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Waqf fundraising management: a conceptual comparison between traditional and modern methods in the *waqf* institutions

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Abstract

This paper focuses on the theoretical structure of funding for Islamic philanthropy, especially *waqf*. *Waqāf* is projected to play further significant role to tackle present social problems, where financial sustainability has become one of the foremost challenges faced by *awqāf* institutions. There is a need to study various models of fundraising that could be applied to reform *awqāf* institutions. Employing content analysis approach, this paper analyses traditional and modern structures of fundraising that are applicable for development and management of *waqāf* fundraising: *istibdāl*, *ḥukr*, *ijāratayn*, venture philanthropy of *waqf* model (VPWM), value-based capital model of *waqf* (VBCMW), and social enterprise waqf fund model (SEWF).The discussions are expected to be able to contribute towards boosting a better fundraising management of *awqāf* institutions in Muslim communities as well as countries.

Makalah ini fokus pada struktur teoritis pendanaan untuk filantropi Islam, terutama wakaf. Wakaf diproyeksikan untuk memainkan peran penting lebih lanjut untuk mengatasi masalah sosial saat ini, di mana keberlanjutan keuangan telah menjadi salah satu tantangan utama yang dihadapi oleh lembaga-lembaga awqāf. Ada kebutuhan untuk mempelajari berbagai model penggalangan dana yang dapat diterapkan untuk mereformasi institusi awqāf. Dengan menggunakan pendekatan analisis isi, makalah ini menganalisis struktur penggalangan dana tradisional dan modern yang berlaku untuk pengembangan dan pengelolaan penggalangan dana wakaf: istibdāl, ḥukr, ijāratayn, venture philanthropy of *waqf* model (VPWM), value-based capital model of *waqf* (VBCMW), dan social enterprise waqf fund model (SEWF). Diskusi diharapkan dapat berkontribusi untuk meningkatkan manajemen penggalangan dana yang lebih baik dari lembaga awqaf di komunitas Muslim serta negara.

Keywords: *Waqf fundraising; Management; Traditional method of fundraising; Modern method of fundraising*

Introduction

Historically, *waqf*[1] had significantly contributed to the well-being and educational development of the Muslim societies. It was a successful and exemplary model for funding and sustaining Islamic educational institutions, such as universities, schools, *madrasahs* and other public services in the past that some of these institutions are still in existence.[2] Nowadays, however, the Muslim societies expect that many *awqāf* institutions should take over more responsibilities to meet the current social and educational problems. There are challenges to be faced by significant numbers of *awqāf* institutions today. These challenges revolve on how to mobilise and manage their resources to improve Islamic educational institutions, societal economic development and help preserve the vast liquid assets

[1] *Waqf* (plural *awqāf*) means the act of creating a religious endowment.*Waqf* is the devotion of wealth either in stated terms or by implication, for any charitable or religious purpose, or to protect any benefit to human beings.

[2] The *waqf*-based Islamic educational institutions, for example, are Al-Azhar University in Egypt and Al-Zaytuna University in Tunis.

from being lost in the never-ending circles of charity. There are evidences suggesting that considerable figures of *waqf* assets and *awqāf* institutions are mismanaged and many suffered from lacked of funds to generate productive use of *waqf* assets.[3]

Several previous studies revealed that the development, unstructured management of *waqf* institutions,[4] funding, technical expertise, inefficiency, and ineffectiveness[5] are some of the examples of the *awqāf* problems that need to be solved. Mohammad Tahir Sabit identifies that insufficient legal provisions, poor information system, lack of trained employees, lack of trust and insufficient financial resources are the major constraints in developing *waqf* properties.[6] Other problems pointed by researchers in relation to management of *awqāf* are lack of accessibility, unskilled *nāẓirs*,[7] misuse of *waqf* assets,[8] doctrinal understanding of *waqf* (perpetuity and inalienability), and special purpose *waqf*.[9] Furthermore, Mohammad Tahir Sabit and Abdul Hamid Mar Iman observe that the

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[3] Abul Hassan and Abdus Shahid, "Management and Development of the *Awqāf* Assets", Proceeding of *the Seventh International Conference–the Tawhidi Epistemology: Zakat and Waqf Economy,* Bangi 6-7 January2010,Institut Islam Hadhari, Universiti Kebangsaan Malaysia, 309-328.

[4] Andy Agung Prihatna, "Filantropi dan Keadilan Sosial", in Chaider S. Bamualim and Irfan Abubakar (eds.), *Revitalisasi Filantropi Islam: Studi Kasus Lembaga Zakat dan Wakaf di Indonesia,* Jakarta: Pusat Bahasa dan Budaya, Universitas Islam Negeri Jakarta, 2005, 3-7.

[5] Syed Othman Al-Habshi, "Waqf Management in Malaysia", in Mohammed Ariff, (ed.), *The Islamic Voluntary Sector in Southeast Asia: Islam and the Economic Development of Southeast Asia,* Singapore: Institute of Southeast Asian Studies, 1991.

[6] Mohammad Tahir Sabit Haji Mohammad, "Sustaining the Means of Sustainability: The Need for Accepting Wakaf (Waqf) Assets in Malaysian Property Market", Proceeding of PRRES, 2008, 1-17.

[7] Uswatun Hasanah, "Potret Filantropi Islam di Indonesia", in Idris Thaha (ed.), *Berderma untuk Semua: Wacana dan Praktik Filantropi Islam,* Jakarta: Teraju, 2003, 203-246.

[8] Ridwan Al-Makassary, "Relasi Filantropi Islam dan Keadilan Sosial di Indonesia", in Idris Thaha (ed.), *Berderma untuk Semua: Wacana dan Praktik Filantropi Islam,* Jakarta: Teraju, 2003, 141-153.

[9] Hamid Harasani, *Toward the Reform of Private Waqfs: A Comparative Study of Islamic Waqfs and English Trusts*, Leiden: Brill, 2015.

three basic components which form the basis of creation of *waqf*, specifically irrevocability, perpetuity, and inalienability have become the components that presented undesirable effects on realizing full benefits from *waqf*, such as problems of liquidity and cash flow, ensuing in legal conflict particularly for contemporary *waqf* (i.e. cash *waqf*).[10] As a result, there is limited cash flow that subsequently blocked the growth of *waqf*.

