roots or originality, Waqf is an act of charity when a person allocates his assets for charitable use. A Waqf made will not form part of his estate. The properties will belong to the community will gain the benefit from the assets made into Waqf (Isa et al., 2011). Waqf is derived from the Arabic language, the term Waqf means; to stop (al-sukun) to prevent, (al-mana'a) and to suppress, or to detain (al-habs) (Ayub, 2003). In the al-Quran, it means to retain property that is specific and owned (by the Waqif, as it is not valid to make an endowment out of something that is rented) whose ownership is transferrable and can be benefited from while the property itself remains and this is by suspending disposal of it, while the financial proceeds go towards something permissible and existent. This argument can be found in al-Quran in surah Al-Baqarah (2:177) explained that to give wealth to others, even though the person has a love for it is part of righteousness. And giving wealth can come in many forms and types either through Sadaqah, Hibah, or Waqf.

Sources of Waqf during their lifetime are as follows: "Narrated by ibn Umar: in the time of Prophet (PBUH) replied. "Give it in charity with its land and trees will neither be sold, nor given as present nor bequeathed; but the fruits are to be spent in charity;" It does mean that during the life of the Prophet (PBUH), Waqf existed and the act of Umar for that endowment has been approved by Prophet Muhammad (PBUH) historically.

The presence of Waqf could be noticed since the time of the Prophet (PBUH) by building the first Waqf land for Quba's Mosque and the land of Khaibar by Umar that was devoted to the poor (Kamaruddin et al., 2018). Waqf is an endowment and a charity of Muslims where the benefits dedicated to the society for the intention of perpetuity and for the welfare of the founder and trustee to gain the merit and reward till Hereafter. Thus, the Waqf has become a custom to the leaders and rich Muslims in the middle of the centuries and Islam is widespread, especially in the Arab countries and central Asia. Regarding its impact, Arab countries set up a special ministry to manage the Waqf to prevent the Waqf from being unmanageable.

By definition, Waqf is any property attached donor’s rights over the property of any transaction such as inheritance, grant, and will, while maintaining its physical resources. Waqf is solely for charity intending to draw closer to Allah SWT. According to Maliki, the definition of Waqf is making the benefits its owner even if it’s income by renting or using such money for the needy by way of Ijab and Qabul for a period determined for those who did Waqf. Therefore, the Maliki doctrine was concerned with the validity of ownership through legal possession of all types of properties, including the Waqf. Waqf in Al-Quran, Surah Al-Baqarah, and verse (261) means “*The example of those who spend their wealth in the way of Allah is like a seed [of grain] which grows seven spikes; in each spike is a hundred grains. And Allah multiplies [His reward] for whom He wills. And Allah is all-Encompassing and Knowing.*” Waqf definition of Abu Hurairah RA. The Prophet Muhammad (PBUH) said that “*When the son of Adam dies, his practice will cut off except for three things: the deeds of charity, knowledge, and children who used the pious who pray for him.*”. There are four pillars of Waqf, the founder (واقف), the Waqf asset (موقوف), Beneficiaries (موقوف عليه), Expression (صيغة) (Hassan et al., 2018).

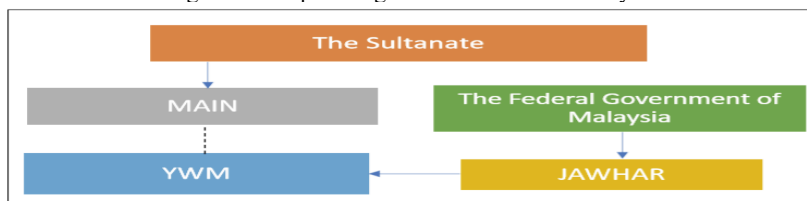
History has witnessed the glorious successful economy during the reign of Khalifah Umar and the Ottoman Empire, to the extent that there were no recipients of Zakat resulting from zero poverty. One of the attempts that led to the flourishing of the Islamic economy is the establishment of the institution of Waqf. At one point the Waqf institution during the Ottoman period, Waqf can be said to be in existence ‘from cradle to grave’. It is being said that during that era “a person would have been born into a Waqf house, slept in a Waqf cradle, ate and drank from Waqf properties, read Waqf books, taught in Waqf schools, received his salary from Waqf administration and when he died, placed in a Waqf coffin and buried in Waqf cemetery”. This shows that if we could manage the Waqf property properly from the stage of collection and distribution we can diminish poverty or at least mitigate them (Khamis and Salleh, 2018).

