

WAQF FUNDRAISING MANAGEMENT: A PROPOSAL FOR A SUSTAINABLE FINANCE OF THE WAQF INSTITUTIONS

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ABSTRACT

This paper studies the theoretical structure of financing for Islamic philanthropy in the form of waqf or endowment by looking at the past and present forms of waqf. Waqf is expected to play a more important role to tackle current social and educational issues, where financial sustainability has become one of the greatest challenges faced by waqf institutions. Using the content and thematic analysis approaches, this paper reviews the practice of successful waqf institutions and summarizes the features that are significant to a successful waqf fundraising and management. The paper analyzes three models that are suitable for innovation and management of waqf fundraising: Venture Philanthropy of Waqf Model (VPWM), Value-Based Capital Model of Waqf (VBCM), and Social Enterprise Waqf Fund Model (SEWF). The paper then investigates the possibility of applying the Management by Objectives (MBO) framework to improve the overall management of waqf institutions. The discussions are hoped to be able to contribute towards developing a better fundraising and management of waqf institutions.

Keywords: Waqf Fundraising, Management, Financing Models, Waqf Institutions.

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I. INTRODUCTION

Waqf plays a pivotal role in providing social benefits in Muslim societies. It has developed progressively since its beginnings and has benefited Muslims by financing public expenses. It is considered one of the oldest charitable foundations in the world, traced back to Prophet Ibrahim (peace be upon him), who devoted his property in acts of charity, including the construction of the Ka'bah (McChesney, 1995; Kahf, 2000; Zakaria, Samad, and Shafii, 2012; Stibbard *et al.*, 2012).

Waqf has also been one of the economic pillars of Islam since the time of Prophet Muhammad (blessings and peace be upon him), having catalyzed economic development among Muslims (Tahir and Brimble, 2011). Despite there being no specific reference to *waqf* in the Qur'an (Kuran, 2001), this institution is a tool developed by Muslims to support many essential needs that are today financed by the government, such as schools, hospitals, orphanages, graveyards, mosques, religious foundations, and other essential infrastructural facilities (Mahamood, 2006). Finally, this institution, according to Cizacka (2011), is one of the redistribution of wealth institutions, and its objective is not for the sake of profit but to support the general good and the well-being of the whole society while seeking reward (*thawāb*) with Allah (Almighty) in the Hereafter.

The evolution of *waqf* has gone through substantial progression, stagnation, and even regression (Cizacka, 2000; Siraj, 2012). The colonization of Muslim nations after the Second World War greatly undermined the importance of the *waqf* system in Muslim societies. The stagnation of the *waqf* system was much more pertinent during the 19th and 20th centuries, as modern Western states became more powerful and less tolerant of opposing organizations, including *waqf* (Stibbard and Bromley, 2012). However, historically, *waqf* has considerably contributed to human civilization in Muslim societies, above and beyond ordinary charity (Hoexter, 1998).

According to Mahamood *et al.* (2015), *waqf* is considered as a pious donation and is related to the religious awareness on charity. In short, its contribution is remarkable in solidifying religious practices, developing knowledge, improving education, as well as a diffusing culture within Muslim societies (Siraj, 2012; Mahamood and Rahman, 2015). In other words, *waqf* 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.⁵

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 remain on how to mobilize and manage their resources to improve Islamic educational institutions, societal economic development and help preserve the vast liquid assets from being lost in the never-ending circles of charity. There are evidences that suggest that considerable figures of *waqf* assets and *awqāf* institutions are mismanaged and many suffered from lacked funds to generate productive use of *waqf* assets (Hasan and Shahid, 2010).

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

II. LITERATURE REVIEW

As a subject matter, fundraising and its correlated issues, such as supply and demand of donation, marketing, management and performance, has not gained much attention on *waqf* literature. The lack of published empirical research regarding *waqf* fundraising is possibly because the theme of *waqf* is neglected and only involved a few academics, students and researchers (Lindhl, 2002 and 2011; Mahamood and Asmak, 2015).

Furthermore, previous studies on *waqf* are merely concentrating on several themes such as financing (Ahmed, 2007; Mahamood, 2007; Hasan and Abdullah, 2008; Ahmed 2009), Islamic insurance (Hashim, 2007), and innovation of economic models of *waqf* (Mahamood, 2006; Jalil and Ramli 2010), the legal aspects of *waqf* and its broader implications within the economy (Hoaxter, 1997), education (Gaudiosi, 1987), and the social system and the state (Hoaxter, 1997). There are only a few researches work that focus on the performance of *waqf* management (Sulaiman et al., 2009) and the accountability of *waqf* management (Ibrahim and Yaakob, 2006; Ihsan and Ibrahim, 2011; Nahar and Yakoob, 2011; Siraj, 2012; Ihsan, 2014).

It can be argued that the studies of *waqf*, in general, are center on the legal, historical and administrative perspectives. There are a few important works which illuminate the *waqf* management investments, assets enhancement programs and income generating activities. However, these discussions are limited to the role of *waqf* in financial institutions. For example, Kahf (2000) attempts to provide new techniques for financing the development of *waqf* properties, especially the investment *waqf* for providing financial needs which are compatible with *shari'ah*. In addition, Daud (1999) points out that developing *waqf* property needs a combination of the elements of fixed savings and investment for the production of future benefits.

Several previous studies revealed that the development, unstructured management of *waqf* institutions (Prihatna, 2005), funding, technical expertise, inefficiency, and ineffectiveness (Al-Habshi, 1991) are some examples of the *awqāf* problems that need to be solved. Mohammad (2008) 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. Other problems pointed by researchers in relation to management of *awqāf* are lack of accessibility, unskilled *nāzirs* (Hasanah, 2003), misuse of *waqf* assets (Al-Makassary, 2003), doctrinal understanding of *waqf* (perpetuity and inalienability), and special purpose of *waqf* (Harasani, 2015). Furthermore, Mohammad and Iman (2006) observe that the 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*). As a result, there is limited cash flow that subsequently blocked the growth of *waqf*.