These evidences indicate that the present circumstances of most *awqāf* institutions are not satisfactory. The role of *nāẓirs* has come into mistrust. It can be said that in many areas, there has been a catastrophic downfall of *awqāf*. The *awqāf* institutions are not given the right maintenance and therefore, enormous *awqāf* assets are ill-managed. In addition, according to Abul Hasan and Abdus Shahid, the unavoidable consequence is much deterioration and disrepair of these valuable assets.[11] Regarding this issue, there is a contention that the decentralisation (privatisation) of *waqf* is a fit structure of *waqf* management, since its centralisation (nationalisation) has led to mismanagement of *waqf* and opened the door to many problems in a lot of Muslim countries.[12] For example, it triggered unemployment, as the *nāẓirs* who were selected by the *wāqif* became reliant on monthly wages, without administering the *waqf* assets properly. In addition, Baskan emphasizes that there is a necessity in returning the *waqf* assets to private organisation by establishing *waqf* boards of trustees independent of the government ministry.[13] It can be argued that

[10] Mohammad Tahir Sabit Haji Mohammad and Abdul Hamid Mar Iman, "Obstacles of the Current Concept of *Waqf* to the Development of *Waqf* Properties and the Recommended Alternative", *Malaysian Journal of Real Estate*, Vol.1, No. 1 (2006): 27–38. Retrieved from http://eprints.utm.my/501/

[11] Abul Hassan and Abdus Shahid, "Management and Development of the *Awq□f* Assets",309-328.

[12] Siraj Sait and Hilary Lim, *Land, Law and Islam: Property and Human Rights in the Muslim*, London and New York: Zed Books, 2006, 147.

[13] Birol Baskan, "Waqf System as a Redistribution Mechanism in Ottoman Empire", *A Paper Presented at 17th Middle East History and Theory Conference,* 10-11 May 2002, Center for

the transferring of *waqf* management to the independent body will bring benefit as *waqf* assets is managed in a professional manner.

From the stated situation of the *awqāf* institutions in many Muslim countries, considerable efforts have to be made in the progressive way in order to find the proper approach to maintain the existing *waqf* assets and funds. Undeniably, the current reassessment of the role of the *waqf* supports anticipations to study from the faults of the past and to move inmanaging*waqf* assets and funds in a professional manner within modern management framework.

In order to revive these *awqāf* institutions, there is a need to study the traditional models of fundraising in order to propose new models that could be applied in the *awqāf* institutions. Therefore, the purpose of this study is to analyse and compare several classical and modern fundraising models, management, and innovation in the development of *waqf* assets and funds in theMuslim world. In addition, the study will also identify the best and most effective fundraising model to be adopted by *awqāf* institutions around the world.

The concept of fundraising

Since *waqf* institutions share some characteristics with non-profit organisations, fundraising is an essential element for the running of these institutions. Functioning, suitable, and effective fundraising methods are required to secure the preferred human and financial resources. Although *waqf* in some categories is common around the Muslim world, organised fundraising and *waqf* on a huge scale is still mostly an extraordinary phenomenon for the Muslim community. Lindahl and Conley argue that "little study focuses on fundraising for religious institutions, although it is a fact that this category constantly attracts huge amount of charitable

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funding each year."[14] Additionally, it is necessary to recognise the concept of fundraising comprehensively in the *waqf* institution in order to boost its development. This is because of the significance of *waqf* as one of the most vital non-profit organisations that exist in the Islamic legacy.

Although the term 'fundraising' can be largely defined to take into account political fundraising and raising funds for business ventures, this research focuses on the efforts engaged in raising a provision for non-profit charitable organisation, namely *waqf*. Fundraising is sometimes understood as tantamount with non-profit organisations.[15] The term fundraising is frequently used interchangeably with the term "development or advancement". According to Worth, fundraising is a movement that started with the goal of producing charitable or philanthropic giving.[16] In the simplest words, fundraising means "asking for a gift" even though it is a long process in which asking for a gift. In other words, it is a step in more complicated processes. Andreasen and Kotler describe fundraising as an activity of accumulating financial resources and ascertaining the fundamental bases of funds.[17] Also, Warwick highlights that fundraising is not only an effort to procure funds for the organisation, but also includes the creation of a donor base, making donors active, visible and efficient.[18]

From the definitions given above, it can be inferred that fundraising, as the movement focused on obtaining monetary and non-monetary re-

[14] Wesley E. Lindahl and Aaron T. Conley, "Literature Review: Philanthropic Fundraising", *Nonprofit Management and Leadership*, Vol.13, No.1 (2002), 91.

[15] Michael J. Worth, *Nonprofit Management: Principles and Practice*, Singapore: Sage Publications, 2009.

[16] Michael J. Worth, *Educational Fund Raising: Principles and Practice,* American Council on Education Series on Higher Education, Washington, DC: Case Publications, 1993.

[17] Alan R. Andreasen and Philip Kotler, *Strategic Marketing for Non-profit Organizations,* Upper Saddle River, NJ: Prentice Hall, 2008.

[18] Mal Warwick, *The Five Strategies for Fundraising Success: A Mission-Based Guide to Achieving Your Goals*, San Francisco: Jossey Bass, 2000.

sources from benefactors, is not easy to be explained. Some prefer to emphasise on the collection of funds, while others concentrate on the fundraising activities and tools. According to Holloway,[19] fundraising can be classified into three formulas: (1) raising moveable and immovable resources from the society; (2) creating a base of revenues from the existing assets by investment and innovation; and (3) utilising non-monetary resources such as volunteers, equipment, and positive images of the institutions to achieve the resources. In short, this research adopts Holloway's categorisation of fundraising. Hence, it can be argued that fundraising in *waqf* institutions covers all efforts to provide financial and non-financial resources in an attempt to integrate it into social entrepreneurial activities. However, these initiatives require a general model for the development of *waqf* fundraising and management.

The classical models of *waqf* fundraising

Monzer Kahf opines that *waqf* assets can be established through various modes of financing which can be applied in the development of *waqf* assets; traditional schemes, modern schemes, and self-finance schemes.[20] The traditional concepts of *istibdāl*, *ḥukr* and *ijāratayn* have been used by *waqf* institutions in the Muslim countries.

Substitution of the waqf property (istibdāl)

One of the traditional financing concepts of *waqf* assets is *istibdāl* (substitution of *waqf* properties), where a *waqf* asset is swapped for another asset that affords at least similar services or returns without any change in the

[19] Richard Holloway, *Towards Financial Self-Reliance*, London: Aga Khan Foundation, 2001.

