

## **WAQF PERFORMANCE MEASUREMENT MODEL IN MALAYSIAN PUBLIC UNIVERSITIES**

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### **ABSTRACT**

Islamic philanthropy in Malaysian education system has been well rooted in religion-based traditional educational institutions. Currently, Waqf and Endowment (WAE) grow rapidly at higher education institutions as an income generation and a long term financial sustainability initiative. The initiative is as a result of budget cut by 20 percent for public universities since 2016 and 2017 but no raise in fee is allowed. This initiative is in line to recommendation in the University Transformation Programme (UniTP), Purple Book shift No 5, the Malaysia Education Blueprint 2015-2025 (Higher Education). Being a non-profit organization, the performance of WAE in

Malaysian public universities is expected to be different as compared to commercial entities. The WAE performance measurement may include the economy, effectiveness and efficiency aspects of its activities towards the intended objectives. Literatures on WAE performance measurement in higher education institution is still lacking. The available performance measurement literature is largely on disclosure and reporting framework while the available guideline (i.e. UniTP) covers only the aspects of organization structure, sources of income and governance model. As such, this research aimed to propose Waqf Performance Measurement Model used to evaluate WAE's reliability and performance in Malaysian public universities. The expected outcome of this study is to design a set of WAE performance measurement device in Malaysian public universities in order to enhance their credibility and stakeholder confidence on their perpetual deeds leading for universities long term financial sustainability.

Keywords: Waqf and endowment, higher education, performance measurement

### **INTRODUCTION**

Literally, Waqf is a transfer of assets withheld as a trust by individuals or organisations and the benefits associated with the assets are used for philanthropic purposes. Formerly, the concept of waqf is known only for religious purposes such as building mosques, orphanages and also for burial matters. However, the development of waqf has grown rapidly whereby the focus of waqf activities has been utilized in various form along with the development of country. The role of waqf today has been extended to the other social purpose such as to support the country's education system, to reduce the poverty rate, and to facilitate the agriculture, horticulture and water resources (Mahamood & Ab Rahman, 2015). In Malaysia, the new waqf model known as cash waqf has been growing effectively and had been seen as one of the alternative way in the implementation of waqf model in higher education institutions (Ahmad, Baharudin, Wan Yusoff, Syed Abdullah & Soon, 2016). This waqf model can be a perpetual and long term alternative source of funding in higher education institution, hence can become a prominent key to boost the economics of a country.

The concept of waqf or in another term is an endowment, was developed by the Holy prophet Muhammad (SAW) and since then it has played a vital role in fulfilling the needs of Islamic civilization (Harun, Possumah, Shafiai & Mohd Noor, 2014). The role of waqf to finance the education system begins few decades ago both in the Muslim and non-Muslim countries. Even though different terms were used by these countries, they share similar purpose with waqf which is contributing and collecting fund for good purposes to help the needy and simultaneously to boost the standard living of the society (Abdul Razak, Che Embi, Che Mohd Salleh, & Fakhrunnas, 2016). There are numerous examples that Waqf is used as a main instrument for funding the education institution such as Al-azhar University in Cairo, Mesir, Universities of Turkey, Universitas Islam Indonesia, King Abdul Aziz University in UAE. All these famous

universities in the world has been successfully founded and maintained using waqf properties (Shahriza, Ismail, Jihan, & Yusof, 2015; Siti Mashitoh & Asmak, 2014).

The need to adopt the system that is charitable in nature is realised when the education system has been pressured by the unstable economic condition. Based on a report by UNESCO (2009) which surveys 51 countries, the impact of the economic crisis towards the education system are in terms of cost sharing (tuition and other fees), cost-recovery (different types of student loans) and financial diversification (income-generation and fund-raising) (Abdul Razak et al., 2016). It has made the institutions to be independent without relying on the budget from government. This basically indicates a positive implication to the government and the country. However, on the negative side, higher institutions have approximately increased education fee in order to fill the gap of their education budget. In Malaysia, the higher education allocation in 2016 budget was reduced by 15.24 per cent compared to 2015 (Palansamy and Sipalan, 2015). The major reduction of government funding in tertiary education has open up the opportunities for development of Waqf and Endowment fund as one of the mainstream income generation for public universities. Thus, in order to strengthen and evaluate the waqf management in higher institutions, a proper performance measurement is required to ensure all the challenges faced by waqf education could be resolved gradually and the waqf system able to operate in the most efficient and sustainable form.

