Waqf for Financial Sustainability of Higher Education in Malaysia: Issues and Challenges

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Abstract: Changes have taken place in state funded education model which has been adopted for centuries around the world. A number of unfavourable budget cuts especially during the economy turn down caused a tight budget situation for higher learning institutions (HEIs). With lesser funds from the state, public institutions are forced to be more creative in generating incomes to be more financially sustainable. Malaysia is facing the same situation due to the tight budget policy, public HEIs are forced to generate their own income. The setting of philanthropy fund (namely ‘endowment fund’ or waqf) in the university is seen as an interesting move to financial sustainability. The review and interview reveals that the issues such as difficulty in raising, competent management team and “mutawalli” status are dominated in waqf set up and management in selected universities in Malaysia.

Key words: Waqf · Endowment · Higher Education

INTRODUCTION

Article 26 of The Universal Declaration of Human Rights indicates that everyone have the right to education. As it is one of main indicators of the quality of human life, education is fundamental in achieving the good quality of life [1]. Despite the importance of education, some may be denied their rights to education due to financial constraint. The rising cost of education calls for the university to carefully look at their financing methods. As a result of increasing cost, the HEIs are unable to offer education at lower or non-cost at all. This against the initiatives by Malaysian government and many others who had promotes open admission to the HEIs. In line with open admission policies for public institutions of higher learning, the relative importance of financial resources increases may limit the education accessibility [2].

According to O’Connor and Miller [3], traditionally universities obtained their funding from various sources of such as from government grants, research grants and contracts, academic fees, endowment, income gained from any investment activities and the non-operating income such as philanthropic and bequests. In order to reduce the dependency on government, students (tuition fees) and other private institutions [4], numbers of higher education institutions (HEIs) around the world have been proactive in generating alternative income and improving financial resources [5].

Universities in Malaysia have been requested to generate their own financial resources hence to reduce the dependency on the government. The universities are utilizing their assets to generate income and some have set up the endowment fund and waqf. In some HEI’s the collected fund is known as waqf [6]. Endowment and waqf has been proven as a vital medium of funding in supporting not-for-profit institution for ages which is not only limited to help the poor and less fortunate, additionally as an alternative income for higher education institution [7]. While endowment seems to be familiar in western community, waqf represents noble effort to finance higher education in Islamic countries.
This paper explores issues and challenges in setting, managing and utilizing endowment and waqf funds in the selected universities in Malaysia. A review of philanthropy, endowment and waqf helps to clarify and distinguish each. An interview with the waqf or endowment personals reveals the issues and challenges in setting and managing the funds effectively.

**Philanthropy, Endowment and Waqf**

**Philanthropy:** Philanthropy signifies 'the love of humanity' in the sense of caring, nourishing, developing and enhancing 'the mankind' on both the benefactors and beneficiaries such as Harvard, Cambridge, Oxford and Yale. The philanthropy may describe as the action to give money, time and talent or expertise to those in need [8]. Zunz [9] described that philanthropy is available to any individuals, groups and organizations. Thus, it will form a philanthropic ecosystem when all interdependent entities interact to each other [8]. This tradition philanthropic has been supporting the students of Cambridge and Oxford for a long time [10].

**Endowment:** An endowment is defined as a financial asset consists of investment fund or in other form of property which is donated to non-profit group, institution or individual [11]. It depends on the donor’s intention either being specified to certain purpose or certain groups of receiver or individuals or for public uses. Most principal amount of endowment will be invested and a part of investment earnings will be spent and the remaining incomes are reinvested back into the fund [12].

According to Cejnek et al. [7], the contributions may come from the investors, mutual funds, sovereign wealth funds and pension funds. The using of endowments in universities allows more independence, operational stability and facilitates educational excellence. Previously, endowment comes in property as a gift bestowed for an institution which provide a stable and secure income. A stable and promising fund performance and actively fundraising activities would trigger the growth of endowment. Nowadays, it can be seen the endowment going through transformation by having high diversified portfolios. Both public and private universities are depending on their ability to gained funding from various sources.

**Waqf:** Waqf and Islamic history could not be separated as it plays significant role in assisting the development of education, health centre, religious building, and also for public infrastructure. Waqf is familiar as a medium of poverty alleviation [12]. Kahf [13] categorized the purpose of waqf into religious waqf, family waqf and philanthropic waqf. Education purpose is included in philanthropic waqf as it is intended to help the poor and less fortunate, and contributes to any activities which benefited the public. In Islam, we are strongly encouraged to do waqf. Waqf is a way of distributing and sharing wealth of a person with others [14]. Waqf can be understand by, to hold of certain property from being disposed and the benefits from the property can be utilized for specified purposes as mentioned by the donor. A waqf property cannot be disposed and the ownership is belonging to Allah swt [15].

**Waqf in Higher Education Around the World:** The most well-known endowment fund of Harvard and Oxford are adopted from the concept of waqf into their education system [17]. Historically, University of Al-Azhar, Egypt was funded by waqf for almost 800 years until now due to the spirit of university is a platform to provide education from primary till tertiary level at the lowest fees and burden less to students [18]. The equality value practiced in seeking knowledge and lighten the financial burden successfully attracts students from worldwide to further studies there [19].

