

# CORPORATE GOVERNANCE IN SUSTAINING WAQF FUNDS: CASE STUDY IN PAHANG ISLAMIC RELIGIOUS AND MALAY CUSTOMS COUNCIL (MUIP)

<sup>1</sup>Marina Abu Bakar, <sup>2</sup>Shofian Ahmad, <sup>3</sup>Ahmad Dahlan Salleh, <sup>4</sup>Mohd Fairuz Md Salleh

**ABSTRACT--**Waqf is any property that a waqf giver holds on the property from any deal of sale, inheritance, grants and will while maintaining its physical resources in carrying out the welfare aimed at drawing closer to Allah. The Pahang Islamic Religious and Malay Customs Council (MUIP) were established in 1926. MUIP is committed to ensure that corporate governance practices are consistent with the applied standards of practice in Malaysia as well as ensuring the application of best practices in the organization of its investment companies. Council Members believe that good corporate governance values can help MUIP achieve its stated goals and objectives, while protecting and safeguarding the interests of stakeholders. This study was a qualitative study in the form of case study and was conducted to analyze the corporate governance practiced by MUIP in sustaining waqf funds. Data collection involved MUIP documents and semi-structural interviews with MUIP officers. Data analyses used are document and content analysis methods. The findings showed that MUIP is committed to administer waqf in Pahang state and accumulated waqf funds can be sustained as it is used for Muslim socio-economic development in Pahang state. The implication of this study is that Pahang Islamic Religious and Malay Customs Council (MUIP) is able to identify strategies that can be considered in preserving the sustainability of waqf funds in Pahang. One of the strategies used by MUIP is to combine the governance of waqf, baitulmal and investment under one administration. This has led MUIP to be able to address the issue of insufficient funds in sustaining waqf in Pahang. In addition to this, the waqf development projects that conceptualize the integration of zakat, waqf and baitulmal can help to assist development on the undeveloped waqf lands without having to wait for sufficient cash waqf contribution. The results of this study are expected to assist parties involved in managing sustainable waqf funds in the future.

**Keywords--**Corporate governance; Waqf Governance; Waqf sustainability; Waqf funds; Pahang Islamic Religious and Malay Customs Council (MUIP)

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<sup>1</sup> PhD Student, Centre for Contemporary Fiqh and Islamic Compliance, Faculty of Islamic Studies, National University of Malaysia & Lecturer, Kulliyah of Sharia and Law, Sultan Abdul Halim Mu'adzam Shah International Islamic University, Malaysia, cikmarina9@gmail.com

<sup>2</sup> Associate Prof Dr., Centre for Contemporary Fiqh and Islamic Compliance, Faculty of Islamic Studies, National University of Malaysia, Malaysia, shofian@ukm.edu.my

<sup>3</sup> Senior Lecturer, Centre for Contemporary Fiqh and Islamic Compliance, Faculty of Islamic Studies, National University of Malaysia, Malaysia, dahlan@ukm.edu.my

<sup>4</sup> Senior Lecturer, Centre for Sustainable and Inclusive Development, Faculty of Economics and Management, National University of Malaysia, Malaysia, fairuz@ukm.edu.my

## I. INTRODUCTION

Waqf is a practice of giving gifts other than zakat, charity (*sadaqah*), wills, grants (*hibah*), donation (*infaq*) and so on. In Malaysia, waqf was known among the Muslim community before the 1950s, in line with the arrival of Islam in the region. At that time, the land was donated for the construction of prayer halls and mosques, orphanages, study centers and cemeteries. However, at this early stage, the waqf property was handed over to the community leaders, consisting of imam, religious teachers and well-known persons to administer and manage waqf property (Md Noor, S.Z., 2008). The administration and management of the waqf are under the authority of the State Islamic Religious Council (MAIN). Each state governs in accordance with its respective State Enactment as provided in the Malaysian Constitution. The MAIN acts as a vassal or guardian of every waqf property registered under the Council, including in the state of Pahang. Therefore, the waqf property must be supervised and developed to meet the intention of the waqf giver to receive a long-term reward as a result of the benefits received from the waqf property. Waqf property is a trust that should be taken into account by the holder, especially in ensuring that the purpose and intention of the waqf giver is fulfilled (Ahmi, A., Mohd Nasir, M. H & Mohd Sharif, M. H., 2005). Good governance is very important in ensuring that all parties involved carry out their responsibilities in a transparent, responsible and prudent manner. Effective management and administration of the waqf can build and guarantee the socio-economic sustainability of the Muslim community.

## II. CONCEPT OF WAQF IN ISLAM

In Arabic, the word waqf is derived from *waqafa* which means to hold something. Here, holding something means holding one's property for the public good for the sake of Allah (Al-Ansari, J. M., n.d). There are various definitions of waqf have been suggested by the Muslim jurists such as al-Qurtubi, al-Sharbini and Ibn Abidin. Imam al-Qurtubi stated that waqf is to spend the wealth and its benefits to achieve God's pleasure and get closer to Him (Al-Qurtubi, Y. A., 1980). Al-Sharbini argued that waqf is holding properties or goods that can be used for the sake of its physical existence in accordance with the conditions permitted by Islamic law (Al-Sharbini, M., 1933). Meanwhile, Ibn Abidin explained that the waqf is holding an asset over its proprietor and used for the public good (Ibn Abidin, 1966). From the definitions of the aforesaid waqf, it can be concluded that the waqf property in Islam must have seven distinctive features, namely; the property to be used must be clearly owned, can provide benefits, non-Islamic prohibited property, which is physically immovable, shall not be used other than as required, for the unnamed waqf, so it may be used in accordance with the requirements of Islamic law and the results of the waqf can be used for general or special interest. Waqf is an optional worship that is highly encouraged by Islam.

Waqf is divided into four pillars, namely; waqf giver, waqf property, waqf recipients and *ijab* and *qabul* (*sighah*) (Al-Khin, M & et.al, 2003). The jurists have divided the waqf into three main types, namely; in terms of acceptance, purpose and time. From the point of view, waqf can be divided into two; specific waqf and general waqf (Al-Zuhayli, W., 2009). A specific waqf is a waqf that the recipient has clearly defined, either to a specific individual, group or institution. This type of waqf will result in the property being conveyed to the recipient, and only those who have the right to manage, use and benefit from it. General waqf is a waqf which is not clearly defined by the recipient, but is common to the welfare of the people. This type of waqf does not require an element

of acceptance in the Islamic law, but it will belong to Allah. Waqf is also managed by the Sultan or the government, while the benefits are distributed to the general welfare. From the point of view, the waqf can be divided into three; charitable waqf, family waqf and allied waqf (Abu Zahrah, M., 1971). Charitable waqf is done because of Allah and the welfare of human beings. Family waqf is a waqf dedicated exclusively to yourself and the family only. Whereas, allied waqf is a waqf which combines welfare and family waqf. For example, Azman as a waqf giver donated his wealth for charity with a total of RM 1,000.00 and the rest was donated to the family. From time to time, waqf is divided into two types; namely temporary waqf and permanent waqf (Abu Zahrah, M., 1971). Temporary waqf is a waqf limited by such a period of two years. After this period, the property is no longer valid. Permanent waqf is a waqf made indefinitely without limitation of time, which can be classified as a charitable gift that will continue to reward the waqf giver perpetually until the property is destroyed or can no longer be used.

In terms of property ownership, jurists are divided into two groups. The first group, the jurists of the Hanafi and Maliki sects, considered that the waqf property still belonged to the waqf giver. According to them, waqf is likened to a loan, rather than a gift or gift. Therefore, only waqf recipients benefit from waqf property. They also believed that the waqf giver is the most qualified person to be the waqf administrator and that management tasks should not be delegated to others. The view of the second group is different from the view of the first group. The second group led by jurists of Shafi'i and Hanbali sects. They said that the waqf property is transferred to the waqf recipient. According to them, waqf is the transfer of ownership from the waqf giver to the waqf recipient. This is equivalent to a gift or grant, in which the waqf giver no longer has any control over the property that has been donated to the recipient. However, jurists agreed that all waqf property should not be sold, donated, given to others or inherited as long as it remained valid. Based on the concept of waqf in Islam, it can be understood that waqf property, either general or special, only belongs to Allah. According to this principle, waqf property cannot be sold, purchased, used as a gift or inherited by waqf giver or waqf recipient or beneficiary. Therefore, the use of this waqf property is handed over to the waqf recipient and is managed according to the will of the waqf.