This is an indication that the present circumstances of most *awqāf* institutions are unsatisfactory. The role of *nāzirs* 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 Hasan and Shahid (2010), the unavoidable consequence is much deterioration and disrepair of these valuable assets. Regarding this issue, there is a contention that the decentralization (privatization) of *waqf* is a fit structure of *waqf* management, since its centralization (nationalization) led to mismanagement of *waqf* and opened the door to many problems in a lot of Muslim countries (Sait and Lim, 2006). For example, it triggered unemployment, as the *nāzirs* who were selected by the *wāqif* became reliant on monthly wages, without administering the *waqf* assets properly. In addition, Baskan (2002) emphasizes that there is a necessity in returning the *waqf* assets to private organization by establishing *waqf* boards of trustees independent of the government ministry. It can be argued that 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 for managing the *waqf* assets and funds in a professional manner within modern management framework.

To revive these *awqāf* institutions, there is a need to study various models of fundraising that could be applied in the *awqāf* institutions. Therefore, this paper aims to identify and analyze several fundraising models, management, and innovation in the development of *waqf* assets and funds in the Muslims' World.

III. METHODOLOGY

This paper is a literature review. It employs an explanatory approach, which relies on the interpretation and understanding of the researcher. Data is collected from several sources, such as observation and review of documents. This helps triangulate the data and then apprehend the substance of *waqf* fundraising management. The findings will be analyzed using content and thematic analysis approaches. These approaches are expected to facilitate identification of significant features of large data and answer the set of questions.

IV. RESULT AND ANALYSIS

4.1. Definition of Waqf

The Arabic term *waqf* (plural *awqāf*) means the act of creating a religious endowment. *Waqf*, *taḥbīs* and *tasbīl* are the explicit words for the *waqf* (Abbasi, 2012). *Ṣadaqah*, *ta'bīd* and *taḥrīm* are its implicit expressions (Sabri, 2008; Abbasi, 2012). It is an Arabic *maṣḍar* (root) meaning "to prevent, restrain" (Sabri, 2008). Additionally, the etymological meaning of *waqf* is "stop, block, and suspend" (Jones, 2005). According to Kahf (1999) and Raissouni (2001) which is cited by Hasan (2010), the literal meaning⁶ of *waqf* is forbidding movement, transfer, or exchange; it is a devoted asset usufruct of which is to be used for a number of giving ends for the extent of the property's presence.

6. According to Ibn Manẓur (Lisān Al- 'Arab, 1994, vol. 15), *waqf* is forbidding movement. It cannot be sold nor inherited.

In Islamic epistemology, the meaning of *waqf* was understood differently by classical jurists of the various Islamic schools of law.⁷ According to the Hanafi school of law, a *waqf* is “the detention of corpus from the ownership of any person and the gift of its income or usufruct either presently or in future to some charitable purpose” (Cattan, 1955; Mahamood, 2006; Stibbard et. al, 2012). In addition, Al-Sarakhsī (1993, vol. 12) describes *waqf* as primarily “to protect a thing, to prevent it from becoming the property of the third person (*tamlīk*)” (p. 27). It can be inferred that Imām Abū Hanīfah based his concept on the *ḥadīth* narrated by Ibn Umar (may Allah be pleased with him), “If you want, make the land itself unalienable and give [the yield] away as alms (*in shi'ta ḥabbasta aṣlahā wa taṣaddaḡta bihā*)” (Gil, 1998, p.126). Imām Abū Hanīfah, however, perceives that the ownership of the corpus continues on the authority of the founder (*wāqif*), while its return (usufruct) is dedicated to beneficiaries (Abbasi, 2012). In addition, Al-Khatib (1968, p. 44) highlights that the founder of *waqf*, according to this view, remains the owner, but loses the rights of selling, bequeathing, or giving away the dedicated property. Accordingly, Imām Abū Hanīfah believes that *waqf* is considered like *‘āriyah*⁹ which can be revoked, and for that reason, it should have all its characteristics (Al-Sarakhsī, 1993, vol. 12, p. 27; Al-Marghinani, 1997).

His (Imām Abū Hanīfah) disciples such as Abū Yūsuf and Muhammad Al-Shaybānī as well as jurists of other madhāhibs, however, do not adopt Imām Abū Hanīfah's definition. As was stated by Abū Yūsuf and Al-Shaybānī, *waqf* is “the tying up of the substance of a thing (*‘ain*) under the rule of the property of Almighty Allah so that the proprietary right of the *waqf* becomes extinguished and is transferred to Almighty Allah for any purpose by which its profits may be applied to the benefits of His creatures” (Ali, 1912, p. 336). Additionally, according to this view, the founder's right of ownership ends; it is usually said that it passes to Allah.

The Māliki jurist Ibn ‘Arafa defines *waqf* as “the grant of usufruct of a thing that is binding on the founder for duration of its existence; the ownership remains hypothetically with the founder, although he is no longer entitled to use the substance of the property” (Al-Hattab, 1911, p. 18; Layish, 1983, p. 3; Powers, 1993, p. 1173). According to this opinion, the owner still holds the property, without the right to use its substance. In other words, the founder is banned from exercising it.

Al-Shāfi‘i scholars define *waqf* as “the alienation of revenue generating property by the founder, with the principle remaining inalienable, while its revenues are disbursed for a pious principal in order to seek God's favour” (Al-Nawawi, 1985, p. 314). At

7. The four Sunni schools of law still in existence are the Hanafi, the Māliki, the Al-Shāfi‘i, and the Hanbali schools. These schools of jurisprudence are identified in Islam as *madhhab* or *madhāhibs*. They do not constitute separated legal system rather represent together as one integral system within the Shari‘ah (Badr, 1978). The schools of law are found to be dominant in certain geographical areas and sometimes having different interpretations towards aspects of *waqf*. Accordingly, the practice of *waqf* varies between regions depending on the prevailing Islamic school of law (*madhhab*).