In the contemporary world now when the old traditional Waqf emerges with modern technology it could still act as the backbone of the Islamic economy. So, the online cash Waqf introduces a brand-new picture of cash Waqf and hopes to pull Waqifs to donate. An example is the Waqf Perak Ar-Ridzuan delivers the online platform for the donor to donate to Waqf project providing boats for the fisherman in Perak which is the agent of the collection is Maybank Islamic and the trustee is Waqf Perak Ar-Ridzuan. This could help the fisherman generate their income and it shows that Waqf can enhance the socio-Islamic economy. As a result, it would alleviate poverty and narrow the gap between the rich and the poor (Chowdhury et al., 2011).

The impacts that were concluded increasing the socio-economy and empowering the micro-economy to bridge the gap between the poor and the rich. Another impact is how Muslims can grow the economy without any loan or debt, for the donors they can get rewards in the Hereafter; it is a win-win situation for the Muslim community. Traditionally Waqf is centred on developing physical property such as building mosques, religious schools, or orphanages. However, with the growing poverty in the world especially in third-world Muslim countries, there is a huge need to complement the traditional Waqf model with the cash Waqf model as it gives numerous advantages in developing the Islamic economy. In Malaysia, cash Waqf has gained acceptance, with Malaysian National Fatwa Council passing the Fatwa that permits cash Waqf in 2007 (Ab Hasan et al., 2015).

As for the Waqf system in Malaysia, there is no federal law subjecting all Waqfs to the same rules and regulations. Instead, all Islamic religious matters are under the responsibility of the Malaysian Sultanate. Additionally, the Sultanate appointed State Islamic Religious Council (MAIN) to handle these matters including Waqf. MAIN acts as the sole trustee for Waqf while Malaysia Waqf Foundation (YWM) collaborates with MAIN to manage Waqf assets including collection, investment, development, marketing, and distribution of Waqf funds. Malaysia Waqf Foundation (YWM) is an agency established by JAWHAR, a department under the Federal Government, whose roles are to ensure that the management and administration of Waqf properties, Zakat, and Hajj are in order, systematic and effective (Ambrose et al., 2015).

Figure 1: Waqf Management Structure in Malaysia



Adapted from (Ambrose et al., 2015)

According to [Schueffel \(2016\)](#), the term Fintech was already used as early as 1972. According to [Khayesi \(2022\)](#), the Vice President of the bank; Mr. Abraham Leon Bettinger provided the following definition, “*FinTech is an abbreviation that stands for “financial technology,” which refers to new technologies and innovations that aim to compete with conventional approaches to the provision of financial services. Technologies that attempt to make financial services more accessible to the general population include the use of smartphones for mobile banking, investment services, and crypto currency, to name a few examples. Startups and more established financial and technology companies are what make up enterprises that fall under the category of “financial technology.” These businesses are in the process of either attempting to supplant or improve upon the use of financial services offered by traditional financial institutions.*”

With the help of using technology is to modernize the management and investments of Islamic charitable endowments, called Waqf which would assess mismanagement of Waqf properties or assets across the Muslim world. It is said that necessity is the mother of all inventions and so is the revolution of FinTech. There has been dire need of a solution for the underserved communities that were being stifled with the lack of financial products and services to meet their needs. FinTech comes with innovative techniques to unclog the blockages that are within the traditional financial service industry and promises better solutions for the masses. With internet connectivity and a computing device, the FinTech business platform can be accessed by all at any time. For instance, the financial technology company Finterra, based in Singapore, has built a crowd funding platform that makes use of digital ledger technology, also known as blockchain, to generate “smart contracts” that are associated with particular Waqf projects. Waqf are organisations that receive donations from Muslims to conduct social projects including mosques, schools, and welfare schemes. The company expects that this will give a more effective way to raise money, manage Waqf, and transfer ownership of Waqf properties. The company is trying to change the financial terrain in its approach to crowd funding and development of Waqf ([Mokal et al. 2023](#); [Zulaikha and Rusmita, 2018](#)).