### **III. THE IMPLEMENTATION OF WAQF IN MALAYSIA**

The waqf belonged to the religious affairs of Islam located under the jurisdiction of the state government. The provisions on waqf are contained in the State Administration of Islamic Religious Enactment (EPAIN) and as of 2019, only six states in Malaysia have Waqf Special Enactment, namely, Selangor, Malacca, Negeri Sembilan, Perak, Terengganu and Sabah. All provisions of EPAIN and the Special Waqf Enactment expressly state that the State Islamic Religious Council (MAIN) is the sole holder of all types of waqf property. This means that other parties are not allowed to handle waqf management. Among the provisions contained in waqf are MAIN as sole trustee of waqf property, distribution of waqf property to special waqf and general waqf, benefits of special waqf are only for the purpose of such waqf, general waqf benefits may be used for non-conflict purposes under the Islamic Law, all property to be donated must be permanent, beneficial to the Islamic State and non-revocable, the ownership of the property should be permanent, the purpose of the waqf must be on matters required, the prohibition to exceed 1/3 of the property owned and records of waqf property must be kept by the MAIN (Sayin, B., Ali, A & Suyurno, S. S., 2006). In managing the waqf, MAIN manages all of the waqf applications made by individuals or organizations including special and general waqf, records and registers all types of waqf properties,

regulates all types of waqf properties as well as develops waqf properties, especially general waqf properties. In practice, there are various types of waqf implemented in Malaysia such as real estate waqf, cash waqf, stock waqf, waqf stocks, waqf takaful plans and so on.

#### **IV. LITERATURE REVIEW**

The terminology of corporate governance is still relatively new and is a debate among the public and academic scholars, although issues related to governance such as transparency, accountability and control already exist (Talamo, G., 2011). In general, no definition of corporate governance is universally accepted. Instead, there are different definitions that analyze aspects of corporate governance specifically. Corporate governance can be defined as a set of relationships between company management, corporate boards, shareholders and other stakeholders. Accordingly, corporate governance provides a structure, which sets out the company's goals and how to achieve those goals as well as performance monitoring (OECD, 2004). The concept of corporate waqf has opened up a new trajectory in the management of waqf assets involving cash and stock by incorporating corporate institutions and the practice of corporate culture such as professionalism, accountability and transparency. There are several aspects of corporate waqf such as large property size, large funds, professional management groups, public confidence in corporate governance as well as recognition from the government which is seen as a value added compared to traditional waqf implementation or without the corporate aspect.

The involvement of the corporate sector in the practice of waqf began as the new Muslim countries escaped the clutches of the colonial economy and began to organize economic structures based on Islamic economic structures with the introduction of Islamic banking and finance, strengthening of baitulmal institutions and the establishment of zakat and waqf institutions. This scenario also occurs in Muslim minority countries where Muslim-owned corporate entities are involved in the establishment and management of waqf assets. Among the focus of the distribution of waqf benefits include aspects of education, health and more (Mohd Ramli, A & Jalil, A., 2014). Two of Turkey's leading conglomerates, namely Koc Holdings and Sabanci Holdings, were considered to be among the earliest corporate companies involved in corporate waqf activities, in the mid-60s (Abdel Mohsin, M. I., 2009).; Cizakca, M., 2011). Koc Holdings, which has about 500 subsidiaries, has donated its share of the company and focused on distributing waqf benefits to the financing of higher education institutions (universities) and scholarship to students. A corporate waqf entity has been established, namely the Koc Foundation to manage waqf assets and to distribute waqf benefits to recipients (Cizakca, M., 2011). The establishment of a corporate waqf for education and health financing was undertaken by Hamdard Laboratories in Pakistan which handed over the profits of the company as waqf. Hamdard Foundation is a corporate entity established to manage the waqf assets acquired and to provide benefits to recipients. The beneficiaries consist of the poor and the needy to finance education and health costs (Abdel Mohsin, M.I., 2009).

In Bangladesh, a banking institution, namely the Social Investment Bank of Bangladesh (SIBL) started in 1995, introduced a waqf-based micro financing scheme. The scheme known as the "cash waqf certificate" provides individuals and organizations with the opportunity to provide waqf in cash and the amount raised will be distributed to individuals eligible to start small and medium businesses (PKS) (Mannan, M.A., 1999). Cash waqf-based micro

financing implemented by SIBL has helped Islamic entrepreneurs in Bangladesh start their businesses. In contrast to the corporate waqf model in other countries, SIBL has acted as a waqf entity by managing, investing and delivering waqf benefits to recipients. Through the implementation of corporate waqfs in several countries such as Turkey, Pakistan and Bangladesh, aspects of waqf property management are in the form of movable assets such as cash, company shares and dividend stocks that are fully managed by corporate entities. (Abdel Mohsin, M.I., 2013). One of the important elements of the corporate waqf structure is that the waqf asset is in the form of movable property, while the trustee of the waqf corporation is a trustee (*mutawalli*) and also the waqf property recipient (Mohd Ramli, A & Jalil, A., 2013) waqf that focuses on health aspects through the network of An-Nur Waqf Clinic and An-Nur Waqf Hospital (Mohd Ramli, A & Jalil, A., 2013; Mohd. Hanefah, H. M, Mohd. Ramli, A & Jalil, A., 2009; S. A., Anwar I. F., Aziz, S. A., & Sabri, H., 2017). Patients receiving treatment at the clinic and hospital are charged a minimum, namely Five Ringgit Malaysia and patients comprising of Muslims and others. In addition to the dividends being distributed, WANCORP also provides an opportunity for individuals to provide waqf by becoming a corporate waqf, which some of the members' fees are donated. Aspects of the practice of corporate governance in the management of waqf assets by WANCORP can be seen through the Annual Financial Report as well as reports of other activities. In September 2012, an Islamic finance company, Bank Muamalat Malaysia Berhad (BMMB) has been working with the Selangor Waqf Corporation (PWS) to introduce a cash waqf scheme known as the Waqf Selangor Muamalat. Through this partnership, BMMB and PWS are joint managers of waqf assets acquired through the purchase of cash waqf certificates that can be made at any BMMB branch. In addition, waqf contributions can also be made through internet banking, monthly deductions and periodic payment instructions (BMMB, 2019). In terms of channeling the benefits of waqf, it is very common; waqf recipients comprise the education, health, religious and social sectors. Among the recipients are prayer halls, mosques, schools and even individuals to cover health and education costs. Reports on the collection and distribution of waqf benefits are provided quarterly to facilitate stakeholders to obtain detailed information about waqf in detail. The features of the corporate waqf that give waqf giver the flexibility as a manager and recipient of the waqf have attracted public universities to set up a waqf fund to generate more income to finance the scholarship scheme and the cost of operating the institution. The need for alternative funding for universities is urgent, especially as the government has reduced the annual allocation of about 10-20 per cent to public universities starting from 2016 (Mokhtar, M. Z., 2016). There are several public universities that have implemented waqf schemes such as UIAM, UKM, UPM and USIM. The establishment and management of the waqf at the university are managed by the waqf entity which is responsible for collecting, managing, investing and distributing benefits to the recipient. At present, most recipients consist of students who receive waqf benefits in the form of scholarships (Mohd Ramli, A & Jalil, A., 2013).

In Malaysia, a preliminary study of accounting and administration of waqf was conducted by Abdul Rahman et.al (1999). He found that the management of waqf in Malaysia was not systematic. In addition, there are weaknesses in the accounting system for waqf assets as there is no written procedure for recording waqf transactions. In fact, the waqf institution in Malaysia is not yet a body that can contribute towards the socio-economic development of the ummah (Abdul Rahman, A. R., Bakar, M. D., Ismail, Y., 1999). This is because, until now, many waqf lands have not been developed even though they are located in highly strategic areas.