8. Al-Bukhāri, 1996, vol. 2, p. 96.

9. *‘Āriyah* is temporary borrowing for limited time where the possession of the thing is given for use only while the ownership is retained by the original owner (Abbasi, 2012; see also Al-Quduri, 1997, p. 133).

this point, Al-Nawawi (1978) opines that the purpose of the bequest must be an “act of beneficence” (*birr*) and a “good work” as a means of “approach to Allah (Almighty)” (*taqarrub*), even though this is not constantly visible in practice. Meanwhile, Hanbali jurists describe *waqf* as “tying up of the substance of a property and the devoting of its usufruct for the benefit of mankind, in such a manner that ownership of it belongs to Allah (Almighty)” (Anderson, 1951; Mahamood, 2006). From the definitions, it can be inferred that Al-Shāfi’is and Hanbalis are in opposition to the view that the *waqf* remains the property of the founder and his inheritors. Referring to this view, some Al-Shāfi’i jurists, on the one hand, argue that the right passes to Allah, and on the other, they believe that the ownership passes to beneficiaries.

In the modern context, Othman (1983) opines that *waqf* has the following meaning: “...estates fall under a perpetual trust and they cannot be sold, exchanged or dealt with any manner that conflicts with the purpose for which they were originally constituted”. In other words, *waqf* may be designated as a provision of valuable assets that is devoted to a legitimate institution to generate benefits for the needy. Here, the term ‘valuable assets’ covers both of moveable and immovable assets. It is not limited to specified assets that can be utilized as *waqf* [assets] as long as they have future economic benefits.

Kahf (1998) defines *waqf* as “holding *māl* (an asset) and preventing its consumption for the purpose of repeatedly extracting its usufruct for the benefit of an objective representing righteousness and philanthropy” (p.4).¹⁰ This definition highlights the notion of abstention from consumption with the purpose of preserving the asset for continued use of the usufruct. It covers the family *waqf* which gives the possibility of utilizing the *waqf* by the founder. Additionally, Kahf (1999) defines *waqf* for stating the economic content as “diverting funds and other resources from consumption and investing them in productive assets that provide either usufruct or revenues for future consumption by individuals or groups of individuals” (p. 42). *Waqf* here is a combination of the acts of saving and investment simultaneously. In other words, it is abstaining from current consumption to increase the future output of services and income from a productive asset. The *waqf* may produce output to be distributed to the community in order to generate revenue for the beneficiaries of the *waqf*.

To conclude, despite various terminologies and epistemologies having been described by traditional and modern jurists, it can be argued that the essential practical meaning of *waqf* is agreed as “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” (Mahamood, 2006; Abu Zahrah, 2007; Siraj, 2012). In other words, the description of the spirit of *waqf* is similar in all the *madhāhib*s with slightly different interpretation of the essentials of *waqf*.

4.2. The Basic Concept of Fundraising

Non-profit and non-governmental organizations need resources to attain organizational goals and realize their missions as well as to proceed and develop their activities (Cacija, 2013). Andreasen and Kotler (2008) point out that the

10. See also Kahf (2000).

essential resources needed for non-profit organizations are financial and human resources. Financial resources include revenues from sales of products and services, whereas human resources consist of employees and volunteers. In other words, it can be said that the success in raising funds and managing human resources are critical to the performance of non-profit organizations.

A non-profit organisation is pervasive, and its organization is multifaceted. Different terms are used to refer to the sector. According to Worth (2009, pp. 9-10), the terms “*non-profit, independent sector, third sector, charitable sector, voluntary sector, tax-exempt sector, and social enterprise*” are used interchangeably to define the sector. ‘Philanthropy’, ‘giving’, ‘social economy’ and sometimes ‘civil society’ are other names for this sector (Salamon and Anheier, 2006). However, the agreement on using a single term has not been reached, as such the general description of the non-profit organization and non-profit sector is commonly used interchangeably. According to Masyita (2012), in common law countries, non-profit organisations commonly consist of three organizational forms: associations, trusts and charitable or non-profit corporations. In civil law countries, according to Ahmed (2007), there are two organizational practices of non-profit organisations, associations and foundations; although in some countries the practise of limited liability companies exists.

Before proceeding further, a clear understanding of structural positioning of the *waqf* institution within the non-profit organizations is required. One may prefer to categorize *waqf* as the third sector organization or voluntary sector. Arshad and Haneef (2015) point out that since the *waqf* institution contributes to public and social services in the Muslim community with the absence of market or state agencies, being considered a third sector is suitable. The following figure describes a matrix of four types of non-profit organizations based on the source of income, namely donative mutual, donative entrepreneurial, commercial mutual and commercial entrepreneurial.

Table 1. Organizational Style Based on the Source of Income

Source of Income	Mutual	Entrepreneurial
Donative	Donative Mutual	Donative Entrepreneurial
Commercial	Commercial Mutual	Commercial Entrepreneurial

Source: Hansmann (1980).

The Table 1 demonstrates some typical examples of these four types of organization. It can be argued that the intersection of the previous divisions in terms of finance (source of income) and management constructs four categories of non-profits: (1) donative mutual; (2) donative entrepreneurial; (3) commercial mutual; and (4) commercial entrepreneurship. The flexibility of the foundation statutes tolerates non-profit organisations to assume a wide variety of forms. According to Hansmann (1980), the category of each non-profit organization depends on its source of income and the way in which it is organised. Using Hansmann’s (1980) classifications, *waqf* institutions as one of the non-profit organizations that receive most of its income in the form of donations can be categorised as “donative” non-

profits. Furthermore, *waqf* as a non-profit institution that is fundamentally free from the exercise of formal control by its patrons can be termed as “entrepreneurial” non-profits. Consequently, donative and entrepreneurial non-profits should be considered the ideal types for *waqf* institutions.

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, organized fundraising and *waqf* on a huge scale is still mostly an extraordinary phenomenon for the Muslim community. Lindahl and Conley (2002) argue that “little study focuses on fundraising for religious institutions, although it is a fact that this category constantly attracts the huge amount of charitable funding each year” (p. 91). Additionally, it is necessary to recognize 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 organizations 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 organization, namely *waqf*. Fundraising is sometimes understood as tantamount with non-profit organisations (Worth, 2009). The term fundraising is frequently used interchangeably with the term ‘development or advancement’.