[20] Monzer Kahf, "Fiqhi Issues in the Revival of *Awqāf*", *Islamic Horizons Article retrieved from monzer. kahf.com/papers/.../revival_of_awqaf_-_islamic_horizon.pdf*, 1998.

requirements laid out by the founder.[21] Umar Ahmad *et al.* define *istibdāl* as "selling of all or part of *waqf* property and the earnings from the sale can be utilised to purchase a different part of property devoted as *waqf* for similar purposes"[22] Thus, it is projected that the implementation of the *istibdāl* should assist the *waqf* institution in getting cash to fund *waqf* investment project through replacement of less productive *waqf* property.

There are numerous issues concerning the utilisation of *istibdāl* as a financing mechanism to magnify *waqf* properties for socio-economic development. Muslim jurists have different opinions regarding the concept of *istibdāl* because there is no direct injunction from *Qur'ān* and *ḥadīth* referring to *istibdāl.*[23]From an economic perspective, according to Monzer Kahf, either a full or partial substitution (*istibdāl*) of *waqf* cannot multiply capital value of the *waqf* assets even though it might expand its returns because of the possibility of uselessness of the property before replacement.[24] For these reasons, a number of interpretations of *fuqahā* are provided relating to the acceptability of *istibdāl*. Some Muslim jurists opine that an *istibdāl* is prohibited except in extraordinary cases. Some of them view that an *istibdāl* is allowed with slight requirements.

According to Abu Zahrah, Imam Malik and Imam Al-Shafi'i refuse the view to make an *istibdāl* for a mosque even if the mosque has been damaged.[25] They are of the view thatmosque cannot be substituted with a new structure as it would change the existing construction of the *wāqif's*

[21] Monzer Kahf, "Fiqhi Issues in the Revival of *Awqāf*"..., 1998.

[22] Umar Ahmed, Mustafa Omar Mohammad and Ahamad Faosiy Ogunbado, "Examining the Traditional Waqf-Based Financing Methods and Their Implications on Socio-economic Development", *IOSR Journal of Business and Management,* Vol. 17, No. 2 (February 2015), 119-125.

[23] Jasni Sulong, "Permissibility of *Istibdal* in Islamic Law and the Practice in Malaysia", *Journal of US-China Public Administration*, Vol.10, No. 7 (2013), 680-689.

[24] Monzer Kahf, "Towards the Revival of *Awqāf*: A Few *Fiqhi* Issues to Reconsider", in Harvard Forum on Islamic Finance and Economics, Vol. 1 (October 1999).

[25] Muhammad Abu Zahrah, *Muḥāḍarah fi al-Waqf,* Cairo: Dār al-Fikr al-'Araby, 2005, 159; see also *Al-Mudawwanah*, 1994, Vol. 4 and *Al-Umm*, 1990, Vol. 4.

charity.[26] In other words, it would terminate the perpetual endowment of the *wāqif*. In contrast, Imam Ahmad accepts the idea to create an exchange (*istibdāl*) of the mosque for the land of the mosque.[27]Additionally, Imam Ahmadagrees withthe *istibdāl* deed if the mosque has been damaged and could not beusedby Muslims.

According to Imam Al-Shafi'i, *istibdāl* is allowed for immoveable properties based on particular situations, such as the *waqf* estate is damaged or the land has become unproductive.[28] In that case, *waqf* properties can be sold or exchanged with another asset for the development of *waqf*. With regards to moveable asset, Imam Al-Shafi'i opines that *istibdāl* is prohibited due to the position of the *waqf* property that cannot be sold, inherited, or owned as the ownership has been passed to Allah.[29] On the other hands, the Maliki School of Law argues that the *istibdāl* of *waqf* is acceptable in order to substitute the damages and swap for the lost benefits of *waqf* assets.[30] The essential concern of the Māliki jurists is the benefit of the *waqf* assets. Therefore, the application of *istibdāl* must comply within the *sharī'ah* and guarantees the benefits of the *waqf* assets to the beneficiaries.

Monzer Kahf divides *istibdāl* into the substitution of one *waqf* with another similar asset and the substitution of *waqf* land with cash value.[31] He states that the mode of *istibdāl* provides flexibility needed for the op-

[26] Jasni Sulong, "Permissibility of *Istibdal* in Islamic Lawand the Practice in Malaysia"..., 680-689.

[27] Muhammad Abu Zahrah, *Muḥāḍarah fi al-Waqf*, Cairo: Dār al-Fikr al-'Araby, 2005.

[28] Muhammad Abu Zahrah, *Muḥāḍarah fi al-Waqf*, Cairo: Dār al-Fikr al-'Araby, 2005; Umar Ahmed, Mustafa Omar Mohammad and Ahamad Faosiy Ogunbado, "Examining the Traditional Waqf-Based Financing Methods and Their Implications on Socio-economic Development"...,119-125.

[29] Muhammad Abu Zahrah, *Muḥāḍarah fi al-Waqf*, Cairo: Dār al-Fikr al-'Araby, 2005.

[30] Jasni Sulong, "Permissibility of *Istibdal* in Islamic Lawand the Practice in Malaysia"..., 680-689.

[31] Monzer Kahf, "Financing the Development of *Awqāf* Property", *American Journal of Islamic Social Sciences*, Vol.16, No. 4 (1999), 39.

erational accomplishments of the *waqf*. It can also improve the services of the *waqf* in specific cases. In addition, the tolerability of the *istibdāl* of *waqf* is only dedicated to expand and preserve *waqf* assets. In practice, according to Ahmed *et al.*, *istibdāl* has been utilised in various formulations such as "selling part of *waqf* property to develop the existing of the same property, selling a bundle of *waqf* properties and purchasing a new one to be used for the same purpose of the sold properties".[32] This concept has been practised in Indonesia, Malaysia, Singapore, Kuwait, Egypt, Sudan, Turkey, and in many other Muslim countries.[33] Finally, it can be argued that practising and authorising *istibdāl* of *waqf* property for another asset should be solely based on achieving greater flexibility in creating *waqf* to be more productive.

Long lease with large advance lump sum (the mode of ḥukr)

A literal meaning of the term *ḥukr* is 'monopoly or exclusivity'.[34] According to Ahmed *et al.*[35] *and Anas Zarqa*[36] *this model is designed by the Hanafi jurists in the third century of hijrah* to avoid *waqf* assets being sold due to damage. In practice, a *waqf* administrator may face the problem where a part of the *waqf* property cannot generate revenue, unless additional investments or innovations are initiated to develop it. One may consider selling such property and purchase another property that can generate thesame revenue without additional investment. Nonetheless, selling *waqf* property, according to the majority of classical *fuqahā'* is prohibit-

[32] Umar Ahmed, Mustafa Omar Mohammad and Ahamad Faosiy Ogunbado, "Examining the Traditional Waqf"..., 119-125.