The plans that Finterra has in place are reflective of the interest that a number of other fintech companies have in expanding their reach to cover core Islamic finance markets in the Middle East and Southeast Asian countries. Since October 2017, the organisation has been working on the development of its own blockchain platform, and there are presently pilot projects being evaluated from endowments located in Singapore, Malaysia, and Indonesia. By June 2018, they hope to have the product fully up and running and ready to start on boarding clients. They also aim to promote it to global Waqf boards and to regulators ([Ahmad et al., 2020](#); [Vizcaino, 2018](#)).

According to Finterra, Islamic endowments are believed to hold large portfolios of real estate, commercial businesses and other assets, with an estimate of as much as \$1 trillion of assets held in Waqf globally. The Waqf concept dates back more than a thousand years, reaching its peak during the Ottoman Empire. However, the assets in many Waqf are underutilized and earn low returns due to ineffective management, with some Waqf requiring further donations to keep running. Donations must be pledged to specific goals making it difficult to repurpose a Waqf, limiting fundraising from banks which can find it difficult to liquidate such assets ([Alharthi, 2021](#)).

Finterra founder and Chief Executive Officer Hamid Rashid believe the utilisation of blockchain technology could provide a solution to this problem by enabling the electronic tracking of each contract during the duration of the investment. He went on to say that the transformation of a school in Jakarta, Indonesia, into a property with potential for financial gain is one of the potential Waqf projects that is presently being investigated ([Ahmad et al., 2023](#); [Vizcaino, 2018](#)). To achieve our Muslim vision to have a sustainable and healthy economic some issues occur in terms of Waqf management. According to [Puad et al. \(2014\)](#), before the establishment of MAIS, most Waqf properties in Selangor had been handled by religious persons, such as Imams without having any proper administration or documentation. Hence this will cause problems for MAIS to identify properly the Waqf properties that are not registered especially when both the Waqif and Mutawalis are deceased. This has caused delays in the documentation for years due to difficulties that are faced by MAIS in ensuring all the family members able to present and be available during the court hearing. There are also cases of misuse of Waqf's properties for personal interest. This is caused by a lack of interest or being neglected by the family members. Also, there is no surprise that most of the Waqf properties have been misused and had illegal transfers due to insufficient staff who are appointed to handle the Waqf properties ([Ismail et al., 2015](#); [Ahmad et al., 2023](#)).

In certain instances, the administration of Waqf lands is entrusted to non-Muslim individuals who may lack the requisite expertise, understanding, and commitment to effectively oversee these endowments. This circumstance can result in a loss of confidence and trust in the authority overseeing the Waqf properties. Across various Muslim nations, there exists a substantial reservoir of both historical and contemporary Waqf assets. However, many of them are left idle and underutilized and earn low returns due to delay and ineffective management process that impedes the ecosystem of Waqf management the main factor that leads to the issue of delay consists of properties given out without any registration and documentation, and accounting practices that does not comply with Shari'ah principles standards. Moreover, difficulty in owning land property makes sale and purchase restricted in the market, while in leasing and rental markets these are often rented below the market price (Mokal and Ahmad, 2023; Chowdhury et al., 2012). Another hindrance towards cash Waqf is the perception of a lack of transparency over the distribution of cash Waqf to the intended Waqf projects or beneficiaries.

Waqf is considered a powerful instrument that could resolve poverty issues in Malaysia. However, with much room for improvement to revitalize and strengthen Waqf management in Malaysia, achieving such a goal while addressing the above challenges are not possible for the government to handle on its own and that collaboration and embracing new technology are the keys to moving forward.

Today, plenty of Waqf institutions are contributing to society through Waqf by doing great work of collecting funds from various communities to help improve poverty and provide relief. Even though, there are problems with Waqf management itself about how the management has laid off their accountability in managing Waqf. This study will encompass the roles of Waqf institutions as being the caretaker of Waqf projects providing efficient management and what impact can it give on the society and economy by using Waqf to grow investment through the assistance of fintech. Now in today's era where everything is digitalizing and made easy with the help of technology, institutions ought to move forward to provide e-commerce for Waqf where people can choose the project that they want to contribute to and improve the efficiency in the management of Waqf properties.

The focus of this research paper is mainly to suggest ways of improvement of Waqf institutions with regards to its management with the assistance of FinTech that will contribute to sustainable Waqf. Additionally, the objectives of this paper are to identify the structure of Waqf management in Malaysia and its issues, to evaluate the needs for the establishment of Waqf funds in key sectors and examine how fintech can contribute to the better management of Waqf assets. Furthermore, to propose recommendations to Waqf institutions, fintech firms, and regulators to strengthen and broaden the application of fintech in the Waqf management ecosystem.