According to Worth (1993), fundraising is a movement that started with the goal of producing charitable or philanthropic giving. 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 (Worth, 2009). Andreasen and Kotler (2008) describe fundraising as an activity of accumulating financial resources and ascertaining the fundamental bases of funds. Also, Warwick (1999) highlights that fundraising is not only an effort to procure funds for the organization, but also includes the creation of a donor base, making donors active, visible and efficient.

From the definitions given above, it can be inferred that fundraising, as the movement focused on obtaining monetary and non-monetary resources from benefactors, is hard to be explained. Some prefer to emphasize on the collection of funds, while others concentrate on the fundraising activities and tools. According to Holloway (2001), 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 categorization 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 operation of these initiatives will be discussed comprehensively in section 4.4 (Proposed Methods of Fundraising).

4.3. The Significance of Fundraising

In the context of non-profit organisations, fundraising has focused on the donor's preference in its expansion, and subsequently, it cannot be viewed as only a demand for cash based on the charitable purposes, but reasonably as the interchange of values which meet the benefactors' need (Andreasen and Kotler, 2008; Cacija, 2013). Whereas in *waqf* institutions, a larger number of them do not share such an orientation to fundraising, as most of them are deliberating on sustaining organizational necessities.

However, according to Cacija (2013), fundraising becomes "a strategic approach to benefactors and establishment of long period relationships which may not primarily produce planned returns in a short time" (p. 60). It can be agreed that fundraising is one of the main activities of non-profit organizations and an important factor to develop organizational performance. In addition, there is a need to create an integrated fundraising model that includes both non-profit marketing activities¹¹ and elements of the non-profit marketing management: planning, implementation, analysis, and control (Cacija, 2013).

In this respect, it is interesting to note that there are basic principles of fundraising in the framework of *waqf*. Firstly, the Muslim communities are the base of the entire *waqf* fundraising process, since a *wāqif* designates to provide financial or non-financial provision to *nāzir* in order to help other Muslims (beneficiaries) (Kahf, 2000). In this manner, the significance of a minor endowment should not be weakened, as a *wāqif* gives endowment obviously in coherence with his available assets.

Secondly, religious leaders, *waqf* administrators, and volunteers have to display devotion to their *waqf* institution by voluntarily working to persuade the prospective *wāqif* and to guarantee the realization of the objectives and warrant their endowments (Lindh, 2011). This basis indicates that the relationship between the *wāqif* and *nāzir* in the perspective of marketing is essential theoretically for fundraising performance that may impact on the success of the *waqf* institutions.

Lastly, Karim (2012) highlights the significance of fundraising and marketing in order to expand the base of *waqf* assets into several initiatives: (1) Creating a cash *waqf* fund through fund management; (2) Expanding the existing *waqf* assets through *istibdāl* and developing their parties; and (3) Marketing the *waqf* overseas to reach out to global philanthropists. Subsequently, these initiatives could be implemented to speed up the development of *waqf* assets in order to meet the growing demands of the community.

11. According to Coviello and Brodie (1998) there are two models of marketing: relationship approach and transactional approach. In the practices, they argue that the relationship marketing approach is better than its counterpart. Moreover, Gronroos (1996) points out that traditional approach (the marketing mix, the marketing department, marketing planning, marketing segmentation, and performance measurement based on market research and market share statistics) is no longer appropriate for contemporary marketing practice.

4.4. Proposed Methods of Fundraising

Having discussed that fundraising is an important part of the functioning of any non-profit organization, using the right and effective fundraising methods and techniques is necessary to guarantee that the needed financial support is achieved and maintained (Tedham, 2012). For *waqf* institutions, fundraising can be understood as a kind of activity and an opportunity to maximize social benefit and financial return. It is a significant factor when considering the fundraising strategies to ensure the financial and social impact sustainability of the *waqf*.

Regarding *waqf*, there are challenges for *waqf* institutions in modern time. There is a common acknowledgement that many *awqāf* institutions have stagnated and are not performing their designated social functions (Stibbard et al., 2012). The *waqf* institutions are forced to compete directly or indirectly for *wāqif*, volunteers, *nāzirs*, and for the time and resources of supporters (Siswantoro and Dewi, 2007). Therefore, *nāzirs* have to innovate fundraising by constructing new techniques to generate additional and numerous sources of income. In other words, they have to run entrepreneurial strategies in generating fund and organizing human resources. Furthermore, according to Sargeant (2001), there are two methods to generate revenue or raise funds: (1) the 'transactional approach' which focuses on the instant financial needs of an organisation without attaching in the developing a strategic plan; and (2) the 'strategic approach' that is based on the organisation's long-term design which should benefit from the collaboration of multiple fundraising schemes and activities.

Hasan and Shahid (2010) point out that there is a belief that *waqf* institution could play a greater role in the progression of social and economic development with education, health care, social welfare and other community-based programs. In order to reach this step, there is a need to pay attention to the development of the existing *waqf* assets to revitalize their purpose and capability to deliver these essential services in the present and the future. One of the biggest problems related to revitalizing *waqf*, in many Muslim countries¹², is the absence of funds for restoring the productivity of the properties as well as other moveable or immovable assets.

To overcome these problems, this study describes the innovation of various types of fundraising models with 'strategic approaches' that have been implemented relatively by the *waqf*-based *pesantrens*¹³ and can be used to finance the development of *waqf* in other *awqāf* institutions: (1) raising cash *waqf* fund through venture philanthropy of *waqf* model (VPWM); (2) preserving *waqf* properties by implementing value-based capital model of *waqf* (VBCM); and (3) initiating social enterprise *waqf* fund (SEWF) that offers an alternative investment.

12. For example, in Malaysia more than 13.000 hectare of idle *waqf* land, only 2% had been developed; In Indonesia there are more than 4 billion square meters registered *waqf*, only less than 1% had been developed (Mohsen, et al., 2016).