[33] Umar Ahmed, Mustafa Omar Mohammad and Ahamad Faosiy Ogunbado, "Examining the Traditional Waqf"..., 119-125.

[34] Monzer Kahf, "Financing the Development of Awqāf Property"..., 39.

[35] Umar Ahmed, Mustafa Omar Mohammad and Ahamad Faosiy Ogunbado, "Examining the Traditional Waqf..., 119-125.

[36] Muhammad Anas Zarqa, "Financing and Investment in *Awqāf* Projects: A Non-technical Introduction", *Islamic Economic Studies*, Vol. 1, No.2 (1994), 6.

ed except under special conditions and after getting the approval of the *sharī'ah* judge.[37] Rather than selling the *waqf* asset, Monzer Kahf proposes that the *nāẓir* sells the right of the *waqf* asset to the lessee for a long lease at a nominal periodical rent.[38]

This contract gives an opportunity to the *nāẓir* to get a huge lump sum of cash in the form of advanced rental. Shamsiah Karim opines that the lessee can also impose a constant rent or flexible rent depending on the value of the property.[39] The lump-sum revenues from the rent/sale of rights to utilise the *waqf* asset and periodical rent can be channelled toa more beneficial investment.[40] It can also be used to preserve and expand *waqf* assets. This model of financing was utilised in the 12th century in Egypt and Syria.[41] In addition, Crecelius observes that in the16th century Egypt, the *ḥukr* payment was used by the administrator of Muhammad Bey Al-Dhahab's *waqf* institution.[42] Fundamentally, *ḥukr* contract has similar characteristic withthat of an *istibdāl.[43] This kind of contract is also used in different countries with different terms. Baer cited by Ahmad Dallal gives evidence that in Tunisia it is called inzāl* and *nasba*, *jalsa* in Morocco, and *muqata'a* in Turkey.[44] Undoubtedly, the *ḥukr* contract is a solution to get

[37] Muhammad Anas Zarqa, "Financing and Investment"..., 6.

[38] Monzer Kahf, "Financing the Development of Awqāf Property", *American Journal of Islamic Social Sciences,* Vol. 16, No. 4 (1999), 39.

[39] Shamsiah Binti Abdul Karim, "Contemporary Shari'a Compliance Structuring for the Development and Management of Waqf Assets in Singapore", Doctoral Dissertation, Durham University, UK, 2012.

[40] Umar Ahmed, Mustafa Omar Mohammad and Ahamad Faosiy Ogunbado, "Examining the Traditional Waqf...,119-125.

[41] Gabriel Baer, *Fellah and Townsman in the Middle East: Studies in Social History*, London: Routledge, 1982.

[42] Daniel Crecelius, "The Waqf of Muhammad Bey Abu al-Dhahab in Historical Perspective", *International Journal of Middle East Studies*, Volume 23, Number 1 (1991), 57-81.

[43] Umar Ahmed, Mustafa Omar Mohammad and Ahamad Faosiy Ogunbado, "Examining the Traditional Waqf..., 119-125.

[44] Ahmad Dallal, "The Islamic Institution of Waqf: A Historical Overview", *Islam and Social Policy*, (2004), 13-43.

a sum of money which is nearly equal to the value of the *waqf* property. It can overcome the problem of the everlasting *waqf* from the perspective of the legal requirements of various Islamic schools of law. Furthermore, according to Monzer Kahf, the acceptance of the model does not rely on the sum of the monthly rent, but on the objectivity of the practice and the ultimate expenditure of the lump sum revenue produced by selling exceptionality rights.[45]

Lease with dual payment (ijāratayn)

A literal meaning of *ijāratayn* is two leases. It is a tenancy with dual payment. This model is one of the instruments whereby the lessee can hold permanent rights of the property.[46] The contract model of *ijāratayn*, according to Monzer Kahf, is close to the conception of *ḥukr*.[47] There is only a slight difference between the two. In the *ijāratayn*, the huge lump sum must be utilised for the restoration of the rented asset itself. In this specific procedure, dual lease obliges the lessee to make a great down payment nearly equal to the value of the *waqf* property and a nominal of periodic rent to get the rights to utilise the *waqf* asset in the permanent basis. Subsequently, the down payment is utilised by the *waqf* administrator to restore leased *waqf* property. One may keep in mind that the rights to utilise *waqf* property can be transferred and inherited to others, and the contract of the lease is renewed annually.[48] As a result, no significant amount of cash can be used for developing other *waqf* properties.

This model of financing was used during the late Ottoman Empire period in Anatolia in the 16th and 17th centuries when many *waqf* assets

[45] Monzer Kahf, "Financing the Development of Awqāf Property"..., 39.

[46] Shamsiah Binti Abdul Karim, *Contemporary Shari'a Compliance Structuring for the Development and Management of Waqf Assets in Singapore*, Doctoral Dissertation, Durham University, UK, 2012.

[47] Monzer Kahf, "Financing the Development of Awqāf Property"..., 39.

[48] Muhammad Anas Zarqa, "Financing and Investment in *Awqāf* Projects"..., 6.

in these periods were devastated by bonfires.[49] The model of *ijāratayn* was introduced to solve the problem. This model, according to Anas Zarqa, is poorer than *ḥukr* because it involves higher costs on the part of the *waqf* assets than in *ḥukr*, particularly, using the rental payment to reconstruct a particular damaged *waqf* property.[50]Tahir Sabit *et al.* argue that under *ijāratayn*, the *waqf* beneficiaries may not significantly benefit from either the rental earning or the lump sum amount.[51] Therefore, the model is not an ideal model to be developed in order to expand *waqf* assets in the modern period.

The modern models of *waqf* fundraising

Venture philanthropy of waqf model (VPWM)

One central problem in *waqf* management is how to proceed with the available *waqf* funds (especially cash *waqf*) so as to preserve its original value and to develop the value over time.[52] In the context of cash *waqf* management, several models have been projected. There are many suggestions from practitioners and academics to expand the utilities of *waqf* into financing activities[53],*takāful* (Islamic Insurance) and to develop in-

[49] Stephen P. Heyneman, *Islam and Social Policy*, Vanderbilt University Press, 2004; Shamsiah Binti Abdul Karim, "Contemporary Shari'a Compliance Structuring for the Development and Management of Waqf Assets in Singapore", Doctoral Dissertation, Durham University, UK, 2012.