2. Research Methodology

In order to reach these objectives and describe the overview and current development, this study adopts a qualitative method. The data collection procedure involved secondary data collection methods. The secondary data is obtained through a systematic review of existing literature on the topic. The literature search is conducted using academic databases such as Google Scholar and Scopus, and the selection criteria include relevance, quality, and recency. The authors referred to 33 research papers that were published in 25 different journals. In addition to this, four conference proceedings, seven internet sources, and one doctoral dissertation were also used to collect the relevant information on FinTech and the management of Waqf assets. The sources to which the authors referred to get the appropriate information were published between 2011 and 2023. After collecting the relevant information, the authors analysed the information based on the objectives of the study and aligned the information in order to achieve the purpose of the study.

2.1 Impact of Waqf

History has witnessed the glorious successful economy during the reign of Khalifah Umar and the Ottoman Empire, to the extent that there were no recipients of Zakat resulting from zero poverty. One of the attempts that led to the flourishing of the Islamic economy is the establishment of the institution of Waqf. At one point the Waqf institution during the Ottoman period, Waqf can be said to be in existence 'from cradle to grave'. It is being said that during that era "a person would have been born into a Waqf house, slept in a Waqf cradle, ate and drank from Waqf properties, read Waqf books, taught in Waqf schools, received his salary from Waqf administration and when he died, placed in a Waqf coffin and buried in Waqf cemetery". This shows that if

we could manage the Waqf property properly from the stage of collection and distribution we can diminish poverty or at least mitigate them (Ahmad et al., 2023; Kamaruddin et al., 2022).

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The impacts that were concluded are increasing the socio-economy and empowering the micro-economy to bridge the gap between the poor and the rich. Another impact is how Muslims can grow the economy without any loan or debt, for the donors they can get rewards in the Hereafter; it is a win-win situation for the Muslim community. Waqf can be considered as an effective means due to its long-lasting form and perpetuity in nature will help to sustain the well-being of society.

The following key sectors are identified as the beneficiaries and rationale are discussed below (Ali et al., 2015).

Economic empowerment

Waqf can serve as a crucial instrument for advancing economic development, as it relies entirely on funds derived from charitable acts. Government doesn't have to spend any expenditure for enhancing economy as a result government expenditure could be reduced. Through making use of cash Waqf from Waqif could be the easiest way because of the liquidity to use that money for any project (Effendi et al., 2022). With all funds that were collected from banks (as a collecting agent) goes to Mutawalli (trustee) to develop any activities or project. For instance, Majlis Agama Islam Johor authorized WanCorp to manage corporate Waqf An-Nur and Majlis Agama Islam Perak authorized the collaboration with Maybank for Waqf projects such as cash Waqf and purchase of boats for fishermen in the state. Another project has been proposed is the Training centre for agriculture also combine for Mualaf centre in Karak, Pahang (Pusat Latihan dan Projek Pertanian Atas Tanah Waqf at Jambu Rias, Karak, Bentong).

Our economic would be empowered if each citizen is capable to earn their income without any deficiency. Current problems are citizen has skills but doesn't owned machineries. For example, as above are Waqf Boat and Waqf Business Centre (WBC) with the facilities and infrastructure were given to beneficiaries they will generate their own income and become active members in the society later it will help to increase the economy of the country. These examples correspondence to Harun et al. (2016) stated that a notion associated with community empowerment is the concept of collective action and further that community empowerment is about improving community capabilities so that can meaningfully influence and control the decision-making processes in relation to their lives.

Education

The importance of education or the quest to gain knowledge in Islam is emphasized by the very first word of the first verse revealed in the Quran 'Iqra' which means read. This command from Allah (SWT) is for mankind to seek knowledge or be educated. Islam has always promoted knowledge and these manifests in many revelations in the Quran. Among the examples in the Quran are, "Are those who have knowledge equal to those who do not have knowledge?" [al-Zumar 39:9]. "Allah grants wisdom to whom He pleases and to whom wisdom is granted indeed he receives an overflowing benefit" [Al-Baqarah 2:269]. Research has shown that illiteracy leads to crime in which people who commit crime are most likely people with poor education. Hence, it is the responsibility of each leaser to ensure that education is easily accessible to all and not only for the elites. During the Golden Age of Islamic History, Baytul Hikmah the library played an important role in becoming the centre for Education for the public. It was through education that the Muslims became so progressive and successful (Mujani et al., 2016).