## **LITERATURE REVIEW:**

### **Overview of Waqf Education and Its Objectives**

The notion of waqf in Islamic history is an endowment entailing in contributing a sum of money, a property (building) or plot of land for charitable and religious purposes. It is to cultivate the solidarity and altruism in Muslim countries particularly. It is to represent as one of the most original and vigorous aspects of the social and economic structures of the modern Islamic world as foreseen from the teaching of Prophet Muhammad S.A.W. According to Ahmad et al. (2016), apart from religious purposes as building mosque, waqf had played a significant role in the socio economic area which gives a different light to the formulation of strategies that can be used in improving the quality of lives of the ones encumbered by poverty.

Subsequently, apart from maintaining religious institutions, waqf, as a philanthropic activity has been regarded as an alternative source to finance education not only in school but also in the universities (Hussin, Abdul Rashid, & Yaakub, 2016). According to Abdul Razak et al. (2016), the importance of waqf in education sector is to promote people competency in the daily activities. The eminence of the activity as well as the effect of it will be significant to themselves and also to the society. This is affiliated to the value which Islam promotes for the people to have a good education to perform all religious and spiritual activities with the knowledge had by them.

In the context of Malaysian government expenditure, due to budget constraints, limiting the movement and the expansion of the education system, in a certain way, might triggering longer time to achieve certain targets of the education institutions (Harun et al., 2014). Hence, directing waqf in education sector helps in the growth of the government system apart from facilitating people to improve their intellect aptitudes and empowering education. Education is vital for the wealth of the nation, thus by compromising the need of education will hinder the ability of a nation to prosperous.

Historically, the practice of waqf in education had been started with Islamic education in most of the Muslim countries (for example Indonesia, Malaysia, Turkey, Middle East). This is supported by Azha, Baharuddin, Salahuddin & Afandi (2013) which the initial practicing of waqf had been applying in religious education sector through establishment of school, remuneration for teachers and also providing scholarships to students. In Malaysia, at an early stage, the existence of waqf was aimed to give benefit to the Islamic education only. Waqf for education has started from traditional educational institutions oriented such as Sekolah Agama Rakyat (SAR), the Sekolah Agama Negeri (SAN) and madrasah or cottage (Mustaffa & Muda, 2014). Sekolah Agama Rakyat (SAR) under the administration of the State Religious Council and

Zakah while Sekolah Agama Negeri (SAN) is fully funded by the state government and administered by the state of government through the States Religious Council. The madrasah or cottages receive financial resources from the central government, state or State Religious Council and administered by the people or the teacher and registered as independent schools under the ownership of waqf (Salleh & Abdul Rahman, 2014).

### **The Practice of Waqf and Endowment Fund in Malaysian Public Universities**

In Malaysia, there are several universities either public or private have already implemented waqf in their institutions. Some of the examples higher education institutions that are committed on waqf activities are IIUM Endowment Fund in Universiti Islam Antarabangsa (UIAM), UKM Endowment fund, Dana Wakaf Ilmu in Universiti Putra Malaysia (UPM), Al-Abrar USIM Waqf Fund in Universiti Sains Islam Malaysia (USIM) and UTM Endowment Fund (Ahmad et al., 2016). The private university that is totally funded by waqf fund is Kolej Islam Malaysia and now known as Universiti Islam Malaysia (UIM). The implementation of waqf in these institutions specifically public universities are seen accomplishing one of the 10 shifts in Malaysia Education Blueprint 2015- 2025 (Higher Education) in a way to reduce the reliance on the government resources.