[50] Muhammad Anas Zarqa, "Financing and Investment in *Awqāf* Projects"..., 6.

[51] Mohammad Tahir Sabit Haji Mohammad, Abdul Hamid Mar Iman, Ismail Omar, *an Ideal Financial Mechanism for the Development of the Islamic Trust Properties in Malaysia*, University Teknologi Malaysia, 2005.

[52] Mohd Nahar Mohd Arshad and Mohamed Aslam Mohamed Haneef, "Reositioning Issues of *Waqf* as a Third Sector Organisation into the Mainstream Economy", *Journal of Chemical Information and Modelling,* Vol. 53, No. 9 (2015), 1689–1699. http://doi.org/10.1017/CBO9781107415324.

[53] Habib Ahmed, "*Waqf*-Based Microfinance: Realizing The Social Role of Islamic Finance", *Integrating Awqaf in the Islamic Financial Sector*, (2007), 1–22.

ventive economic models.[54] Corporate *waqf* based on *mushārakah* and *muḍārabah* models are widespread in the Muslim countries (i.e. Malaysia). In addition, Alias has suggested a model termed as the Enterprise *Waqf* Fund (EWF) to boost the function and the organisation of cash *waqf* funds by engaging the venture capital or venture philanthropic systems and approaches.[55] Finally, Zakaria *et al.*proposed the VPWM in combination with the establishment of sustainable *waqf* businesses.[56] They argue that a sustainable *waqf* business is able to ensure that the philanthropic activities will produce revenues consistently.[57] In this phase, another form of the potential venture philanthropy models for cash *waqf* operations will be presented.

The concept of venture philanthropy is not a new concept for Islamic investments.[58] This concept is based on the principles of venture capital, but in the Islamic (society) context, its purpose is to produce a financial and social benefit to the Muslim community. Conventionally, revenues from venture capital are distributed to shareholders, while benefits from venture philanthropy endowments are reinvested in order to develop both its investment portfolio and development impact.

A number of philanthropists have defined venture philanthropy by emphasising on different elements. So far, there is no single accepted definition of venture philanthropy. According to Pepin, venture philan-

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[54] Abdullah Jalil and AsharafMohd. Ramli, "Waqf Instrument for Contruction Contract: An Analysis of Structure", *The Journal of Muamalat and Islamic Finance Research,*Vol.5, No.1 (2008), 183-196.

[55] Tunku Alina Alias, "Venture Capital Strategies in *Waqf* Fund Investment and Spending", *ISRA International Journal of Islamic Finance*, Vol. 4, No. 1 (2012), 99–126.

[56] Azliza Azrah Mohd Zakaria, Rose Ruziana Abd. Samad, and Zurina Shafii, "Venture Philanthropy -*Waqf* Practices and Its Implementation: Scenario in Malaysia",*International Journal of Business, Economics, and Law*, Vol.1 (2012), 108-115.

[57] Azliza Azrah Mohd Zakaria, Rose Ruziana Abd. Samad, and Zurina Shafii, "Venture Philanthropy -*Waqf* Practices"..., 108-115.

[58] Tunku Alina Alias, "Venture Capital Strategies in *Waqf*"..., 99-126.

thropy seems to be similar to that of venture capitalists, taking the initiative, but investing in innovative ideas produced by donations.[59] Alam highlights that venture philanthropy is not only a funding institution which is focusing on the financial resources but it is also engaging in the management and technical supports.[60] This support is concentrated on empowering institutions to build better organisational capacity. One should keep in mind that the purpose of establishing a venture philanthropy or venture capital is to create a win-win solution between capital benefactor and the beneficiary.[61] In other words, venture capital will possibly be focusing on financial returns on the investment while venture philanthropy would be expecting social benefits instead.

In 2006, Matthew Bishop in the *Economist* article publicised the term 'philanthrocapitalism' to illustrate a trend sweeping philanthropic institutions. There has been "a need for philanthropy to become more like the for-profit capital markets"[62] In other words, according to McGoey, the new idea of the philanthrocapitalism is "the explicitness of the self-interested motives underlying large-scale charitable activities".[63] Furthermore, Lorenzi and Hilton view that the term philanthrocapitalism is "the application by an individual of significant accumulations of financial capital to address social problems so as to affect social justice".[64] It is dedicated

[59] John Pepin, "Venture Capitalists and Entrepreneurs Become Venture Philanthropists", *International Journal of Nonprofit & Voluntary Sector Marketing,* Vol. 10, No. 3 (2005): 165-173. http://doi.org/10.1002/nvsm.10

[60] Nafis Alam, "Islamic Venture Philanthropy: A Tool for Sustainable Community", (March, 2010). Available at SSRN: http://ssrn.com/abstract=1565859.

[61] Azliza Azrah Mohd Zakaria, Rose Ruziana Abd. Samad, and Zurina Shafii, "Venture Philanthropy -*Waqf* Practices"...,108–115.

[62] Matthew Bishop, "Philantrocapitalism", 2006 http://philanthrocapitalism.net/about/about-the-authors/matthew-bishop/.

[63] Linsey McGoey, "Philanthrocapitalism and Its Critics", *Poetics*, Vol.40, No. 2 (2012), 197.

[64] Peter Lorenzi and Francis G. Hilton, "Optimizing Philanthrocapitalism", *Society*, Vol.48, No. 5 (2011), 398.

to transfer the wealth –using business practices, tools, and market forces to develop better social good-- from the rich to the poor. It can be inferred from the concept that there is a need to build social entrepreneur for philanthropists to invest in. The building of social entrepreneur is designed as the application of human capital to produce social capital through the process of sustainable business practices.[65]In some ways, according to Ramdas, the philanthrocapitalism and venture philanthropy can be perceived as a normal expansion of the patterns of the capitalism as a reasonable alternative economic system.[66]

Pepin explains venture philanthropy as one of the non-traditional charitable sources of revenues in the perspective of social entrepreneurship.[67] He categorises non-traditional source of returns into venture philanthropy, commercial ventures, and social venture capital.[68] The classifications share a similar characteristic which is to provide funding with the expectation to get returns that would be funded for social dedications.[69] The returns are produced through commercial activities in order to gain the profits that will contribute to the sustainability. Indeed, in the capitalist system, there can be two types of business organisational entities. On the one hand, corporations can be perceived as profit-maximising business, whose objective is to produce shareholder value, and; on the other hands, non-profit organisations exist to satisfy social objectives.[70] The

[65] Peter Lorenzi and Francis G. Hilton, "Optimizing Philanthrocapitalism"..., 398.