In Malaysia, primary and secondary school education is not entirely free but heavily subsidized. However, there are still many things that parents have to fork out in order for children to be able to go to school. School uniforms, books, stationaries, club fees are still paid by parents. This is why in many rural areas where some parents cannot afford to buy shoes and school uniforms for children, or cannot afford to send their children due

to the difficulty in transportation, some children do not make it to go to school. Tertiary education in Malaysia while still subsidized is in fact still very expensive and many students take the PTPTN loan to cover their expenses. Books are also not easily attainable as they are expensive to buy. Students will have to pay back their PTPTN loan when they work and this leaves many Malaysians in debt on top of other loans for cars and houses (Amuda et al., 2016).

Waqf in Malaysia has helped many students and organizations to alleviate this financial burden. One such example done by JAWHAR is the building and maintenance of Maahad Al-Mashoor Al-Islami Education Complex in Balik Pulau, Penang. This is an integrated development comprising academic, administration and hostel (both for male and female students) facilities in addition to additional facilities such as assembly and dining halls, security guard house, covered parking and recreational components, all built to accommodate 1,000 students and provide a conducive environment for its students. The development cost was RM42 million. Other examples include scholarships and financial assistances given to university students across the country as well as overseas (Saifuddin et al., 2014).

Healthcare

Healthcare is the act of taking preventive or necessary medical procedures to preserve, improve and ensure a person's well-being whether it is physical or mental health. OCED Observer strengthens the idea of how the economy depends on a strong healthcare system. Through the data they collected, they state a 10% increase in life expectancy creates an economic growth of around 0.3%-0.4% a year (Association of MBAs, n.d.). This is being said that a good healthcare system is vital for economic development. Health is a necessity of a human being. In Islam, it is called Daruriyyah which without it, mankind will suffer (Saad et al., 2017).

Nevertheless, it is worth noting that there exist healthcare services offered at subsidized rates. This is where Waqf can play a pivotal role. While it is not a requisite for Waqf to exclusively deliver goods or services at reduced prices, it can nonetheless serve as a means to bridge the healthcare accessibility gap for the underprivileged who cannot afford such services. Waqf can also be utilized to provide healthcare services to middle-class and upper-class individuals, with revenue distribution directed towards those in need of life improvement. Notably, only a select few healthcare institutions are dedicated to the practice of Waqf, one such example being the establishment of Klinik Waqf An-Nur (KWAN) by KPJ Healthcare Berhad (KPJ) in 1998, situated in Kotaraya, the state of Johor, Malaysia. KWAN clinics charge people only RM5 for treatment and medication to those incomes are less than RM800 per month. As of now, KWAN clinics and dialysis centres are open nationwide and have treated more than 520,000 patients and have provided more than 150 kidney patients life-saving treatment (Gwadabe and Ab Rahman, 2020).

Additionally, banks also have been working to contribute to health sector by using Waqf. Several banks such as Bank Islam and Maybank Islamic have contributed to haemodialysis clinics to provide affordable prices for the poor one. Also, banks also have been helping clinics and hospitals for critical medical treatment and analysis in terms of capital and funds (Sulaiman et al., 2022).

Investment

Waqf can be employed in a multitude of ways, particularly in the allocation and management of funds for entities primarily dedicated to social welfare objectives, as opposed to profit generation. Managing the availability of funds in such organizations presents a formidable challenge. The primary sources of funding for these entities typically consist of donations from governments or affluent individuals. However, with the help of modern IT technologies there are some other ways out as well. Crowd funding is one of the ways, which helps the Waqf manager to collect huge quantity of funds but in lower denominations (Hasan et al., 2018).

3. Findings of Existing Waqf Models

3.1 Crowd funding and Waqf

Crowd funding is defined as a mode of collective funding activities which was originally rooted in a broader concept of crowdsourcing and microfinancing, but crowd funding gives access to people in a larger group who network and pool their money using an online platform (Mohd Thas Thaker and Pitchay, 2018). Crowd funding is defined as a mode of collective funding activities. Internet crowd funding is poised to play an essential part in fundraising for many different types of rising requirements for Waqf within and across many nations, thanks to recent awareness on Waqf-based charity. Waqf is an Islamic charitable organisation that

provides aid to those in need. As a result, there is a requirement for an increased level of professionalism in the process of fundraising for Waqf. Examples of Waqf crowd funding platforms which are currently available are WaqfWorld and EthisVentures. WaqfWorld.org is said to combine Waqf with the dynamism of crowd funding. WaqfWorld.org does not charge beneficiaries or users any fees. The platform is completely free during the initial phase. Operational costs will be partially borne by voluntary contributions, and other resources provided by Ethis Ventures (Hansari et al., 2022).