13. Factually, *Pesantren* of Darussalam Gontor, Tazakka, and Darunnajah have been sustained by *awqāf* funds since the day were established. They have combined *waqf* and business to generate incomes in order to be less reliant on any sources of government funding (Wardun, 2015; Ahsanta, 2015; Buletin Darunnajah, 2015).

4.4.1. 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 (Arshad and Haneef, 2015). 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 (Ahmed, 2007; Mahamood, 2007; Hasan and Abdullah, 2008) *takāful* (Islamic Insurance) and to develop inventive economic models (Mohammad, 2006; Jalil and Ramli 2010). Corporate *waqf* based on *mushārah* and *muḍārah* models are widespread in the Muslim countries (i.e. Malaysia). In addition, Alias (2012) has suggested a model termed as the Enterprise Waqf Fund (EWF) to boost the function and the organization of cash *waqf* funds by engaging the venture capital or venture philanthropic systems and approaches. Finally, Zakaria, Samad, and Shafii (2013) proposed the VPWM in combination with the establishment of sustainable *waqf* businesses. They argue that a sustainable *waqf* business is able to ensure that the philanthropic activities will produce revenues consistently (Zakaria *et al.*, 2013). 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 (Alias, 2012). 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 return 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 emphasizing on different elements. So far, there is no single accepted definition of venture philanthropy. According to Pepin (2005), venture philanthropy seems to be similar to that of venture capitalists, taking the initiative, but investing in innovative ideas produced by donations. Alam (2010) 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. This support is concentrated on empowering institutions to build better organizational 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 (Zakaria, Samad, and Shafii, 2013). 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 publicized 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*" (Bishop, 2006). In other words, according to McGoey (2012), the new idea of the philanthrocapitalism is "*the explicitness of the self-interested motives underlying large-scale charitable activities*" (p. 197). Furthermore, Lorenzi and Hilton (2011) view that the term of philanthrocapitalism is as "*the application by an individual of significant accumulations of financial capital to address social problems so as to affect social justice*" (p. 398). It is dedicated to transfer the wealth –using business practices, tools, and

market forces to develop the 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 (Lorenzi and Hilton, 2011). In some ways, according to Ramdas (2011), the philanthrocapitalism and venture philanthropy can be perceived as a normal expansion of the patterns of the capitalism as a reasonable alternative economic system.

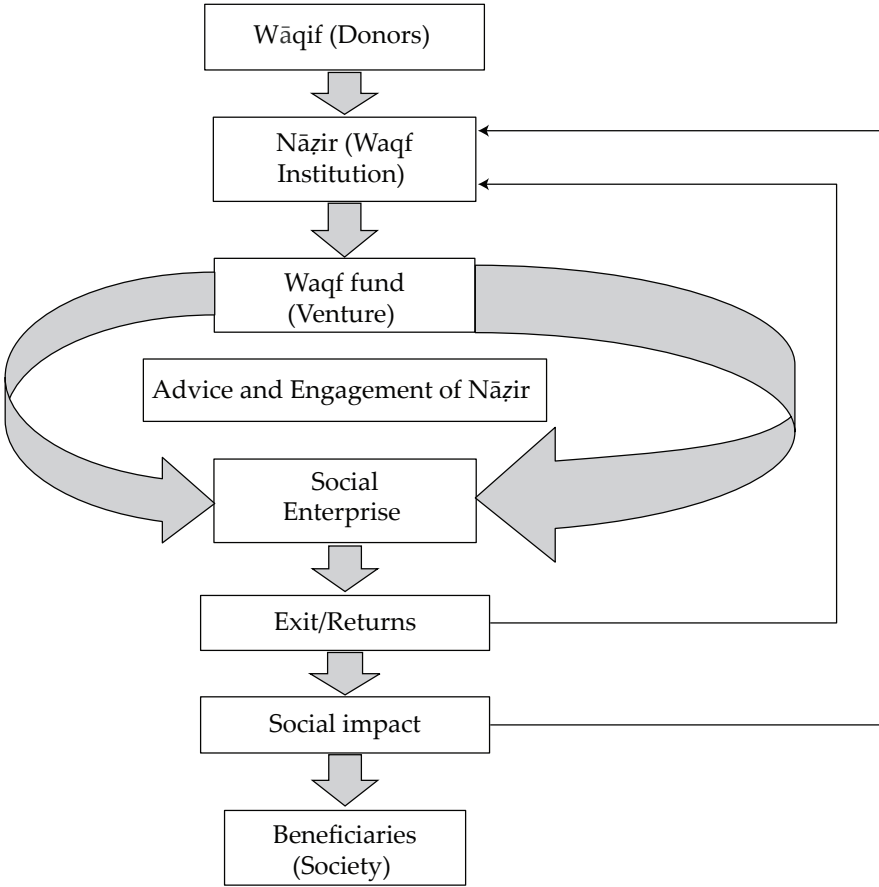
Pepin (2005) explains venture philanthropy as one of the non-traditional charitable sources of revenues in the perspective of social entrepreneurship. He categorizes non-traditional source of returns into venture philanthropy, commercial ventures, and social venture capital (Pepin, 2005). The classifications share a similar characteristic which is to provide funding with the expectation to get returns that would be funded for social dedications (Zakaria *et al.*, 2012). 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 distinguished two types of business organizational entities.

On the one hand, corporations can be perceived as profit-maximizing business, whose objective is to produce shareholder value, and; on the other hands, non-profit organizations exist to satisfy social objectives (Hull and Lio, 2006). The experience of Grameen, in the building social business of the microfinance, gives lot of lessons that can be learned. This social business, according to Yunus, *et al.* (2010), is projected and activated just like traditional business enterprise, with products, services, markets, expenses and revenues. Its concept is close to social entrepreneurships which includes both profit and not-for-profit initiatives (Yunus, *et al.*, 2010).

In addition, it can be argued that a social business is an innovative practice of business that can be placed anywhere between a profit-maximizing and a non-profit organization. It has difference with NGOs (non-governmental organizations) that most of which are not anticipating recovering their total costs from their operations (Werker and Ahmed, 2008). Thus, the NGOs are obliged to dedicate part of their time and energy to raising cash.