[66] Kavita N. Ramdas, "Philanthrocapitalism: Reflections on Politics and Policy Making", *Society*, Vol.48, No. 5 (2011), 393.

[67] John Pepin, "Venture Capitalists and Entrepreneurs Become Venture Philanthropists", *International Journal of Nonprofit & Voluntary Sector Marketing*, Vol. 10, No. 3 (2005), 165-173. http://doi.org/10.1002/nvsm.10

[68] John Pepin, "Venture Capitalists and Entrepreneurs Become Venture Philanthropists"..., 165-173. http://doi.org/10.1002/nvsm.10

[69] Azliza Azrah Mohd Zakaria, Rose Ruziana Abd. Samad, and Zurina Shafii, "Venture Philanthropy -*Waqf* Practices and Its Implementation"...,108-115.

[70] Clyde Eirikur Hull and Brian H. Lio,"Innovation in Non-Profit and For-Profit Organizations: Visionary, Strategic, and Financial Considerations", *Journal of Change*

experience of Grameen, in building social business of the microfinance, gives a lot of lessons that can be learned. This social business, according to Yunus*et al.*, is projected and activated just like traditional business enterprise, with products, services, markets, expenses and revenues.[71] Its concept is close to social entrepreneurships which includes both profit and not-for-profit initiatives.[72] In addition, it can be argued that a social business is an innovative practise of business that can be placed anywhere between a profit-maximising and a non-profit organisation. It has difference with NGOs (non-governmental organisations) that most of which are not anticipating to recover their total costs from their operations.[73] Thus, the NGOs are obliged to dedicate part of their time and energy to raising cash.

In line with Pepin, Scarlata and Alemany use the term Philanthropic Venture Capital (PhVC) to define an investment that is not only focusing on maximising shareholders' prosperity but also on maximazing ethical dimensions of the social impact on the investments.[74] Moreover, Scarlata and Alemany argue that the PhVC model is not only fund providers but also value-added services to portfolio organisations with the main objective of maximising the social impact or social return on the investment.[75]

Management, Vol.6, No. 1 (2006), 53-65.

[71] Muhammad Yunus, Bertrand Moingeon, and Laurence Lehmann-Ortega, "Building Social Business Models: Lessons from the Grameen Experience", *Long Range Planning*, Vol.43, No. 2 (2010), 308-325.

[72] Muhammad Yunus, Bertrand Moingeon, and Laurence Lehmann-Ortega, "Building Social Business Models"..., 308-325.

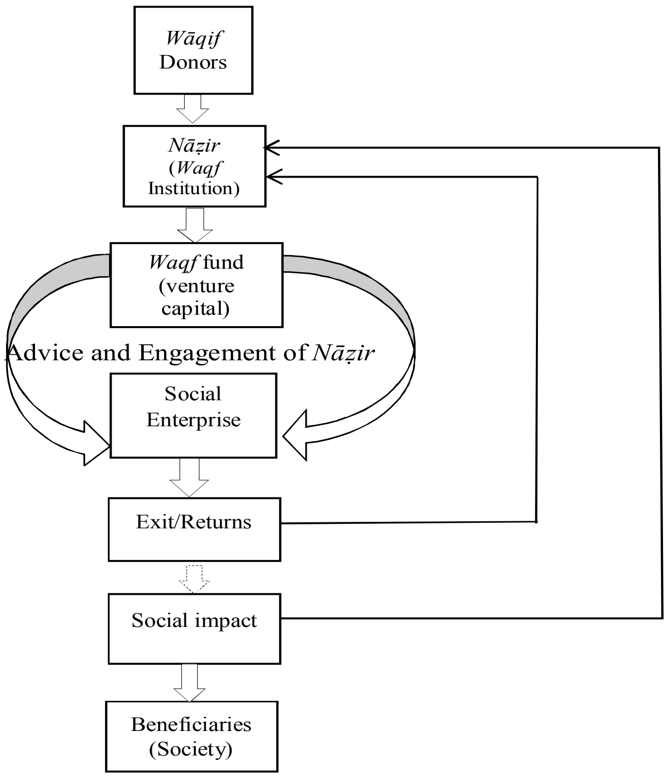
[73] Eric Werker and Faisal Z. Ahmed, "What Do Non-governmental Organizations Do", *The Journal of Economic Perspectives*, Vol.22, No. 2 (2008), 73-92.

[74] Mariarosa Scarlata and Luisa Alemany,"Deal Structuring in Philanthropic Venture Capital Investments: Financing Instrument, Valuation and Covenants", *Journal of Business Ethics*, Vol. 95, No. 2 (2010), 121-145. http://doi.org/10.1007/s10551-011-0851-8. See also Azliza Azrah Mohd Zakaria, Rose Ruziana Abd. Samad, and Zurina Shafii, "Venture Philanthropy -*Waqf* Practices and Its Implementation"..., 108-115.

[75] Mariarosa Scarlata and Luisa Alemany, "Deal Structuring in Philanthropic Venture Capital Investments"..., 121-145. http://doi.org/10.1007/s10551-011-0851-8

Therefore, it can be agreed that adapting the model into *waqf* institutions would enable the development of *waqf* funds and assets in order to give more benefit to the beneficiaries. The modification of Scarlata and Alemany's model in *waqf* can be seen in the Figure1.

Figure1 The Venture Philanthropy of *Waqf* Model



Source: Adapted from Alemany and Scarlata (2009 and 2010).

Figure 1 demonstrates the VPWM of *waqf* investment. *Wāqif* in the VPWM endows fund to the *nāẓir* who will then invest in the high prospective social impact of social enterprises. The main goal of VPWM is to achieve and maximise social benefit rather than to concentrate on financial return maximisation as accomplished in traditional venture capitals.[76] It differs from the microfinance that is operated just like conventional venture capital that normally raises investment from cash-rich institutional investors, such as Grameen Bank in Bangladesh. The VPWM, instead, accumulates capital from *waqf* contribution. In organisational structure, the microfinance model is principally the same as profit-maximising business but it is modified to be socially oriented as it targets the poor and the micro-enterprise.