Although the contribution of waqf in the development of educational sector is considered to be very limited, the capability and capacity of this institution to accumulate fund and channel them for various purposes including education is highly recommended. The motivation of adopting waqf concept for funding education especially tertiary education division in Malaysia can be examined in the two premises, namely; current collaborative nature between state and federal government in developing idle waqf assets and the innovation of waqf models. Among the major challenges of waqf in Malaysian higher education institutions today are in terms of lack of funding and weakness in planning and developing land (Azhar et al., 2013), lack of knowledge and information about waqf among Malaysian's community is low (Ali & Wahid, 2014; Mustafa & Muda, 2014) and lack of management and administrative to manage waqf fund efficiently and sustainable (Ali & Wahid, 2014; Azhar et al., 2013).

### **Waqf Performance Measurement Model**

Although much research has been conducted on the issues of performance measurement (PM), the definition of performance measurement is still debated (Wu, 2009). According to Moullin (2007), the most presented PM definition is from Neely et al. (2002) which is "the process of quantifying the efficiency and effectiveness of past actions". This definition stresses effectiveness as well as efficiency, but does not indicate what quantify or why. The determination of PM for non-profit should be different from profit sectors because the output for non-profit should be measured non financially. In non-profit environments, three main criteria play a dominant role in organizational performance namely organization's resource acquisition ability, the attainability of the organization's goals and organizational efficiency (Mensah et al., 2008). Past studies have few perspectives in measuring the performance of waqf institutions such as to measure from good governance perspectives using several financial ratios as the indicators in evaluating the organization efficiency and effectiveness. (Dewi et al., 2010). Epstein and Buhovac (2009) proposed four categories of ratios which could represent the efficiency and sustainability of the waqf institutions which are administrative efficiency, program efficiency, fundraising efficiency and other financial performance measures. Atan et al. (2013) proposed performance efficiency ratio and operating efficiency ratio to measure the consistency of the institution. Meanwhile, the other studies on the Shariah based performance measurement are commonly based on the concept of Maqasid Shariah that has been discussed in detail by several jurists (Jalil, 2004).

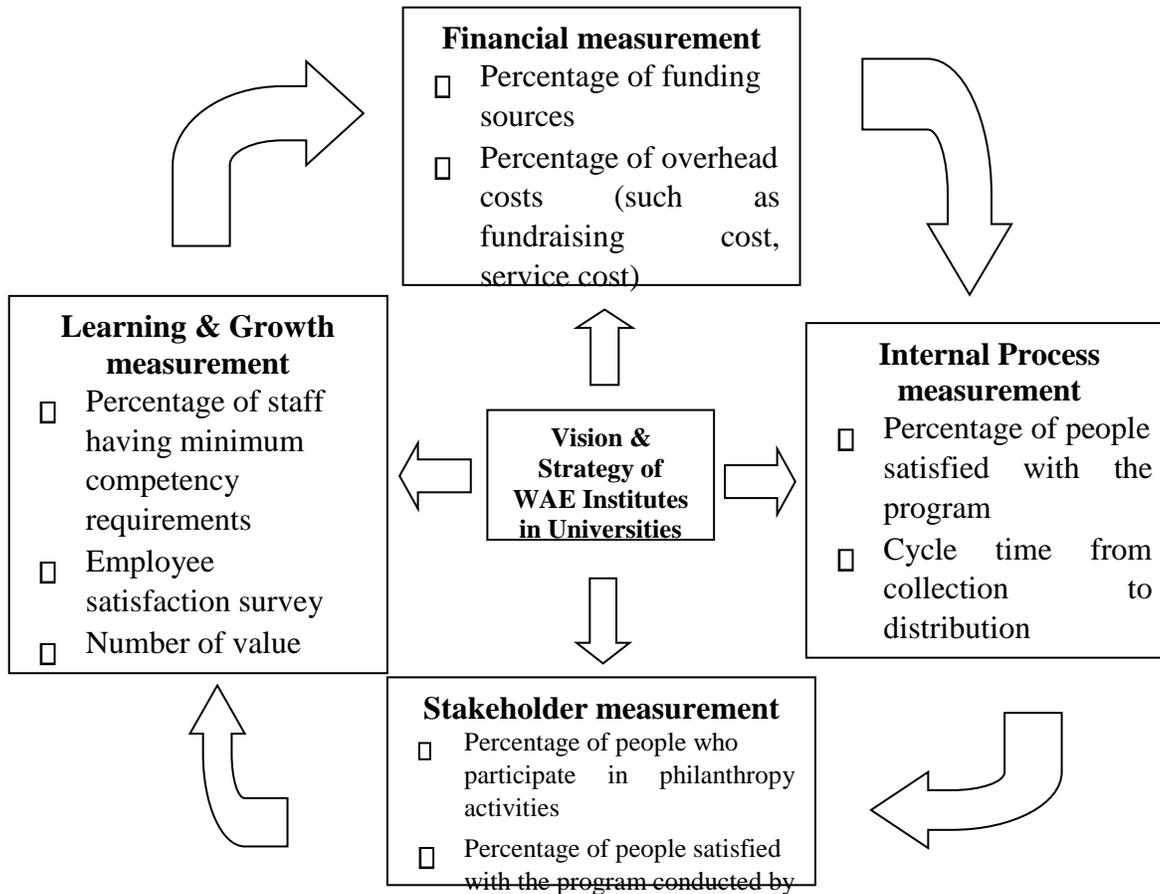
The proposed PM model to measure the waqf institutions in public universities is by using balanced scorecard (BSC). BSC is a useful strategy by moving from the heavy reliance on tangible assets as the