3.2 Waqf fund strategic collaboration agreements

On 8th September 2017, six banks in Malaysia made a collaboration to develop a Waqf fund revolving around economic empowerment, education, health and investment, in an effort to develop the Muslim economy. Those six banks are Affin Islamic Bank Berhad, Bank Islam Malaysia Berhad, Bank Muamalat Malaysia Berhad, Bank Kerjasama Rakyat Malaysia Berhad, Maybank Islamic Berhad and RHB Islamic Bank Berhad. The objectives of this agreement are to help improve Muslim economy as well as State Islamic Religious Councils (SIRC) in developing Waqf land (Awqaf). There is abundance of Waqf lands that are not cultivated in Malaysia due to lack of capital. Therefore, these banks will help develop it by offering their services to raise the funds for Waqf land and give it to SIRC through this agreement. Banks role in this agreement is to act as agent of collection while SIRC acts as trustee (Mutawalli). Banks will collect the funds for SIRC and do promotions of Waqf projects for SIRC. These funds will be used for four major economic pillars which are economic empowerment, education, health and investment (Alma'amun et al., 2018).

There are two documents involved in this agreement. One is document among the six banks, and another is Joint Management Committee. The first document is about discussion on initiatives of these banks together with Bank Negara and the Association of Islamic Banking Institutions Malaysia (AIBIM) to improve the Waqf development. In this document, they agreed to not compete with the other banks in developing Waqf lands. They should help each other in promoting Waqf and raising funds to develop it. They also agreed that one of the banks should be the leader and the other five should be the participant in each project. An instance, Maybank Islamic is raising funds for Perak Waqf projects which is Waqf Boat and the other five banks will promote it to their customers to help Maybank Islamic in raising funds. So, for this project Maybank Islamic will be the Banks' leader and the other five would be the participants (Salleh et al., 2021).

The other document is Joint Management Committee which entitled people to change their name on the land when they start to announce it as Waqf land. This is done to ensure there is no confusion and discontinued of Waqf land. Previously, when they declare their projects or land as Waqf, they did not change the title and the owner of the land. In this agreement, they urge for people to change the owner's name once it has been Waqf as to avoid confusion and disputes in the future (Azganin, 2019).

Credibility and trusteeship

Ensuring transparency in the allocation of invested funds is a pivotal concern for all investors, and similarly, when individuals wish to donate their assets as Waqf, they must ascertain that the benefits reach the intended beneficiaries. Consequently, Muhammad (2012) underscores the importance of Waqf institutions in establishing trust with potential donors, with a particular emphasis on the ethical and moral character (Akhlaq) of the Mutawallis. Additionally, Dafterdar and Bank (2009) assert that the effective management of Waqf is contingent upon the prudent and efficient stewardship of Mutawallis. In the contemporary context, India serves as an illustrative case, where instances of corruption and land fraud within Waqf organizations have been reported. These corrupt practices have been attributed to executive members of Waqf boards, resulting in the sale of over 70% of Waqf estates across India over the past decade (Jalil, 2020).