The model (VPWM) suggests that the social enterprise[77] (social business entity) does not remain by just organising its social entrepreneurial activities to become self-sustainable, but also to channel contributions to the society. In this regard, growth and sustainability of social enterprise can be achieved both through the provision of *waqf* fund as well as value added services which help support social enterprise on a strategic and managerial level. Additionally, the sustainable social enterprise entity is expected to establish another social enterprise by operating the same core of business or a different type of business.[78]

Two types of returns can be obtained from the VPWM. First, if the funded 'social enterprise' has sound sustainability and has an ability to maximise its social impression, the return will be distributed to the society; and second, the self-sustainability of social enterprise is expected to

[76] Further explanation about Venture Philanthropy can be learnt from Mariarosa Scarlata and Luisa Alemany, "Deal Structuring in Philanthropic Venture Capital Investments"..., 121-145. http://doi.org/10.1007/s10551-011-0851-8.

[77] UK DTI (2002) defines a social enterprise as "a business with primarily social objectives whose surpluses are principally reinvested for that (social) purpose in the business and the community". And, social entrepreneurship is defined as "entrepreneurial activity with social orientation and intent". For further explanation see John L. Thompson, "Social Enterprise and Social Entrepreneurship: Where Have We Reached", *Social Enterprise Journal,* Vol. 4, No. 2 (2008).

[78] Azliza Azrah Mohd Zakaria, Rose Ruziana Abd. Samad, and Zurina Shafii, "Venture Philanthropy -*Waqf* Practices and Its Implementation"...,108-115.

create and empower the production of some financial returns.[79] If the social enterprise is a non-profit organisation, revenues produced must be reinvested within the organisation. On the contrary, if the social enterprise is a for-profit body, then any created returns can be redistributed to *nāẓirs* and reinvested to another social enterprise through *nāẓirs*. In this model, the *nāẓirs* has the authority to decide on the disposal of the *waqf* fund whether to reinvest or to distribute to the beneficiaries (society) as long as it complies with the *sharī'ah*.

In short, the venture philanthropy capital in the *waqf* fundraising model will engage a three-stage life cycle. The first phase is asset building (which may take different durations among *waqf* institutions which should take around five to ten years), during which time the VPWM will focus on fundraising and generating income. The second stage begins with the management and investment of the *waqf* funds. The third stage is utilising revenue from investments to fund the intended objectives.[80] Therefore, it is predicted that by executing the venture model in *waqf* fundraising would generate a new source of funding to achieve financial and social returns on the investments. This is for the reason that *waqf* would be supportively involved in business creation to the effect that the enterprise is completely owned by *waqf* institutions.

Value-based capital model of waqf (VBCM)

The purpose of this model is to focus on the difference between the value of *waqf* and its physical entity. The concept of value has several definitions. Values may be seen as absolutes (inaccessible to science), as

[79] Mariarosa Scarlata and Luisa Alemany,"Deal Structuring in Philanthropic Venture Capital Investments"..., 121-145. http://doi.org/10.1007/s10551-011-0851-8

[80] Tunku Alina Alias, "Venture Capital Strategies in *Waqf*"..., 99-126.

inherent in objects (material or non-material), as present within man, and as identical with his behaviour.[81]In addition, anything capable of being appreciated (wished for) is a 'value'. The object has certain inherent qualities which may be desired by somebody.[82] In this context, the value-based object of dedication which substitutes the permanency of the subject matter drives afar the restrictions of immoveable and moveable properties. According to Tahir Sabit and Mar Iman, dedication could be implemented by amortisation of the value of things are capable of generating revenues, and things are not capable of producing returns which would be preserved differently.[83]

In short, this means that under this model, the focus must be given to preserving the value of the dedication rather than the physical object of the subject matter. The VBCM of *waqf*, at least, will have a two-step life sequence. The first phase is asset building during which time the VBCM of *waqf* will focus on revenue-generating and non-revenue-generating *waqf* objects which should be valued in cash. The cash value should be considered the principal capital of *waqf*, henceforth referred to as value capital (VC). The second stage will start with the consideration of VC as perpetual and should be maintained all the time by the investments.[84] All efforts should be prepared to protect the VC through its returns. In order to avoid loss, the large portfolio would be arranged to spread the risks.

[81] FranzAdler, "The Value Concept in Sociology", *American Journal of Sociology,* Vol.62, No. 3 (1956), 272. http://www.jstor.org/stable/2772921

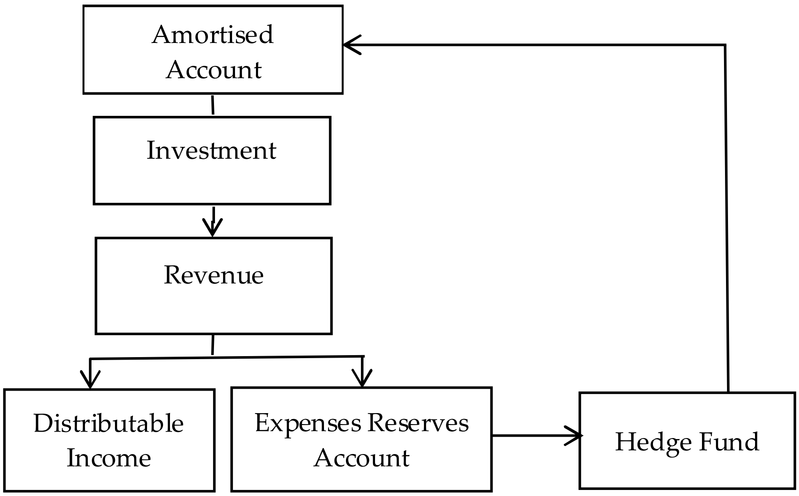
[82] Franz Adler, "The Value Concept in Sociology"..., 272. http://www.jstor.org/stable/2772921

[83] Mohammad Tahir Sabit Haji Mohammad and Abdul Hamid Mar Iman, "Obstacles of the Current Concept of Waqf to the Development of Waqf Properties and the Recommended Alternative", *Malaysian Journal of Real Estate*, Vol.1, No. 1 (2006), 27–38. Retrieved from http://eprints.utm.my/501/

[84] Mohammad Tahir Sabit Haji Mohammad and Abdul Hamid Mar Iman, "Obstacles of the Current Concept of *Waqf* to the Development of Waqf Properties and the Recommended Alternative"..., 27–38. Retrieved from http://eprints.utm.my/501/

The following figure describes the model.

Figure 2 A Model for VBCM of *Waqf*



Source: Adopted from Mar Iman and Tahir Sabit (2006).