sole way of value measurement whereby it offers a 'balanced' view (Kaplan, 2001). The model of BSC that is suitable for Waqf institutions is based on the framework as adopted by non-profit organizations and social enterprises. According to Hartnett & Matan (2011), the application of the BSC is able to transform their organization's strategy, set measurable goals and design a timetable for execution. BSC is one of the tools that is able to measure and observe the cause and effect relationships between the organization's key objectives and an accurate report on leading and lagging initiatives. Therefore, in order to ensure the effectiveness of BSC application for philanthropy institutions (for example is University Waqf Institute), the measurement of BSC must be designed in a holistic form covering all four main perspectives of BSC which are financial perspective, stakeholder perspective, internal process perspective and learning and growth perspective. All these perspectives look at the various aspects of the organization's behavior by establishing key performance indicators and then measuring external activities and internal procedures against these pre-determined indicators (Shafii et al., 2014). However, to come out with the best PM that suits all non-profit organizations is quite challenging. Thus, this study focused on the suitable development of PM model for waqf institution in public universities that are easy to apply by a trustee and achieve the objectives of waqf education institutions.

### **PROPOSED WAQF PERFORMANCE MEASUREMENT MODEL**

Generally, there are four main aspects that will be included in the proposed measurement model which are financial, internal process, stakeholders and learning and growth measurement. Financial perspective is important in order to measure the financial sustainability of the institution. BSC could help institutions to identify the key drivers or ways of achieving success in financial perspectives by identifying what the key stakeholders want from the organization and what processes it needs to put in place internally to deliver things effectively. Meanwhile, the stakeholder's perspective is about the donor, volunteer or clientele experience, which is found by measuring satisfaction and retention as well as assessing the non-profit's market share in its position. The internal process perspective involves measuring the cost, throughput and quality of the non-profit's key operational processes such as programs provided, services offered, and ability to address targeted recipient's needs and the last aspect is learning and growth perspective looks at the non-profit's human capital which are its employees, volunteers and its board of directors in order to measure satisfaction, necessary skills, community connections, retention and adherence to the organization's mission.

The diagram below shows the proposed measurement variables using Balanced Score Card for Waqf and Endowment (WAE) Institutions in Malaysian public universities:



## CONCLUSION

Based on the waqf concept, any Muslim can be the donor or waqif while the community including non-Muslim have the right to get the benefit of it. Thus, the existence of waqf to facilitate the operating costs and alternative funding sources for public universities in Malaysia seem to be significant and impactful. Since there is a rapid growing of the waqf institute in tertiary education, the implementation of waqf need to be measured in the most proper form so that the objectives of waqf education is achievable. The successfulness of applying waqf as a tool to collect fund could be the best model for financial sustainability in universities. The proposed waqf performance measurement based on the balanced score card model should be further tested on the initial sample in order to verify the best performance model applicable to the waqf institution.

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