Statistics released by JAWHAR show that there are 11,511 hectares of waqf land worth RM 116,441,667 in Malaysia, but only 0.72% of them has been developed. (Mohamad, N.A, Kader, S.A., Zubaidah, S., & Ali, Z., 2012). In 2015, JAN audited waqf management. The corporate waqf terminology was first used by Johor Corporation (JCorp) who launched corporate waqf in 2006 by donating its RM200 million worth of shares in its subsidiaries, namely Kulim (M) Berhad, KPJ Healthcare Berhad and Johor Land Berhad. (JCorp, 2006; Hashim, M.A., 2011). Waqf An-Nur Corporation (WANCorp), a subsidiary of JCorp, is responsible for managing corporate waqf by MAIN for 2014 and found that waqf was not managed properly and effectively by the institution (Auditor General's Report, 2014). The Auditor-General has recommended that MAIN improve the management of waqf property so that Muslims can benefit socio-economic of the waqf property. The MAIN also advised to continue efforts to improve the management and development of waqf property to ensure that the responsibilities entrusted to them and the goal of waqf can be achieved optimally. The fund is the main source for developing the waqf properties in Malaysia. Without sufficient funds, the development of waqf property will not only be hampered, but it is likely that the waqf property will be abandoned. Director General of JAWHAR emphasized that limited funds are one of the obstacles faced by waqf administrators. The statement was also agreed by the Director of Waqf Division at JAWHAR which stated that MAIN faced a serious shortage of funds to develop the waqf properties that had been entrusted. At the same time, the problem of lack of funds was also raised by YWM. YWM is one of the parties responsible for raising funds for the development of waqf property in Malaysia (Mahmood, R. H & et.al, 2017).

Mahmood, R. H & et.al (2017) in a paper, titled "Waqf Management in Malaysia: Issues and Challenges" also raised concerns in waqf land development as waqf land could not be fully utilized to generate income. In this study, they also outline some issues and challenges of waqf management that should be taken seriously such as issues of lack of funds, internal controls, database shortages, public awareness, lack of expertise and legal inequality. The issue of lack of funds by the waqf institution was also agreed by several other researchers such as Mohamad (2012), Azha (2013) and Iman (2014). They pointed out that the waqf institutions in Malaysia were having problems with insufficient funds in developing the waqf land which led to the failure to provide sufficient funds for the development and construction of waqf land. This will affect the development of the waqf land. As a result, the waqf lands become abandoned and cannot be developed. In addition, the diversity of waqf property governance under MAIN supervision in every state of Malaysia has created a gap in the aspects of waqf property governance in Malaysia. Comparative studies conducted in six states in Malaysia have revealed that different states use different methods of managing waqf property. These methods include the issuance of cash waqf shares, the development of commercial units for rent and the purchase of land for sale to potential waqf giver. The inconsistencies in waqf governance adopted by these states clearly show that a standard, applicable waqf property governance model is needed in all states in Malaysia (Isa et.al, 2011).

Meanwhile, waqf activities in the form of movable assets such as cash have raised issues such as accountability, transparency and professionalism in the management of funds derived from these assets. Cash waqf fund management involves a number of activities such as fund raising, distribution of funds and fund investments that require the expertise, experience and best management of fund management which is an important element of the corporate sector. With the advent of the corporate waqf concept that not only manages cash waqf assets, but

also includes the company's declared assets, profits and dividends, a systematic corporate governance structure in the management of waqf assets is essential (Mohd Ramli, A & Jalil, A., 2014). Mohd Ramli & Jalil (2014) also emphasized that if a culture of responsibility, wisdom and transparency in the corporate sector is embedded in the concept of corporate waqf, it could bring a new dimension to the current waqf management. This is because corporate waqf has its own unique characteristics. Strong professional participation and management as well as public confidence in their practices and government recognition can boost the potential of the existing waqf.

Cash waqf and corporate waqf activities involve the collection of waqf funds in the form of financial assets that require the involvement of the waqf givers consisting of individuals, government agencies, private agencies and corporate entities. When referring to studies on the behavior of the waqf giver, a study conducted by Amirul Faiz et.al (2015) on the tendency of waqf giver to implement cash waqf in Selangor found that trust factors play an important role. According to Mokhtar (2016), the aspect of service delivery of waqf agencies is one of the driving factors for USM staff involved in cash waqf activities. Based on these studies, it is found that there are two main factors, namely, trust and service delivery are very important in encouraging more participation of waqf givers in waqf activities (Mokhtar, M. Z., 2016). The trust of waqf givers in the credibility and the ability of waqf managers to fulfill the waqf's aspirations need to be established and nurtured. On the other hand, aspects of service delivery need to be maintained and enhanced from time to time. Johor Corporation (JCorp), for example, started a waqf clinic in 1998. The same idea was supported by Zakaria, Abd. Samad & Shafii (2012), proposing generous WAQF Model efforts. Through the proposed model, they have suggested that the initial capital waqf donated by individuals or generous groups (VP). In addition, VPs can also contribute in terms of human capital talent such as running a waqf business that provides innovative ideas, business strategies and an appropriate performance measurement system. When businesses are mature enough, independent and corporate able to manage for their own financial support, then the VP will not engage anymore. A professionally managed corporate waqf platform based on good legal structure and governance has the potential to attract broader participation from waqf givers as it provides greater image and confidence to the market (Zakaria, A. A. M., Abd. Samad, R. R., & Shafii, Z., 2012).

Governance of waqf institutions is only considered successful if the parties involved carry out their responsibilities with high, transparent accountability principles, which not only involve aspects of waqf reporting, but also involve the operation of waqf in MAIN and corporate waqf institutions (Mohd Noor, A.H & et.al, 2014). Waqf governance generally involves two levels of management (Kamri, N.A & et.al, 2014). The first stage involves planning to see how the waqf property can be planned, developed and benefited the community. In the second stage, management is more focused on the management of the waqf property. It is undeniable that governance is one of the key factors in ensuring that the implementation of a plan is systematically successful and achieves the goals set within an organization. In terms of governance, waqf should develop all the functions of the product (*mawquf*) and its importance in improving the standard of living of Muslims (Ahmad, K., Md. Ariffin, M. F & Rosele, M. I., 2013). This waqf governance is important as it covers the following aspects: sufficient staff and management expertise, manager's understanding of waqf, management facilities such as use of latest technology, data storage on waqf, waqf property development reports and so on (Mustaffa, N & Muda, M. Z., 2014).

However, there are some issues that arise in waqf governance. According to Abd Malib & et.al (2015), there is an inconsistent administration and this creates a conflict of interest for the management of waqf property as the

problem arises from the non-updated waqf property information and the unregulated administrative unit. It is also stated by Sunny (2007) that this inconsistency will contribute to the weakness of the waqf management system in each state. This statement was supported by Bahari & et.al (2012) who stated that the inconsistent laws between the MAINs have led to differences in the aspects of understanding, interpretation, procedure, law and the issuance of fatwa. These differences will hinder the fundraising and development of waqf as they do not have the same interpretation and understanding. Meanwhile, Ismon & et.al (2015) argued that, although there are potential waqf assets to develop, human resource issues and lack of expertise are often considered as challenges in waqf governance in Malaysia. Hussin & Abd Rashid (2015) also added, the MAIN staffs were burdened with various tasks and this would result in a lack of specialization in the development of waqf. Successful governance of a waqf institution can be achieved when MAIN successfully performs its responsibilities with transparent accountability in waqf operations. There are differences in the governance of waqf property between the states in Malaysia. Nor Aishah in his study emphasized the need to standardize waqf management to improve the quality of waqf management as a whole (Mohd Ali, N. A & et.al, 2014). The standardization has seen a significant relationship with the direction of governance waqf in Malaysia.

Although there have been many previous studies on the governance of waqf in the states of Malaysia, not many studies have been conducted specifically on the state of Pahang. Few studies have been focused on the sustainability aspects of waqf funds at waqf institutions. Fund sustainability is a very important criterion in ensuring that the institution of the waqf continues to grow, develop and provide ongoing benefits in accordance with the intention of waqf giver. This study focuses exclusively on the implementation of corporate governance practices by MUIP in sustaining its waqf funds.