Based on Figure 2 above, to assure the perpetuity of VC, at this point, investment and revenue accounts should be matched to the VC account. All capitals in VC are required to be invested, and its revenues should be collected. These revenues should be separated into distributable income and expenses. The distributable income would be distributed to the beneficiaries of the *waqf* whereas the fund marked for expenses would be preserved in the reserve account. These funds could be placed in a larger fund (hedge fund). This is done to compensate losses in one of the principal capital accounts.[85] It is also projected that by applying the VBCM

[85] Mohammad Tahir Sabit Haji Mohammad and Abdul Hamid Mar Iman, "Obstacles of the Current Concept of Waqf"..., 27-38 (Retrieved from http://eprints.utm.my/501/) and Mohammad Tahir Sabit Haji Mohammad and Abdul Hamid Mar Iman, *Waqf Property: Concept, Management, Development, and Financing*, Kuala Lumpur: Univesiti Teknologi Malaysia Press, 2014.

in *waqf*, it would reduce the problem of non-liquidity of the *waqf* assets and thus encourage the *ummah* to contribute for further development of *waqf* institutions.

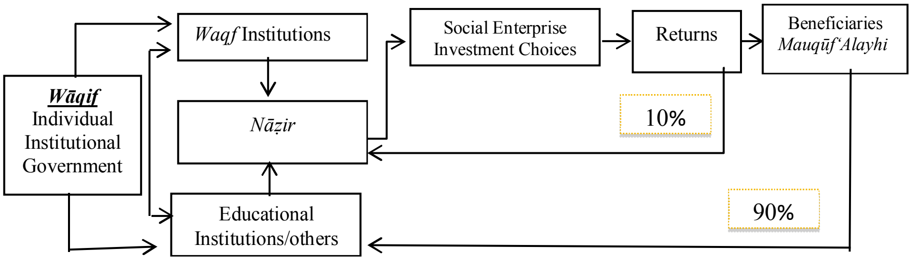
Social enterprise waqf fund model (SEWF)

In the following discussion, the investigation of the best possible enterprise models for *waqf* utilisation will be described. As the objective of *waqf* is welfareenhancement, it can be argued that Social Enterprise *Waqf* Fund model (SEWF) that puts welfare as the ultimate priority is considered the most suitable model for sustainable (cash) *waqf* advancement. Moreover, *waqf* institution as one of the most vital non-profit organisations that exist in the Islamic heritage, certainly, has been applying many methods to ensure its continuity. Accordingly, social enterprise seems a more applicable model for *waqf* as a non-profit organisation than venture business. It can be argued that social enterprise is a construct that bridges an important gap between business and benevolence. It applies profitable patterns to maximise social prosperity, rather than maximising profits for shareholders. Since it is a value-driven business, "pairing such enterprise with *waqf* is seen to be more natural due to shared value".[86]

The organisers of SEWF can be individuals or a group of administrators who are experts in social entrepreneurship activities. They have to invent new practices to produce additional and various sources of revenues. The following figure describes the proposed model of SEWF that can be practised in the development of *waqf*. The structure of this model is highlighted below.

[86] Mohd Nahar Mohd Arshad and Mohamed Aslam Mohamed Haneef, "Reositioning Issues of Waqf as a Third Sector Organisation into the Mainstream Economy", *Journal of Chemical Information and Modelling,* Vol. 53, No. 9 (2015), 1689-1699.http://doi.org/10.1017/CBO9781107415324.

Figure 3 A Social Enterprise *Waqf* Fund Model



Source: *Waqf* Act of Indonesia (No. 41 of 2004), Mohsin (2009) and Alias (2010).

The process flow of the SEWF model is as follows:

a. The *wāqif* (founder) will contribute to the social enterprise through *waqf* or educational institutions, and at the same time both institutions should give*waqf* funds/assets to the *nāẓir*.

b. *Nāẓir* should manage and invest the *waqf* fund. The *nāẓirs* are expected to come from educational institutions or others who have the skills of social enterprise.

c. The investment returns will then be distributed to *nāẓir* no more than 10% of return, and the 90%[87] of it should be circulated to beneficiaries including educational institutions and others.

This section has offered an overview of the SEWF model for the development of *waqf* fundraising and management. Hence, for the manager (*nāẓir*) of a non-profit organisation like *waqf*, it needs a clear mission, careful placement, and continuous learning and teaching, management by objectives, self-control, responsibility and accountability to ensure high performance. In addition, a philanthropy venture capital, value-based capital, and social enterprise *waqf* fund models aim at structuring the

[87] The*nisbah* (percentage) of shared return is based on the *ḥadīth* of Ibn Umar regarding the administrator of *waqf* who is allowed to take a portion of return to feed himself and his colleagues without excessive manner.

waqf assets and funds in a modern and dynamic manner. However, this could only be done if the legal framework and the *maqāṣid al-sharī'ah* are able to support the structure especially if it becomes a sensitive issue. Finally, SEWF is an innovation process in *waqf* fundraising and management that can be implemented by a number of *waqf* institutions in many countries.The model is based on value creation and operates by its rules and reasons. It is argued that the model enables the development of *waqf* funds whereby the *waqf* is invested in profit seeking schemes which also creates social impact. It is a model that seems well suited to support the sustainability of *waqf* institutions in Muslim society.

Conclusion

The institution of *waqf* has contributed massively towards the development of public and social services in the Muslim world. There are traditional modes of fundraising for the development of *waqf* assets and funds such as *istibdāl*, *ijīratayn*, and *ḥukr* that become the basis of *waqf* sustainability. It is apparent that there is a need to innovate new models which bring new scholars to the field and encourage new methodologies and frameworks. Therefore, it is expected that by executing the modern model of fundraising like venture philanthropy model (VPWM) in *waqf* fundraising management, it would be able to generate new sources of funding in order to achieve financial and social returns on the investments. It is also projected that by applying the value-based capital model (VBCM) in *waqf* fundraising management, it would reduce the problem of non-liquidity of the *waqf* assets and support the *ummah* to contribute to further development of *waqf* institutions. Finally, social enterprise *waqf* fund model (SEWF) is an improvement practise in the *waqf* fundraising management that can be implemented by different *waqf* institutions in many countries. This model balances revenue generation with social impact creation for the public good to make sure that prosperity is circulated from the rich to the poor and benefits the *ummah*. It is a model that seems well suited to address some of sustainability of *waqf* institutions in Muslim society.

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