In line with Pepin (2005), Scarlata and Alemany (2010) use the term Philanthropic Venture Capital (PhVC) to define an investment that is not only focusing on maximising shareholders' prosperity but also on maximizing ethical dimensions of the social impact on the investments.¹⁴ Moreover, Scarlata and Alemany (2010) 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. 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 (2010) model in *waqf* can be seen in the Figure 1.

14. See also Zakaria, Samad, and Shafii (2013).



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

Figure 1. The Venture Philanthropy of *Waqf* Model

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 maximize social benefit rather than to concentrate on financial return maximization as accomplished in traditional venture capitals.¹⁵ 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, and the VPWM accumulates capital from *waqf* contribution. In organizational structure, the microfinance model is principally the same as profit-maximizing business, but it is modified to be socially oriented as it targets the poor and the micro-enterprise.

15. Further explanation about Venture Philanthropy can be learnt from Scarlata and Alemany (2010).

The model (VPWM) suggests that the social enterprise¹⁶ (social business entity) does not remain by just organizing 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 (Zakaria *et al.*, 2013).

Two types of returns can be obtained from the VPWM. First, if the funded 'social enterprise' has sound sustainability and has an ability to maximize its social impression, the return will be distributed to the society; and second, the self-sustainability of social enterprise is expected to create and empower the production of some financial returns (Scarlata and Alemany, 2010). If the social enterprise is a non-profit organization, revenues produced must be reinvested within the organization. On the contrary, if the social enterprise is a for-profit body, then any created returns can be redistributed to *nāzirs* and reinvested to another social enterprise through *nāzirs*. In this model, the *nāzir* 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 utilizing revenue from investments to fund the intended objectives (Alias, 2012). 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.

4.4.2. Value-Based Capital Model of Waqf (VBCM)

In this section, the difference between the value and the physical being of subject matter will be clarified. These dissimilarities are rooted from the different understanding of perpetuity and inalienability. At this point, the perpetuity of *waqf* is not understood as the perpetuity of its subject matter but its dedication to the value that is maintained and invested (Iman and Mohammad, 2014). It is proposed that the perpetuity of physical being of the object of *waqf* should be replaced by assigning a value to the dedication that can be safeguarded and invested. This is an effort to preserve the *waqf* as much as possible along with its maintenance and

16. 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" (Johnson, 2000; Thompson, 2008).

development. Additionally, effective management and maximum productivity are requirements to generate incomes and revenues that would be distributed to the beneficiaries.

Contemporary jurists proposed numerous definitions of *waqf*, but no essential amendment has thus far been proposed. Nevertheless, Kahf's (1998) definition of *waqf* deserves serious attention. Kahf (1998, p. 4) argues that the classical concept of *waqf* – "holding an asset and preventing its consumption for the purpose of repeatedly extracting its usufruct for the benefit of an objective representing righteousness and philanthropy" – needs to be reviewed and redefined. On the other hand, Kuran (2001) states that the static perpetuity and the rigidity of the *waqf* system proved "unsuitable for the relatively dynamic economy of the industrial age" (p. 843). As a response, Mohammad and Iman (2006) proposed an identification of *waqf* as "*perpetual dedication of a valuable, the value of which is amortized subsequently, whereby the valuable or its proceeds is used or invested, and its revenue is then spent on the welfare of the named beneficiaries.*" (p. 34).

The meaning of perpetual dedication here is not the perpetuity of a physical object that is the subject matter of dedication. Perpetual dedication is materialised through amortization of the value of the principle object (Iman and Mohammad, 2014). From this understanding, as a result, the object of dedication can be perpetuity or otherwise, liquid and non-liquid assets, tangible and non-tangible assets. Moreover, according to Kahf (1998), the term valuable as a substitute of *māl* is used to include human labor or time which may not be implied by *māl* as its usufruct (Iman and Mohammad, 2006). In short, perpetual dedication is not excluding temporal usage of an object. In other words, the definition agrees to temporality and alienability of the object. It stresses on the appraisal of the dedication even if it is for a shorter period.

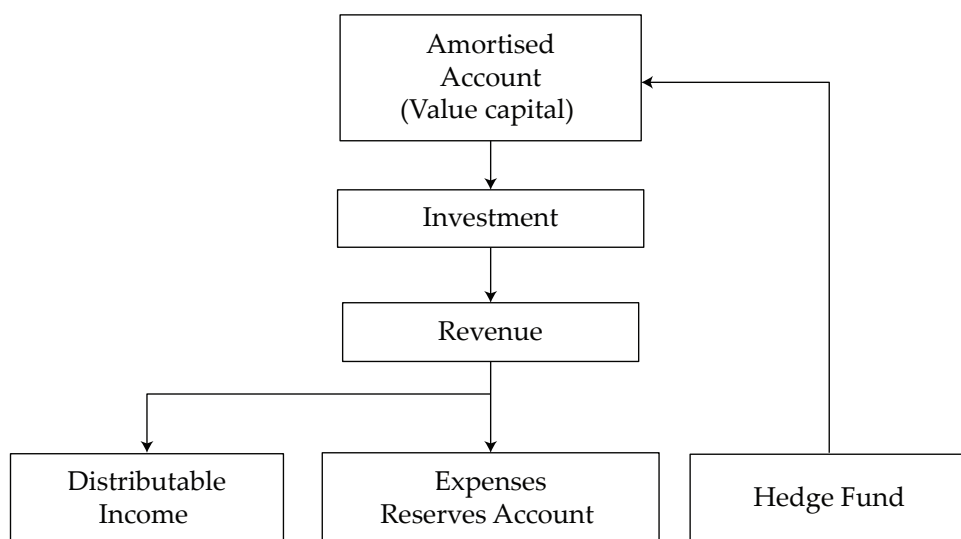
The new interpretation of perpetuity that it should expand to new forms of *waqf*, such as chattels, cash, labor, usufruct, and others, as proposed by Kahf (2000), can be accepted even though for a shorter period (activation of temporary *waqf*). Furthermore, the International Council of Fiqh Academy (ICFA) declares the following *fatwa*:

"...the condition given by creator of an endowment with regard to the investment of the waqf is binding and does not nullify the requirement of waqf. It is also binding, even if he stipulates that the full investment returns are to be spent on specific areas. In this particular case, the investment returns cannot be used to enhance the principal amount, which is the waqf itself; if the creator of a family waqf did not stipulate any restrictions and did not stipulate that the waqf should be invested, then it is impermissible to invest part of the yield, except if such investments are approved by the beneficiaries. However, it is permissible to invest part of it for a prevailing public interest (maṣlaḥah), subject to stipulated rules" (ICFA Resolution No. 140 (15/6), 2004).