## **V. METHODOLOGY**

This study is a qualitative study using a case study approach. Case studies are studies based on social data for the purpose of investigating social reality. According to Long (2011), case studies are aimed at studying selected units but are considered to represent the larger community (Long, A.S., 2011). The researcher chose the waqf institution as the case study, Pahang Islamic Religious and Malay Customs Council (MUIP) based in Pahang, Malaysia. MUIP was chosen because it is one of the State Islamic Religious Council that applies corporate culture in governing waqf affairs in Malaysia. Therefore, the MUIP selection is seen to be significant in meeting the objectives of this study. In collecting research data, the researcher used two sources of data, namely primary and secondary data. Primary data were collected through a semi-structured interview process with MUIP officers. Meanwhile, secondary data were derived from the relevant regulations and laws, Administration of Islamic Law Enactment 1991, MUIP's annual reports, journals and articles. All of these data were then analyzed using document and content analysis methods to gain a better understanding of the corporate governance implementation, which is being used by the MUIP in maintaining the waqf fund in Pahang.



## VI. LIMITATIONS

There are three main limitations in this study. Firstly, because of this study is a single case study, only institution involved in the case study was selected. For this study, researcher selected Pahang Islamic Religious and Malay Customs Council (MUIP), located in the state of Pahang as a case study. Therefore, this study is restricted to MUIP only without involving other respective states in Malaysia. Secondly, although MUIP has three funds namely zakat, waqf and baitulmal, this study only focused on waqf fund which includes assets in the form of cash waqf and real estates that were managed by Waqf, Baitulmal and MUIP Investments Unit. As for this, this study cannot be generalized to all other departments under MUIP. Nevertheless, this study can still serve as a reference to the institutions of waqf in identifying good corporate governance practices and to formulate comprehensive plans and strategies for preserving and sustaining waqf funds at their institutions. Last but not least, the findings of this study depend on the governance scenario adopted in MUIP and can't be generalized to represent the overall context of other State Islamic Religious Councils in Malaysia.

## VII. FINDINGS, RESULTS AND DISCUSSION

### **Pahang Islamic Religious and Malay Customs Council (MUIP)**

#### *History of Islamic Religious Administration in the State Of Pahang*

Historically, prior to 1457, there was no solid evidence of whether the people of Pahang had embraced Islam or not. This is because the state of Pahang was then ruled by the Emperor Sura, a representative of the Siamese Government in Pahang, who was a Buddhist. However, after Sultan Mansur Shah, the Sultan of Malacca at that time took steps to invade the state of Pahang and succeeded in defeating Pahang, Pahang was conquered by Malacca. It is estimated that about 150 years ago, the state of Pahang was ruled by a Muslim Malay king of Malacca Malay descent. This means that all the people of Pahang have embraced Islam because the government is held by the Malacca Muslims. Sultan Mansur Shah at that time sent 200 warships to Pahang, where a war fleet led by Tun Perak in 1459. The battle took place in Pura and eventually the Emperor Sura was defeated and his daughter Wanan was captured and taken to Malacca. The Sultan later married the princess and changed her name to Princess Lela Wangsa. Tun Hamzah Seri Bija Di Raja, was placed in Pahang until Tun Muhammad was appointed as a Treasurer. Later, Tun Muhammad ascended the throne and became the first Muslim sultan in 1470. The government of Pahang at that time was also based on Islamic Law (1584) and Pahang Law (1610-1614).

In addition, the gathering of historical artifacts such as tombstones has also proven to be the basis of the emergence of Islam in Pahang. In June 1953, a tombstone was found in Kampung Permatang Pasir Nenas, Pekan, Pahang. This tombstone is adorned with Quran and Arabic poetry and the date of death of the owner of the tombstone, on Wednesday, the 14th of Rabiulawal 419 Hijrah. This finding has the positive connotation that the date on this tombstone is much longer than the one found in Terengganu Stone (702H), the old gold (dinar) of Kelantan (577H), even more than 300 years since the existence of the Malacca Kingdom (Abd Jalil, B., 2014). When Sultan Abdul Ghafur Muhyeden Shah, the 12th Sultan of Pahang, took his throne in 1584, he married Adinda Raja Fattani who was also a close friend of the Sultan of Brunei. During his reign, the Pahang Law Brochure was drafted, in which the existing provisions closely resemble the jurisprudence in the book of the Shafi fiqh sect.

There are also provisions on sales, investments, trusts, labor wages, land, grants and waqf (Ibrahim, A., 1997). However, a dispute arose in 1614 and Sultan Abd Ghafur was killed. As a result, the implementation of the law has been greatly disrupted. After the Dutch and British began to rule and divide the Johor-Riau-Lingga-Pahang Kingdom, the Treasurer's full control over the Pahang government began. Soon after, the civil war (1857-1863) ended and Pahang was finally conquered by Treasurer Wan Ahmad by wearing the title of DYMM Sultan and forming a new sultanate in Pahang to this day.

### ***Establishment of Pahang Islamic Religious and Malay Custom Council (MUIP)***

The Pahang Islamic Religious and Malay Customs Council (MUIP) were established in 1926. The first President of the Council was Al-Marhum the Most Honorable Tengku Besar Sulaiman. Initially, the Council became known as the Pahang Muslim Council, later renamed the Pahang Islamic Religious and Malay Customs Council, eventually converting it to the Pahang Muslim Religious and Malay Customs Council, which remains to this day. On May 8, 1974, Sultan Haji Ahmad Shah Al-Mustai'in Billah Ibn Al-Marhum Sultan Abu Bakar Ri'ayattudin Al-Muadzam Shah was crowned and ascended the throne of the State Government of Pahang. As the Pahang State Religious Leader, he chaired the Council Meeting. However, from 1 November 1984, His Majesty has appointed His Royal Highness Crown Prince of Pahang as President of the Council and continues to lead the Council until today. However, out of concern, the Sultan of Pahang agreed to donate 4.35 acres of land for the construction of a Council administration complex. On October 21, 2002, the Sultan of Pahang agreed to complete the ground breaking ceremony marking the commencement of construction of this complex. The construction of the complex as the headquarters of the Pahang Islamic Religious and Malay Customs Council cost RM13.85 million overall. A total of RM6 million was contributed by the Federal Government, while the rest were borne by the Council itself. On 5<sup>th</sup> July 2006, a ceremony of the Council Building Submission Ceremony at Jalan Istana Permai Pekan by Pahang State JKR Director YH. Dato' Rosman bin Yahya to YDH. Dato' Sri Wan Haji Abdul Wahid bin Wan Hassan as Deputy President of the Council was held at the Council Theater. From that date, the administration's operations of the Council were relocated from the Sultan of Pahang's Office to the complex. His Royal Highness Sultan of Pahang opened the complex on June 21, 2007 and named it Sultan Haji Ahmad Shah Islamic Complex.

### ***Source of the Pahang Islamic Religious and Malay Customs Council Establishment (MUIP)***

The foundation of the establishment of the Pahang Islamic Religious and Malay Customs Council is set out in Clause (1) of Article 24 Part 1 of the Pahang Government Body Act which provides that the King is the ruler and chief of the state of religion; 24 (1). The Head of State Religious Affairs shall be the King of the Government, and the King of the Government from time to time, may issue such orders as may prescribe in his opinion for the purpose of regulating religious matters and for the establishment of a Council of Islamic Religious and Malay Custom, will be referred to in English as the "Council of Religion and Malay Customs" to assist and advise in all matters pertaining to the State religions and Malay customs. Meanwhile, the establishment and incorporation of the Pahang Islamic Religious and Malay Customs Council can be seen in Section 4 (1) of the Islamic Law Administration Enactment 1991, which is: 4. (1) There is hereby established a body corporate by the name of

Pahang Islamic Religious and Malay Customs Council Establishment (MUIP) with perpetual succession and may sue and be sued in its name and, subject to and for the purposes of this Enactment; may enter into contract and may acquire, purchase, take, hold and enjoy movable and immovable property of every description and may convey, assign, yield-up, charge, mortgage, demise, reassign, transfer or otherwise dispose of or deal with any movable or immovable property or any interest therein vested in the Council on such terms as the Council may deem fit.