Awareness, education and accessibility

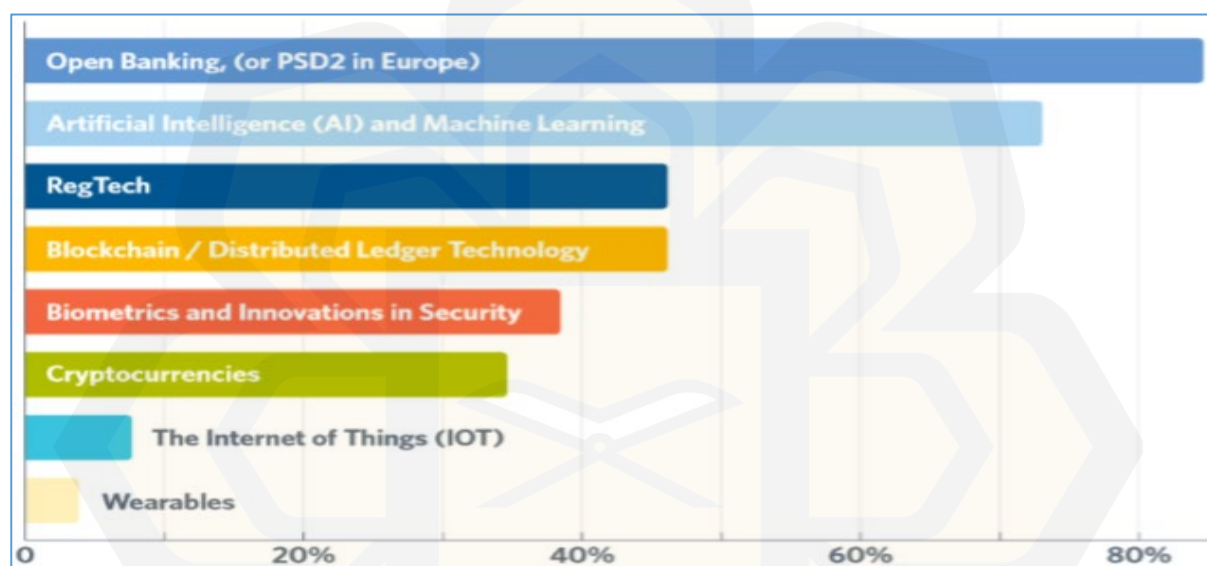
Despite the undeniable ease that technology has brought into our lives, there remains a deficiency in awareness regarding online Waqf. A surge in data usage related to this concept is noticeable only during the month of Ramadan, owing to promotional efforts on television during that period. This raises the concern that media outlets may not consistently prioritize the promotion of Waqf. Furthermore, in rural areas, obstacles persist as potential Waqifs are hesitant to invest their funds due to limited familiarity with this form of Waqf. Additionally, the lack of internet literacy among rural villagers contributes to their preference for traditional over the counter Waqf donations. Notably, Maybank Islamic's records indicate that they received RM 1 million

through over-the-counter methods, compared to a considerably lower range of RM 300,000 to RM 600,000 via online bank transfers. This discrepancy underscores the limited awareness among Malaysians regarding online Waqf and online cash-Waqf (Laila et al., 2022).

3.3 Fintech and Waqf

In the rapidly evolving landscape of fintech, experts anticipate that significant advancements in financial technology will stem from online banking, artificial intelligence, and blockchain. This projection is supported by a global survey conducted by Fleishman Hillard (2018), a prominent global public relations and marketing agency, suggesting that these emerging technologies are poised to have a tangible impact in the year 2018 and beyond.

Figure 1: Impact of emerging financial technologies in 2018



Source: Fleishman (2018)

Today, where internet and mobile usage have become ubiquitous, fundraising initiatives for Waqf projects should strategically harness this digital environment to expand their donor outreach. One illustrative approach is the utilization of crowdfunding, a method characterized by the aggregation of modest contributions from a wide array of individuals to fund a specific project. Crowdfunding has been gaining popularity in recent years as it facilitates ‘target donating’ where individuals and corporations donate to specific cause. Financial institutions can collaborate with fintech partner who offered donation-based crowdfunding for this purpose. The behaviour of doing charity and spreading the good cause using crowdfunding can give impact to the Waqf landscape (Kahn et al., 2021). According to Yoshid (2019) crowdfunding manifests the act of doing charity for longstanding Muslim brotherhood.

The web technology enabled crowdfunding to be operated either on live crowdfunding and online crowdfunding. Crowdfunding has opened a new source of funding for Waqf entities apart from doing it traditionally. In this perspective, crowdfunding can be a good tool to connect the people with the causes to do Waqf. It is not only a low-cost way of accessing funding according to its set up, but it can also attract the emotional interest of people. People contribute and donate to crowdfunding irrespective of geography which Waqf entities should take this as an advantage (Zakariyah et al., 2022; Mokal and Abd Halim, 2023).

Blockchain uses digital ledger technology to create “smart contracts”, that is a computer protocol underpinned by blockchain technology, would be tied to specific Waqf projects. Unlike traditional contracts which require a third party to hold, manage and execute contractual terms, smart contracts are designed to be independent and self-executing. This means that contractual terms can be translated in logical functions which trigger automatically when set conditions are met. For instance, charity-minded business owners might build

clauses into smart contracts which stipulate that a percentage of all payments go to charity (Davies, 2016).