The mentioned *fatwa* confirms the pliability of *waqf* as long as the *wāqif* needs to revoke it so that the *waqf* deed might not be burdened with rigidity. 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 inherent in objects (material or non-material), as present within man, and as identical with his behavior (Adler, 1956, p. 272).

In addition, anything capable of being appreciated (wished for) is a 'value'. The object has certain inherent qualities that may be desired by somebody (Adler, 1956). In this context, the value-based object of dedication that substitutes the permanency of the subject matter drives afar the restrictions of immovable and moveable properties. According to Imām and Mohammad (2006), 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.

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 (Imām and Mohammad, 2006). 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. The following figures describe the model.



Source: Adopted from Iman and Mohammad (2006 and 2014).

Figure 2. A Value-Based Capital Model of *Waqf*

Based on the Figures 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

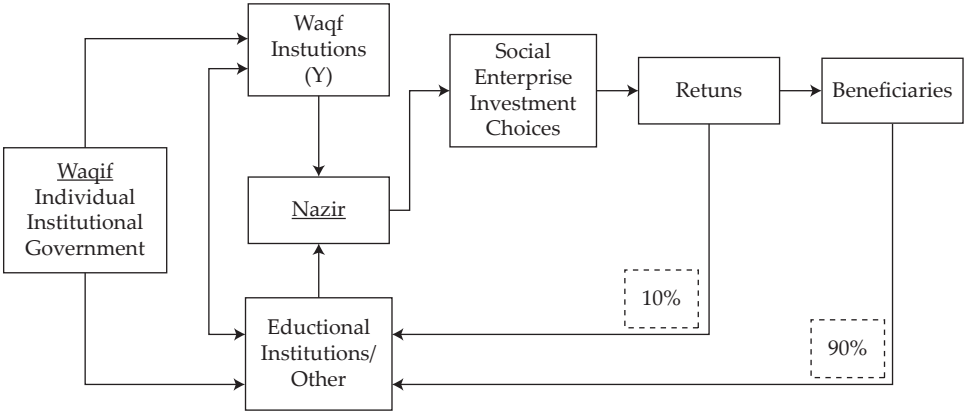
funds could be placed in a larger fund (hedge fund). This is done to compensate losses in one of the principal capital accounts (Iman and Mohammad, 2006 and 2014). It is also projected that by applying the VBCM in *waqf*, fundraising would reduce the problem of non-liquidity of the *waqf* assets and to encourage the *ummah* to contribute to the further development of *waqf* institutions.

4.4.3. Social Enterprise Waqf Fund Model (SEWF)

In the following discussion, the investigation of the best possible enterprise models for *waqf* utilization will be described. As the objective of *waqf* is welfare, 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 organizations 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 organization 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 maximize social prosperity, rather than maximizing 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” (Arshad and Haneef, 2015, p. 9).

The organizers 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 will describe the proposed model of SEWF that can be practised in the development of *waqf*. The structure of this model is highlighted below.



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

Figure 3. A Social Enterprise Waqf Fund Model

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 *nāzīr*.
- b. *Nāzīr* should manage and invest the *waqf* fund. The *nāzīrs* 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 *nāzīr* no more than 10% of return, and the 90%¹⁶ 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 of a non-profit organization like *waqf* (*nāzīr*), it needs a clear mission, careful placement, and continuous learning and teaching, management by objectives and self-control, responsibility and accountability for performance. In addition, a philanthropy venture capital, value-based capital, and social enterprise *waqf* fund models aim at structuring the *waqf* assets and funds in a modern and dynamic manner. However, this could only be done if the legal framework and the *maqāṣid shari'ah* are able to support the structure especially if it becomes a sensitive issue. Finally, SEWF as an innovation process in the *waqf* institutions that can be implemented by different *waqf* institutional contexts is based on value creation and operates by its rules and reasons. It is a model that seems well suited to support the sustainability of *waqf* institutions in Muslim society.

4.5. The Framework of Management by Objectives (MBO)

4.5.1. The Basic Concept of Management by Objectives

The primary concern of management is how to achieve the preferred outcomes efficiently. According to Maheswari (1969), emphasizing results has been the concern of the advancement of management methodologies and practices. The concept of MBO is proposed to reach that (objectives). Drucker (1954) views that MBO "is a process by which the members of an organization mutually establish its goals". The structure includes MBO ways of practicing the five basic management functions –planning, organizing, staffing, leading, and controlling. In current management literature, the terms of 'Management by Objective', 'Management by Results', 'Improving Business Performance' and 'Management by Drives', are used interchangeably to illustrate the management concept that emphasises result or goal-oriented action (Maheswari, 1969). This concept is commonly used in the non-governmental organization. In this regard, Kondrasuk (1981) asserts that MBO could be better for the private sector environment than the public-sector environment, even though no resilient evidence supports this view. McConkey (1965, p. 15) defines 'Management by Results' as:

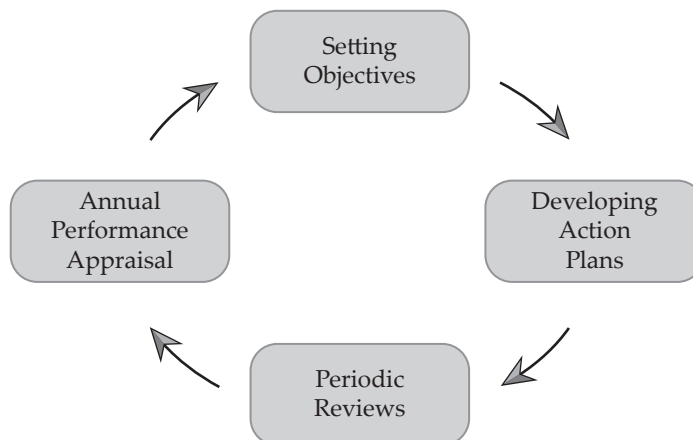
16. The *nisbah* (percentage) of shared return is based on the *ḥadīth* of Ibn Umar regarding the administrator of *waqf* who is allowed to take a portion of return to feed himself and his colleagues without excessive manner.