### ***Powers and Functions of the Pahang Islamic Religious and Malay Customs Council (MUIP)***

The powers and functions of the Pahang Islamic Religious and Malay Customs Council (MUIP) are provided in Section 5 of the Administration of Islamic Law Enactment 1991 as provided; 5. (1) The Council shall assist and advise His Royal Highness the Sultan in respect of all matters relating to the religion of Islam and Malay custom, except matters relating to Sharia Law and those relating to the administration of justice, in so far as it relates to the State of Pahang, and in all such matters shall be the chief authority in the State of Pahang after His Royal Highness the Sultan save as otherwise provided in this Enactment or any Enactment relating to the religion of Islam. (2) The Council in discharging its functions shall have the power to deliberate and carry on all activities pertaining to the development of the religion of Islam and Malay custom. (3) The Council in discharging may establish and promote the establishment of companies either on its own or in association with other bodies or persons and may give financial assistance to such companies. (4) The Council may purchase, underwrite, or otherwise acquire any stock and shares in any public or private companies the business of which in the opinion of the Council is not against Islamic principles.

### ***Vision, Mission, Policy and Quality Objectives of the Pahang Islamic Religious and Malay Customs Council (MUIP)***

MUIP's vision is to be an efficient and leading Islamic affairs management institution. On the other hand, MUIP's mission is to empower the Muslim people through the promotion of piety, the formation of commendable morals, sustainable socio-economic management, effective preaching, the cultivation of knowledge, the preservation of Malay customs and Sharia-compliant legislation (Pahang Islamic Religious Council and Malay Customs (MUIP), 2019). Among the values that are practiced in the management and administration of MUIP are proactive, efficient, good manners, diligence, cleanliness, trust and compassion. In addition, MUIP also adopts a quality policy, providing the best services to enhance Islamic law in the state of Pahang in accordance with the National Constitution and the Law of the Government of Pahang. The policy is based on a number of quality objectives, namely improving the quality of MUIP administration in line with the "Best MUIP" aspiration, ensuring all employees have the training and knowledge in accordance with assigned tasks and responsibilities, implementing the concept of "Multi-Skill" to all employees, adding and enhancing IT systems to speed up work processes, ensuring financial management in accordance with established financial rules and guidelines, reviewing and revising the existing laws and maintaining new laws to produce a comprehensive set of laws and regulations, enhancing efficiency in processing zakat to all eligible persons, making the waqf fund according to the school's requirements. Although MUIP publishes a strategic plan once every three years for each Division at MUIP, but

the absence of a strategic plan specifically for waqf management and development affects the development of waqf in line with its existing potential. Overall, MUIP is seen to be able to preserve existing waqf funds. However, in terms of waqf property development, it has not reached a promising level.

***Corporate Governance in the Pahang Islamic Religious and Malay Customs Council (MUIP)***

The Pahang Islamic Religious and Malay Customs Council (MUIP) is committed to ensuring that corporate governance practices are consistent with the standards of practice applied in Malaysia as well as ensuring the adoption of best practices in its investment companies (Pahang Islamic Religious and Malay Customs Council (MUIP) Annual Report, 2017). Council members believe the values of good corporate governance can help MUIP achieve the goals and objectives while protecting and safeguarding the interests of the parties concerned.

**(a) Membership of the Council:**

The Administration of Islamic Law Enactment 1991 in Section 7, the membership of the council stipulates that: (1)The Council shall consist of the following members who shall be Muslims: a) Yang Dipertua; b)Timbalan Yang Dipertua; c)Seven ex-officio members; and d)Not less than five other members. (2)The Yang Dipertua, Timbalan Yang Dipertua and the members under paragraphs (c) and (d) of subsection (1) shall be appointed by His Royal Highness the Sultan at his discretion for a term not exceeding three years. (3)A member whose term of office has expired may be reappointed. (4)If at the time the person holding the office mentioned in paragraph (c) of subsection (1)is not a Muslim, His Royal Highness the Sultan shall appoint another person who is a Muslim and next in seniority from the same Department to be a member in place of such person. (5)The Yang Dipertua may delegate any of his functions to the Timbalan Yang Dipertua who in discharging such functions shall be subjected to the control, supervision and direction of the Yang Dipertua. (6)The persons who immediately before the coming into force section were the Yang Dipertua and members of the Pahang Islamic Religious and Malay Customs Council, shall, subject to this Enactment, continue to be the Yang Dipertua and members of the Council respectively until the expiry of their term of appointment.

**(b) Council Meeting:**

As stipulated in section 21 of the Administration of Islamic Law Enactment 1991 subsection (4) that Council Meetings shall be held regularly not later than three months between one meeting and another. Prior to the meeting being held on the appointed date, the members of the Council shall first receive an agenda and a meeting paper containing information on the matters to be discussed at their meetings and research.

**(c) Committee of the Pahang Islamic Religious and Malay Customs Council (MUIP):**

The Administration of Islamic Law Enactment 1991 in section 8 on the establishment of the Committee determines that the Council may appoint committees to assist in the exercise of its functions or exercise its powers. There are 16 Standing Committees under the administration of the Pahang Islamic Religious and Malay Customs Council (MUIP) with its functions as follows:

**Table 1:** Summary of Functions and Membership of MUIP’s Standing Committees

No.	MUIP Standing Committee	Functions and Membership of the Committee
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1.	Finance Committee of the Pahang Islamic Religious and Malay Customs Council	<p>It consists of 1 Chairman of the Meeting, 3 Members and 1 Secretary.</p> <ol style="list-style-type: none"> <li>1. Discussing the proposed annual budget</li> <li>2. Discussing additional proposals before presenting them at the Council Meeting.</li> <li>3. Discussing and approving high value acquisitions</li> <li>4. Reporting and presenting MUIP financial performance</li> <li>5. Reporting and presenting MUIP financial statements</li> <li>6. Discussing and approving proposals for financial circulars.</li> </ol>
2.	Waqf Committee of the Pahang Islamic Religious and Malay Customs Council	<p>It consists of 1 Chairman of the Meeting, 5 Members and 1 Secretary.</p> <ol style="list-style-type: none"> <li>1. Monitoring the progress of the Pahang Waqf Fund Scheme</li> <li>2. Reviewing from time to time for more effective and efficient management of the waqf, including planning and developing it for the benefit of the Muslim community</li> <li>3. Striving to encourage the Muslim community to practice waqf</li> <li>4. Monitoring the development of Council's waqf lands</li> <li>5. Discussing the development of projects on Council waqf land for recommendations to the Council management.</li> </ol>
3.	State Islamic Legal Consultative Committee of Pahang	<p>It consists of 1 Chairman of the Meeting, 9 Members and 1 Secretary.</p> <ol style="list-style-type: none"> <li>1. Discussing matters related to Islamic law</li> <li>2. Deciding law and ruling for the state of Pahang</li> <li>3. Discussing and resolving issues related to faith and Sharia.</li> </ol>
4.	Scholarship Committee the Pahang Islamic Religious and Malay Customs Council	<p>It consists of 1 Chairman of the Meeting, 2 Members and 1 Secretary.</p> <p>Full authority is given to discuss, consider and approve issues related to:</p> <ol style="list-style-type: none"> <li>1. Determining the policy of granting education in terms of education centers and education levels</li> <li>2. Making decisions on all yearly scholarship applications</li> <li>3. Making a decision on MUIP scholarship application</li> <li>4. Deciding on all applications for PhD assistance (Islamic Studies)</li> </ol>
5.	State Sharia Advisory Committee of Pahang Darul Makmur	<p>It consists of 1 Chairman of the Meeting, 3 Members and 1 Secretary.</p> <p>Responsible for discussing matters related to Pahang Sharia lawyers as follows:</p> <ol style="list-style-type: none"> <li>1. Conducting courses, interviews and examinations for the certificate of Sharia lawyers</li> <li>2. Recommending to the Council: -                         <ol style="list-style-type: none"> <li>(i) Applicants who are eligible to be appointed as Sharia Lawyers; and</li> <li>(ii) To cancel or suspend a Sharia Lawyer Certification / Annual Practicing Certificate</li> </ol> </li> <li>3. Regulating the discipline of Sharia Lawyers</li> <li>4. Performing such functions as may be directed by the Council.</li> </ol>