In Asia, Indonesia is one of the countries that actively involved in waqf education. For instance, Pondok Modern Darussalam Gontor (PMDSG) is a well-known institution. It has been founded in 1926 meanwhile the implementation of waqf management has started in 1958. The principle of collective ownership and responsibilities, transparent and accountability was strengthening the administration of waqf management of PMDSG. The above discussed examples demonstrate the successfulness of endowment or waqf fund in higher education.

**Methodology:** This paper reviews the management of endowment or waqf fund for higher education among universities in Malaysia; Universiti Putra Malaysia (UPM), International Islamic University Malaysia (IIUM), UniversitiTeknologi Malaysia (UTM), Universiti Kebangsaan Malaysia (UKM) and UniversitiSains Islam Malaysia (USIM). These five universities were selected due to the existence of endowment or waqf fund at the university level. In addition, UPM, UKM and UTM are Research University (RU) where they have autonomy in management and development of universities. All information was collected through secondary data from articles, journal papers, newspaper articles, official
website and others. For primary data, interview sessions were held with Mr. Nuruliman (UPM) and Mr. Shamsul Azhar (IIUM).

**Waqf in Higher Education in Malaysia:** In Malaysia, several local universities are come up with the ideas of endowment fund or waqf. The evolutions on waqf or endowment fund in Malaysian universities are discussed below.

**Waqf Knowledge Fund, UPM:** Waqf Knowledge Fund by UPM was established in 2011. The fund is a multipurpose vehicle to raise funds and disbursed to those qualify or improving services within university. Several platforms were used in fundraising such as from individual contributions, corporate donations, cooperatives and non-government organization, waqf property, revenue from agriculture and plantation and industrial and development projects. This will provide a long term sustainable infrastructure for the UPM’s students and staff’s needs. UPM is planning to upgrade and diversify their waqf products and involved in developing commercial buildings and car park at Serdang Hospital.

A memorandum of understanding (MoU) between UPM with Selangor Islamic Religious Council (MAIS) was signed in managing waqffund through the establishment of Sharia Committee and UPM Waqf Knowledge Fund Committee at university level. This institution is under UPM Bursar Office and is headed by the Head of Section and assisted by two assistant accountants.

**IIUM Endowment Fund (IEF), IIUM:** IEF was officially established in 1999 by the second rector of IIUM. Initially, IEF is a trustee to any donations received by IIUM. It was established to address the serious financial problem among international students, and now it is extended to local students who are excellent in academic but financially incapable. IEF’s Executive Board is chaired by the Honourable Rector while the Deputy Rector of Student Affairs is the Deputy Chairman together with six other members. The IEF’s management team is headed by a General Manager and is supported by Corporate Communication Unit, Investment & Business Development Unit and Zakat & Training Services Unit. Currently, the staffs of IEF were not part of university staff except the Director of IEF and the salaries of management staffs were paid through the endowment.

Fund from zakat and waqf are used to help the qualified students by interview process conducted by Student Financial Department. The donors will receive full report on fund’s receivers. IEF is responsible in managing and generating the endowment fund such as involved in developing hostels and commercial building for student facilities.

**Al Abrar USIM Waqf Fund, USIM:** USIM established Al Abrar USIM Waqf Fund with co-administered between the Negeri Sembilan Islamic Religious Council (MAINS) and its management in 2013. USIM aims to create a hybrid university with funding from government and waqf (70:30) and is supported by corporate and good governance of Sharia compliance waqf institutions, social enterprise and waqf funding in Islamic HEIs. The funding will be utilized to provide medical equipment for USIM teaching hospital such as to build USIM specialist clinic and a haemodialysis clinic of USIM-MAINS. MAINS is the “mutawalli” and responsible in implementation of both projects before handed over to USIM for operational purpose. Both clinics serve the patients whom are the recipients of zakat for free. USIM have been appointed as “mutawalli” since July 2013 [18].

**UKM Waqf Fund, UKM:** UKM Waqf Fund was established in 2010 to assist the needy students in terms of academic fees and cost of living, upgrading generic skills and providing scholarships to postgraduate students who doing research. This waqf fund is utilized for student’s welfare and academics, students’ development, research and academic development and UKM’s industry and community partnerships. Donations may take in the form of monthly basis or in lump sums in forms of cash, financial securities or fixed assets. Initially the funding for education and welfare is distributed to first year students only. It is expected 47 students receiving around RM6590 each student [19].

**MerdekaEndowments, UTM:** It was initiated by Vice Chancellor of UTM to provide scholarships for Bachelor Degree for excellent undergraduate students of UTM, sponsorships for Professor Chair, publication of scientific materials and implementation of high impact programs to inculcate the knowledge culture in UTM. Merdeka Endowment Fund is originally to fund academic initiatives and activities. Since 2009, the total endowment fund in early 2013 was RM53 million and has successfully funding 550 UTM’s undergraduate students. The contribution of endowment fund may be done via cash, bank draft, deposit to UTM Bank Account, and salary deduction for UTM staff, online payment and credit cards.
Issues and Challenges: The analysis discussed below shows that the issues and challenges of waqf education in Malaysia may differ from universities in overseas.