“...an approach to management planning and evaluation in which specific targets for a year, or for some other length of time, are established for each manager, on the basis of the results which each must achieve if the overall objectives of the company are to be realised. At the end of this period, the actual results achieved are measured against the original goals –that is against the expected results, which each manager knows he is responsible for achieving.”

Further definition can be learnt from Odiorne (1965, p. 55) who defines it as,

“...processes of management whereby the superior and subordinate managers of an organization jointly identify its common goals, define each individual’s major areas of responsibility in terms of the results expected of him, and use these measures as guides for operating unit and assessing the contribution of each of its members.”

According to Greenwood (1981), the main idea of the definition is that ‘subordinates’ take a pivotal part in arranging their objectives and not in simply getting objectives from ‘superiors’. In this regard, there are four basic mechanisms of the MBO structure proposed by Drucker (1954): setting objectives, developing action plans, conducting periodic reviews, and appraising the annual performance. MBO mechanisms support managers to measure work against stated objectives. Furthermore, Odiorne (1965) asserts that MBO is ‘a specific way of thinking about management’. Hence, it is expected that using the MBO structure in *waqf* institutions would be useful to scrutinize the essential role of *nāzīr* in the management process of achieving organizational objectives. As shown in figure 4 below, MBO concept, in addition to completing one MBO cycle, is responsible for introducing the subsequent steps:



Source: Reif and Bassford (1973).

Figure 4. Management by Objectives Cycle

4.5.1.1. Setting objectives

According to Maheswari (1969), an objective is a description of wherever an organisation desires to direct. There are three fundamental foundations of an objective, “starting point, terminal point (the expected results), and the identified

period of time in achieving the goal” (Maheswari, 1969, p. M3). Furthermore, Ordiorne (1965) classifies categories of performance goals: repetitive goals, emergency goals, innovative and creative goals, personal goals and development goals. In this regard, setting objectives, according to Reif and Bassford (1973, p. 26), is essentially a three-step process. The first step is identifying the areas of responsibility or activities that are considered important to the long-run success of the organisation. The second step is determining performance measurement for each area. The third step is setting objectives that serve as standards of which performance is measured. In other words, according to Maheswari (1969), this step defines the objectives of an organization to find its direction and determine its strategic goals.

4.5.1.2. Developing action plans

Planning is a vital step in finding out which procedure will be used, who will participate, and what data will be required to enact the plan (Worth, 2009). One may argue that the planning orientation is focused on arranging objectives and improving the plans, policies, and the programs to accomplish them. The first concern in developing action plans is dividing all of the tasks and activities into steps. The second concern is identifying any strategies. The third phase is distributing who is taking responsibility for each step. The fourth stage is determining the required resources. The fifth step is estimating the time required to perform each step. This step will ensure that each section or person knows what is expected during the specified period (Maheswari, 1969; Reif and Bassford, 1973).

4.5.1.3. Conducting periodic reviews

After setting an objective and developing action plans, the next step in the MBO mechanism is making a control system that will review the operation and designate which action being taken will result in the achievement of the stated objectives (Reif and Bassford, 1973). In this respect, the control system requires an understanding of the requirements for good performance. In addition, good performance is depicted as the personal capability to acquire goals and is weighed on the basis development being completed. This is followed by the feedback of information which is revealed in the principle that “motivation to accomplish goals inclines to develop as people are informed about substances affecting those goals” (Reif and Bassford, 1973, p. 28). In other words, awareness of the required objectives can make people in the organisation perform optimally.

4.5.1.4. Appraising the annual performance

The annual appraisal aims to review and evaluate what has been done in order to begin preparing for the coming year (Reif and Bassford, 1973). In the context of *waqf*, it is important to understand that *waqf* as a non-profit organisation does not base its strategy on money¹⁷ and make the center of its plans.

17. In other words, it can be said that *waqf* should not be profit-maximization oriented.

However, a *waqf* institution starts with the performance of its mission. Its focus is on action. Therefore, the performance assessments may be held more than twice a year based on the organization's needs. In short, utilizing the MBO framework is expected to be able to capture how a *waqf* institution devotes a great deal to achieve the mission of the organization.

V. CONCLUSION

This paper presents the discussion about the concept of fundraising and management in *waqf* institutions. It is apparent that fundraising and management are the basis of *waqf* sustainability. For that reason, the importance of fundraising and management to revive *awqāf* institutions cannot be bargained. Fundraising here covers all energies to provide financial and non-financial resources in an attempt to integrate it into social entrepreneurial activities. There are several modes of fundraising for the development of *waqf* assets and funds such as VPWM, VBCM, and SEWF.

Moreover, in order to improve *waqf* institutions, there is a suggestion to adapt or adopt non-profit management techniques. Henceforth, there is a need to employ the Management by Objectives (MBO) framework in *waqf* institutions. It is expected that utilizing the MBO framework in *waqf* institutions would be useful to examine the central role (of the organization) in the management practice of achieving organizational objectives. In short, the reason for adapting non-profit fundraising and management mechanisms' framework is because it is closely pertinent to the *waqf* institution. However, so far, the existing studies on *waqf* fundraising and management are limited. This situation gives an opportunity to conduct a future study concerning fundraising and management within *waqf* institutions.

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