6.	State Religious Education Advisory Committee of Pahang Darul Makmur	<p>The Committee was established under the Administration of Islamic Law Enactment 1991 Sections 112, 113, 114 and 115. It consists of 1 Chairman of the Meeting, 11 Members and 1 Secretary. The functions of this committee are:</p> <ol style="list-style-type: none"> <li>1. To study all aspects of Islamic religious education</li> <li>2. To get permission to teach Islam</li> <li>3. To gain control over non-government Islamic schools</li> </ol>
7.	Committee on Services and Occupation of the Pahang Islamic Religious and Malay Customs Council	<p>It consists of 1 Chairman of the Meeting, 3 Members and 1 Secretary. Responsible for discussing and debating issues related to the recruitment of Council staff as follows:</p> <ol style="list-style-type: none"> <li>1. Job requirements (creation and termination)</li> <li>2. Permission for holidays not subject to the authority of the Head of Department</li> <li>3. Confirmation and Extension of Employment Period</li> <li>4. Establishment of starting salaries and staff annual salary increases</li> </ol>
8.	Committee on the Promotion and Discipline Board of the Pahang Islamic Religious and Malay Customs Council	<ol style="list-style-type: none"> <li>1. Discussing issues related to the promotion of MUIP officers and staff and obtaining results</li> <li>2. Discussing issues related to the discipline of MUIP officers and staff and obtaining results</li> </ol>
9.	Pahang State Mosque Development Committee	<p>It consists of 1 Chairman of the Meeting, 5 Members and 1 Secretary. Responsible for discussing and debating issues related to mosque development in Pahang state as follows:</p> <ol style="list-style-type: none"> <li>1. Application for the construction of a new mosque</li> <li>2. Application to demolish the old mosque</li> <li>3. Application to upgrade mosque building</li> </ol>
10.	Pahang State Falak Syarie Committee	<p>It consists of 1 Chairman of the Meeting, 9 Members and 1 Secretary.</p> <ol style="list-style-type: none"> <li>1. Discussing matters related to Pahang state shariah activities</li> <li>2. Confirming the Islamic calendar and schedule time for prayer in Pahang</li> <li>3. Co-ordinating the direction of the Kiblah for mosques, prayer halls, cemeteries and private premises.</li> </ol>
11.	Pahang State Sermon Committee	<p>It consists of 1 Chairman of the Meeting, 12 Members and 1 Secretary.</p> <ol style="list-style-type: none"> <li>1. Confirming sermon titles to be read throughout mosques in the state of Pahang.</li> <li>2. Confirming the authors of sermon texts in the state of Pahang</li> <li>3. Helping to improve the quality of sermon reading in the state of Pahang</li> </ol>

12.	The Food and Consumer Goods Study Committee for Muslim, Pahang Darul Makmur	<p>It consists of 1 Advisor, 1 Chairman of the Meeting, 10 Members and 1 Secretary. The Committee was established under the Administration of Islamic Law Enactment 1991 and the Rules of Administration of Islamic Law (Halal Certification) 1998. Responsible for matters relating to the study of food and consumer goods by Muslims in the state of Pahang as follows:</p> <ol style="list-style-type: none"> <li>1. Issuing a Halal Certification</li> <li>2. Conducting analysis and research on Muslim food and consumer goods for certificate purposes</li> <li>3. Carrying out inspections on any premises, companies or business premises for certificate purposes</li> <li>4. Registering the individual, company or business name of the certificate</li> <li>5. Helping consumers to choose the halal items</li> <li>6. Assisting any government agency in carrying out enforcement on abuse of halal sign</li> <li>7. Establishing an integrated halal certification system in Pahang</li> </ol>
13.	Halal Certification Appeals Committee	<p>It consists of 1 Chairman of the Meeting, 1 Member and 1 Secretary. The Committee was established under the Administration of Islamic Law Enactment 1991 and the Rules of Administration of Islamic Law (Halal Certification) 1998.</p> <ol style="list-style-type: none"> <li>1. Responsible for appeals application from any Halal Certification applicant who is not satisfied with any decision of the Food and Consumer Goods for Muslim.</li> </ol>
14.	The Sharia Law Technical Committee of Pahang Darul Makmur	<p>It consists of 1 Chairman of the Meeting, 11 Members and 1 Secretary. Responsible for discussing matters related to Sharia law in the state of Pahang:</p> <ol style="list-style-type: none"> <li>1. Amendment, repeal and enactment of law</li> <li>2. Any legal issues, especially technical aspects</li> <li>3. Methods and implications of the implementation of Sharia law</li> <li>4. Review of laws that have been adopted for the purpose of improving and adapting to the current needs and development of the Muslim community in Pahang.</li> </ol>
15.	Pahang State Sermon Review Panel Committee	<p>It consists of 1 Chairman of the Meeting, 13 Members and 1 Secretary.</p> <ol style="list-style-type: none"> <li>1. Reviewing and validating sermon texts to be read in all mosques in the state of Pahang</li> <li>2. Defining sermon text headings</li> </ol>
16.	Zakat Committee of the Pahang Islamic Religious and Malay Customs Council	<p>It consists of 1 Chairman of the Meeting, 7 Members and 1 Secretary. Responsible for discussing and debating issues related to zakat as follows:</p> <ol style="list-style-type: none"> <li>1. Assisting MUIP in providing suggestions and ideas for effective collection and distribution of zakat in accordance with Islamic law.</li> <li>2. Responsible for assessing the potential of zakat in helping the recipients</li> </ol>

MUIP at the department level also established a committee to discuss data issues of new proposals submitted for approval by the management of the Council. The committee is as follows:

**Table 2:** Summary of Functions and Membership of MUIP’s Committees at Department Level

No.	MUIP Standing Committee	Functions and Membership of the Committee
1.	Investment Committee of the Pahang Islamic Religious and Malay Customs Council	Responsible for discussing and debating investment-related issues for MUIP as follows: 1. Discussing issues related to investment 2. Deciding investment needs
2.	Finance and Accounting Committee of the Pahang Islamic Religious and Malay Customs Council	In accordance with the circular of the Treasury of Malaysia (PS 5.1) the Guidelines for the Implementation of the Finance and Account Management Committee (JPKA) are as follows: 1. The circular aims to clarify the establishment, role and responsibility of the JPKA to enhance the effectiveness of governance monitoring to identify, address and mitigate financial and account management issues. 2. The JPKA report prepared by the Ministry, the Federal Departments at the Headquarters and State and Center of Responsibility (PTJ) will be analyzed by the Treasury and presented at the Cabinet Special Committee Meeting on Integrity Management (JKKMKPK) chaired by the Prime Minister.



3.	Audit Committee of the Pahang Islamic Religious and Malay Customs Council	<p>Responsible for discussing and debating issues related to Audit in Council as follows:</p> <ol style="list-style-type: none"> <li>1. Reviewing and evaluating the effectiveness and integrity of MUIP's financial management and internal control systems</li> <li>2. Reviewing and approving the Annual Audit Plan provided by the Internal Audit Unit by making recommendations on the scope of audit and audit focus if any.</li> <li>3. Reviewing the reports of the Internal Audit Unit and the National Audit Department to ensure that all reported issues are acted upon and recommend follow-up and recommend improvements</li> <li>4. Ensuring that there are no unreasonable restrictions that may adversely affect the effectiveness of the Internal Audit Unit, namely the Internal Audit Unit is provided with appropriate access to information in performing its duties.</li> <li>5. Ensuring Internal Audit Unit has sufficient resources and competent staff to enable it to function effectively.</li> <li>6. Considering the recommendations and suggestions of any internal review on the effectiveness of the Internal Audit function in an effort to improve performance</li> </ol>
4.	Asset Management Committee of the Pahang Islamic Religious and Malay Customs Council	<p>Responsible for discussing and debating matters regarding Council Assets as follows:</p> <ol style="list-style-type: none"> <li>1. Allocation report for asset acquisition</li> <li>2. Current position of the Council's Assets and the acquisition of movable assets in the current quarter</li> <li>3. Council Asset Inspection Report, including appointment of Asset Inspector, asset inspection schedule and asset inspection findings</li> <li>4. Council Asset and Vehicle Maintenance Report</li> <li>5. Quarterly and Annual Stock Positioning Report</li> <li>6. The Stock Examination and Store Verification report includes the appointment of the Examiner, the inspection schedule and inspection findings</li> <li>7. Other matters relating to the management of government assets and stores</li> </ol>
5.	The Integrity and Governance Committee of the Pahang Islamic Religious and Malay Customs Council	<ol style="list-style-type: none"> <li>1. Responsible for implementing governance initiatives to ensure effective work processes and systems are implemented for best governance practices at MUIP</li> <li>2. Reviewing the implementation of governance and integrity practices at MUIP and make recommendations to management members and subsequently to the members of the Integrity and Governance Committee (JITU)</li> </ol>