Management Issue: Problematic financial management will interrupt the administrative works, poor facilities, and limited skilled human resource, less promotional activities. Hence, the issue of misunderstanding about waqf concept may arise among the public. Effective financial management of endowment is important to have a successful institute of waqf education. The distribution of funds for physical development, operating cost and academic excellence programs should be considered in financial management.

The management concept of endowment in overseas may differs with Malaysia. Mostly the institutions are managed by a group of expertise from various fields forming a corporate entity like a company. For example, the Harvard Management Company (HMC) manages the Harvard’s endowment fund with expertise in investment and operational disciplines through portfolio diversification, innovative investment approaches and prudent risk management.

Meanwhile, universities in Malaysia take this opportunity to apply the concept of endowment or waqf into education sector to reduce the reliance on subsidy from government. The waqf institution is under the university management and also monitored by the SIRC. Thus, it may cause certain limitation to the institution where any actions taken, products offers, programs or fund raising methods should be approved by the committee members of universities' top management and fulfill the requirement by SIRC. The fund raising methods are different from the overseas endowment. Thus, it creates new culture of donations which it takes time to be accepted by the public. Hence, there are rooms of improvements of waqf education in Malaysia to be explored further in the future.

Conflict in Jurisdiction Between State Religion Authority and University: The management and administration of waqf property is under the administrative of SIRC as the sole holder of waqf properties in Malaysia. For waqf education, the universities are the “Mutawalli” and also as the receiver of waqf fund. Hence, overlapping of jurisdiction between the power of SIRC and the university may occur. This may lead to conflict between state and universities as religion is a state matter. The university must get the “Mutawalli” status from State Religion Authority. To overcome this, universities should cooperate with SIRC to empower the role of waqf in higher education.

The governance structure of waqf started with “Nazir” as a supervisor where he could giving his opinion if there are any conflicts arise regarding of waqf matters in the absence of the donors. The donors need to appoint a “Mutawalli” as the waqf manager who manage the waqf expenses and administration matters. “Mutawalli” could be anyone who is trusted by the waqf. “Nazir” is responsible to monitor and decides on “Mutawalli”’s action. In context of waqf education in Malaysia, the waqf management at university level will be the “Mutawalli” and supervised by SIRC in each state. The role of “Nazir” helps in prevent from any misused of waqf fund or property.

One of the issues facing by the waqf management teams is the difficulty to get the approval as “Mutawalli” from SIRC. It is due to SIRC is a sole trustee of waqf as stated in Section 32 of EnakmenWakaf (Negeri Selangor) 1999. UPM has been approved as “Mutawalli” in 2011 for 3 years. To be recognized as “Mutawalli” by the Religious State Authority, UPM is planning and preparing suggestions and recommendations for improving their services and at the same time fulfilling the requirements of MAIS and complied Shariah requirements.

USIM has been approved as mutawalli by MAINS. Section 33 allows MAINS to appoint any competent and qualified individuals or agents to manage waqf and its investments. USIM is needed to submit management and financial report of Al-AbrarWaqf Fund to MAINS periodically and having separate account for waqf fund to avoid the mixing of waqf fund with the other donations. The endowment or waqf fund should be given more autonomy in generating income. In this case, HEI’s must follow rules and regulations by SIRC.

Promotion, Public Awareness and Transparent: The successfulness of Harvard and Yale endowment funds is depending on the accessibility and publicly reporting it’s the performance annually. The management should be transparent and proactive in managing the funds received. The management of IEF emphasized that the donors; outsiders or university’s staffsshould be informed about the performance of fund in convincing manners. Thus, the institution is recommended to disclose the performance and progress of waqf fund from time to time.
The waqf administrators emphasized that the awareness of giving is not limited to the donors, but the awareness and understanding of waqf or endowment among the individuals are essential. As it may difficult to gain the public trust, the management should be proactive and creative in managing and promoting using available sources and latest technologies. A combination of capable management team, fully utilization of social media and information system, creative and proactive management team will ensure the success of waqf institution in HEIs.

CONCLUSION

To empower waqf education in Malaysia, there are issues and challenges need to be addressed by the institution. The effective management between waqf institutions and the university management should be blended together in achieving the optimum results of waqf education. Public awareness about waqf as well as the awareness among university’s staff, students and the administrator of waqf institution itself is essential. By having a responsible, competent and committed institution with innovative and creative waqf products, proactive promotions and systematic information system will be contributes to best practice of waqf education at tertiary level of education. The development of waqf and endowment in HEIs should be supported by SIRC in Malaysia in promoting and practicing waqf in Malaysia. The success of waqf fund in the universities will certainly resulted in reducing their reliance on government fund.

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REFERENCES