The potential advantage for Waqf lies in the potential reduction of transaction costs associated with contracts of this nature, as they do not necessitate costly third-party intermediaries. Another advantage would be the enhanced transparency whereby contracts are put on a public ledger where payments are open to be viewed by anyone. Hence, blockchain potentially provides a more efficient way to raise money, manage and transfer ownership of Waqf. This is facilitated by tracking each contract electronically across the lifespan of the Waqf project. Despite blockchain technology is very new and its future remains to be uncertain, it still warrants a mention as it is already attracting billions of investments. Therefore, blockchain technology certainly presents the opportunity to modernize Waqf management globally. This evidence can be found during the International Waqf Blockchain Forum 2018 which the official signing of five key Memorandum of Understanding (MoU) agreements between Finterra Technologies and IIUM, the Haj Committee of Rajasthan, CLMV Holding (Cambodia) Co LTD, Myashi and NanoMalaysia Bhd (Finterra, 2019).

4. Conclusion

Waqf is a powerful instrument for sustainable community development, especially among Muslims. However, for Waqf to sustain and to be relevant it needs to remain viable in the contemporary world. Therefore, fundraising for Waqf must be supported with a sophisticated and reliable platform that is able to connect communities (fundraisers and donors) through fintech.

Fintech on the other hand, has the potential to play a greater role in the Islamic finance industry specifically to improve process efficiencies, cost effectiveness, increase distribution, Shari'ah and other compliances and promote financial inclusion. Fintech and digital technology could allow Waqf institutions to reach out further and quicker (and possibly cheaper) without having to build a physical presence and distribution channels.

This paper has discussed the concept of crowdfunding and possible application of technologies to achieve a more effective Waqf fundraising, with focus on blockchain technology. Without a doubt, there is much potential for various type of fintech to be embedded into Waqf management in Malaysia. Crowdfunding technology as a fundraising tool is becoming popular that Waqf entities should embrace it. As making technology investment can be very capital intensive, hence, the most feasible and scalable way is to create partnership. Waqf institution, financial institution and fintech partnership will innovate the ecosystem of Waqf management, where the benefits extend to better efficiency in Waqf fundraising, increase public awareness and enhance public experience.

5. Recommendations

In light of the growing awareness surrounding Waqf-based charitable initiatives, internet crowdfunding is positioned to assume a pivotal role in fundraising efforts catering to a diverse range of emerging Waqf needs, both domestically and internationally. Consequently, there is a pressing demand for an enhanced level of professionalism in Waqf fundraising, particularly when it pertains to the establishment of the financial mechanisms required for such endeavours (Yoshida, 2019). By establishing Waqf based crowdfunding, some basic features about the element of Shari'ah compliance must be first considered in design parameter (Suhaili and Palil, 2016).

Among the scope which falls into the concerns are:

- i. The Halal intentions of the projects
- ii. The Shari'ah non-compliant issues which relate to usury (Riba), gambling (Maysir), and speculation (Gharar)
- iii. The existence of Shari'ah supervisory board.

In addition, to enhance the confidence of donors and uphold integrity of Waqf management, a proper security, legal and governance frameworks, reporting and enforcement are necessary to ensure contribution through crowdfunding platform complies with regulation, for example due diligence process e.g. Know Your Client (KYC) and Anti-Money Laundering (AML); what steps the regulatory body can take when rules are breached etc.

On another note, application of blockchain technology is not only limited to fundraising stage, but it can also be applied in the distribution of funds to the intended beneficiary, especially the unbanked segment. For

example, this was made possible in Finland where the government able to solve refugee identity by providing asylum-seekers a blockchain-enabled prepaid debit cards instead of cash (William, 2017).

Another area that can be explored further is analytics high-impact Waqf projects. This may be possible by embedding relevant conditions in the smart contract. However, the challenge may involve analysing large amounts of data to assess the most pressing areas of Waqf projects that deliver maximum impact and distribution Waqf funds accordingly automated via a smart contract. As for Waqf institution, this will also impact them in terms of data collection and sharing of data, measurement and reporting of impact collection (Davies, 2015).

It is hoped that similar research in the future can follow through the outcome of the pilot project on Waqf crowdfunding using blockchain technology in Malaysia including the effectiveness, regulatory and governance process development as well as how public perception has evolved.

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