6.	Quotation Committee of the Pahang Islamic Religious and Malay Customs Council	<p>Based on the Malaysian Treasury Circular on Government Procurement Methods, the Quotation Committee functions as follows:</p> <ol style="list-style-type: none"> <li>1. There are 3 Committees involved in the Quotation Work, the Quotation Opening Committee, the Quotation Review Committee and the Quotation Committee</li> <li>2. The Quotation Committee should convene as soon as possible so that a decision can be made immediately. The Quotation Committee should convene within 2 weeks after the assessment.</li> <li>3. The Quotation Committee should consider the quotation and select the department's most favorable quotation. The Quotation Committee should be satisfied that all quotas have been given equal opportunity.</li> <li>4. The Quotation Committee shall convene/meet to decide the quotation. Circular quotation considerations are not allowed.</li> <li>5. The discussion and decision of the Quotation Committee shall be recorded in minutes and signed by the Chairman and Member of the Quotation Committee. The basics of quotation selection should be clearly stated.</li> <li>6. The decision of the Quotation Committee shall be unanimous. Decisions that are unanimous and / or exceed the value limits should be submitted to the appropriate Agency Procurement Board for decision.</li> </ol>
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***Waqf, Baitulmal and MUIP Investments Unit***

Waqf, Baitulmal and MUIP Investments Unit were operated officially on August 1, 1999 at the State Mosque in Kuantan. The unit was officially operational on August 1, 1999 at the Kuantan State Mosque. At that time, it was only known as the Waqf Unit. The operation of the unit is regulated by a committee known as the Waqf Stocks Trust Committee of the Pahang Islamic Religious and Malay Customs Council. After moving from the State Mosque, the office began operating at No. 115, 1st Floor, MUIP Building, Jalan Mahkota, Kuantan. In 2013, in-office renovations were made to enable staff expansion in line with the Council's decision to expand the function of Waqf Unit within the Council. In line with this change, investment and Baitulmal activities are also consolidated into existing waqf units. Among the activities included managing the Council's investment, registering of waqf lands and development of the Council's waqf and Baitulmal lands. The functions of the Waqf Unit Committee, including monitoring the progress of the Pahang Waqf Fund Scheme, reviewing waqf management periodically to be more efficient and functional, including planning and developing it for the benefit of the Muslim community, working to encourage the Muslim community to practice waqf, monitoring the development of Council's waqf lands, and discussing the development of Council waqf land projects for recommendations to management of the Council.

### ***Pahang Waqf Fund***

The Pahang Waqf Fund is a scheme that encourages people to donate waqf for ever because Allah is at a minimum of RM5.00 for the benefit and welfare of Muslims. Any Muslim can join this scheme. The Waqf Fund Scheme makes it easier for Muslims to endow property. The accumulated contribution of waqf funds will be consolidated and capitalized to buy permanent properties such as land, buildings and so on. In addition to property purchases, the DWP also contributes to activities such as education, construction or renovation of mosques, prayer halls and religious schools, medicine and social activities. The waqf properties made in these forms are called *waqf musytarak*. DWP was officially launched on June 17, 2015 and was officiated by His Highness the Crown Prince of Pahang as the Yang Dipertua of the Pahang Islamic Religious and Malay Customs Council (MUIP). The DWP operates under the Waqf Pahang Fund Rules 2015. Through this scheme, the certificate is no longer issued only with the issuance of official receipts. The unit value of the Waqf Pahang Fund has been reduced from RM 10.00 to RM 5.00 per unit. Prior to the improvements made to the DWP, the scheme was known as the Pahang Waqf Stock (SWP) which was launched on December 20, 1998. The SWP is the fourth waqf stock to be launched in Malaysia and operates under the Waqf Stock Rules 1998 that focuses on how to practice waqf with cash by buying units of waqf shares offered and endowing those shares to the Council as a trustee. The value of one unit of stock offered is RM 10.00 per unit and there is no limit to purchase. The waqf giver does not receive any dividends or profits from the purchase of waqf shares, as it is waqf. Table 3 below shows the total collection and contribution of the Pahang Waqf Fund formerly known as the Pahang Waqf Stock from 1998 to 2017:

**Table 3:** Total Funds & Donations of Pahang Waqf Fund (Prior to June 2016 was known as the Pahang Waqf Stock)

Year	Number of Collected Collections (RM)	Distribution (RM)
1998	-	-
1999	59,444.22	-
2000	69,681.06	-
2001	284,990.41	6,000.00
2002	398,508.00	122,102.00
2003	234,380.56	101,116.00
2004	125,921.93	51,500.00
2005	155,560.30	23,000.00
2006	104,099.76	29,200.00
2007	302,933.75	25,000.00
2008	111,897.76	89,800.00
2009	112,005.64	54,000.00

2010	101,737.23	320,000.00
2011	104,243.64	65,000.00
2012	106,250.69	25,000.00
2013	145,988.43	15,000.00
2014	270,218.32	38,000.00
2015	334,525.25	78,000.00
2016	440,557.00	170,000.00
2017	505,275.34	378,500.00

## **MUIP Waqf Projects**

### ***MUIP Asnaf Complex***

MUIP Asnaf Complex is a settlement created to provide asnaf protection services; as a complex it has protected the needy/poor, *muallaf*, *gharimin*, *riqab* and *fisabilillah*. It was built on a 3.4-acre waqf plot in Kampung Pahang, Kuantan at a cost of RM 3.5 million. The complex began operating in October 2010 and has benefited hundreds of cases referred by non-governmental organizations (NGOs), government agencies and individuals for temporary resettlement. There are also residents who have died and their welfare has been managed by this complex. The concept of protection featured is voluntary; however, residents are welcome to stay here subject to the rules set by the management to ensure the welfare and harmony of the residents of the MUIP Asnaf Complex.

Concerned by YDH Dato' Sri Timbalan Yang Dipertua MUIP, the Asnaf Complex is now taking steps to provide protection to displaced patients. This initiative was taken to compensate non-Muslim shelters for related cases. Starting 2016, the Pahang State Department of Health has partnered to provide protection and health education to Muslim youths and women from continuing to be exposed to the problem of free sex and to increase existing social ailments in society. A program called "*Generasiku Sayang*" is an integrated module developed by the Department of Health and tailored to the application of Asnaf MUIP cases. The cooperation provided by the Department of Health is very good and encouraging.

Among the activities held at the complex are pilgrimage prayers, Quran study classes, Maghrib lectures and book reviews, lectures and *dhuha* prayers, obligatory mentoring classes, *Mathurat* reading and *Al-Kahfi* reading programs, health checks, guidance and counseling services and more. The complex also held activities with external agencies such as the Pahang District Health Clinic, Pahang State Department of Health and the National Population and Family Development Board (LPPKN) and others.

### ***The 11-storey Pahang (Dormitory) Student Building in Nasr City, Cairo, Egypt***

The 11-story MUIP apartment building owned by MUIP for RM12 Million is located at No. 3, Block No. 48, Division 7, Nasr City; Cairo, Egypt was built by the El-Attal Group of Companies. This apartment building was built for use as a Student Hostel, also known as Wisma Pahang. It aims to provide a comfortable and safe place for students studying in Egypt and this Wisma Pahang building can accommodate 216 students at a time. The building is reserved for 9 dormitories and each floor has 8 rooms. The total is 72 rooms and each room can accommodate

up to 4 students. Each floor has a kitchen, living room with sofa and dining table, separate bathroom and toilet. Each room has a bed, a closet and a desk. The dormitories are equipped with wifi in addition to other amenities such as prayer rooms, elevators, security gates, home and office warden, banquet room, guest room, library and leisure space.

### ***Training Center and Agricultural Project on Waqf Land in Jambu Rias, Karak, Bentong***

The MUIP will develop an Agricultural Training and Project Center on a 5-acre tract of agricultural land at Jambu Rias, Karak, Bentong. This waqf project is a combination of training centers for *muallaf*/skills and agricultural activities involving cash crops/vegetables and fish ponds. The waqf project in Jambu Rias, Karak will provide benefits in terms of education/skills training services to the local community as well as income from agricultural activities.

### ***Analysis of MUIP Corporate Governance in Sustaining Waqf Funds***

MUIP as the sole trustee in the state of Pahang has managed the waqf well through the practice of corporate culture such as accountability and transparency. In the context of governance, MUIP is more comfortable staying under the Council without having to set up a separate entity or corporation to manage waqf funds and properties in the state of Pahang. Every State Islamic Religious Council in Malaysia (MAIN) has the freedom to govern waqf affairs according to their respective constituencies and within the scope of state jurisdiction. Indirectly, this gives the Council the opportunity and flexibility to design and administer waqf affairs within the scope and capacity of the existing organization. MUIP has learned and improved governance by attending training and seminars organized by other Islamic Religious Councils. Maintaining public governance ensures MUIP's flexibility in making better decisions. Basically, the administration of waqf is assisted by branch staff all over the state of Pahang (Izhar Ahmad & Nur Mahirah Zainudin, 2019).

In early 1998, the Waqf Division was functioning alone, but the merger of the Waqf Division with Baitulmal and Investment Division was able to accelerate the socio-economic development of Muslims in Pahang. It should be noted that the total contribution and waqf fund in Pahang which has accumulated up to 2017 is only RM505,275.34. Based on this figure, the funds raised will certainly not be enough to support the social and economic aspects of the Muslim population in Pahang. MUIP's main source of income is derived from the Pahang State Government Grants annually. Each year, the Pahang State Government will issue State Government Grants as an annual source of funding to each agency under the State Government and this includes MUIP. The amount of this grant wasn't sufficient to cover the activities undertaken by MUIP as MUIP had to split expenses into three funds; zakat fund, waqf fund and baitulmal fund. However, the lack of waqf funds did not prevent MUIP from implementing the socio-economic development of the Muslims, instead they undertook projects incorporating zakat, waqf and baitulmal elements in developing existing waqf properties, for example, establishing a project on waqf land, using *baitulmal* funds and beneficiaries fully funded by zakat. This was evidenced by the construction of the MUIP Asnaf Complex and the 11-storey Pahang Building (Wisma Pahang) (Student Hostel) in Nasr City, Cairo, Egypt. Both of these projects were built on waqf land and suffered from shortage of funds for development. As a result, MUIP has borrowed zakat money to develop these projects after getting approval from the Mufti. The Pahang Mufti has issued a fatwa authorizing the loan of zakat money for a while and will be returned to the zakat

management to develop the waqf projects as it has benefits from the Islamic perspective. In fact, the beneficiaries of the waqf projects are also comprised of *asnafs* who are eligible to receive zakat such as poor, needy and *fi sabilillah* (Izhar Ahmad & Nur Mahirah Zainudin, 2019).

In addition, since the introduction of the IT system, which is the online waqf at MUIP in 2016, the number of waqf funds has increased and this has provided an opportunity for MUIP to regulate the social and economic development of Muslims in Pahang. Until the end of January 2019, the number of waqf land in Pahang was 316 acres (328 lots). Most waqf lands in the state of Pahang are difficult to develop because of the high cost, suitable for building a mosque or cemetery. Funding is the most critical issue that caused a lot of waqf lands cannot be developed until today. One of the major sources of income for MUIP is the building rental income. Low rental yields, high rent arrears, poor rental management systems and various internal problems faced by MUIP, including shortage of staff, lack of job specification and expertise contributed to financial resource problems (Izhar Ahmad & Nur Mahirah Zainudin, 2019). However, MUIP through baitulmal assets has successfully taken steps to provide economic alternatives to Muslims. Overall, MUIP has a wealth of assets and has been investing in MUIP for a long period of time. Among the assets owned by MUIP are its subsidiaries such as Specialist Hospital PRKMUIP Sdn. Bhd, Al-Amin Clinic Sdn. Bhd, Pusat MUIP Dialysis Center, MUIP Urus Sdn. Bhd is responsible for managing the Council hotel, student hostel and gas station, MUIP Plantations Sdn. Bhd is responsible for managing the Council's rubber and oil palm operations. MUIP Education Sdn. Bhd is responsible for managing the kindergarten and MUIP Supermarket Group Sdn. Bhd. In short, MUIP has several assets used for long-term investments as follows:

**Table 4:** several assets used for long-term investments

No.	Subsidiaries	Description
1.	Pahang Zakat Collection Center	The Pahang Zakat Collection Center is a wholly owned subsidiary of MUIP and is responsible for collecting zakat on property throughout Pahang. It was established on September 16, 1995 and began operating on January 2, 1996 with 9 employees. The establishment of the Pahang Zakat Collection Center has been aimed at increasing the zakat collection in Pahang since 1983 by MUIP and JAIP. Prior to the establishment of the Pahang Zakat Collection Center in 1993, MUIP had appointed a private body, AZSB (Azzakah Sdn Bhd) to manage the zakat collection in Pahang district as an experiment. As AZSB successfully increased its 100% zakat collection, MUIP agreed that the same method was implemented throughout the state of Pahang in 1996 through a 51% shareholding by MUIP and 49% by AZSB. Four years later, in 2000, MUIP has taken over completely Pahang Zakat Collection Center until now.

2.	PRKMUIP SDN. BHD (Specialist Hospital)	Pusat Rawatan Keluarga Sdn. Bhd (Family Care Center) was incorporated on February 16, 1990. On April 1, 1996, the company changed its name to Pusat Rawatan Keluarga MUIP Sdn Bhd (MUIP Family Care Center) after MUIP became the largest shareholder of the company. On October 19, 2011, the company changed its name to PRKMUIP SDN. BHD (Specialist Hospital). Among the services provided are acupuncture and cu ration, pediatric care, phototherapy, vaccination, cardiology, gastroenterology, urology, AV Fistula Surgery, Radiology, outpatient and emergency care (24 hours).
3.	Dialysis Center, Pahang Islamic Religious Council (MUIP)	It is a charity-based social development program by MUIP that aims to offer dialysis services to an increasing number of kidney patients among the underprivileged. It started operating on August 10, 2015 and was built on the grounds of Saidina Umar Al-Khattab Mosque and is managed by a subsidiary of Al-Amin Clinic Sdn. Bhd.
4.	Al-Amin Sdn. Bhd (Clinic)	It is an outpatient clinic offering alternative health services to Muslims who care about healthcare based on Islamic medical ethics. With the existence of this clinic, Muslims are able to enjoy quality outpatient treatment services at affordable prices as well as a place for social activities.
5.	MUIP Urus Sdn. Bhd.	Is a wholly-owned subsidiary of MUIP established to ensure that the operations of the Council's hotel, student hostels and gas stations are conducted under the competent, professional and Shariah-compliant management.
6.	MUIP Plantations Sdn. Bhd.	Was incorporated on October 30, 2013 to manage the operations of the Council's plantations, namely the MUIP Rubber Plantation at Sungai Berjuang and the MUIP Palm Head Farm at Jalan Tasik Chini, Pekan.
7.	MUIP Education Sdn. Bhd	To enhance the efficiency of MUIP's Smart Quranic Kindergarten, the Council has established a subsidiary known as MUIP Education Sdn. Bhd, was incorporated on January 21, 2014. MUIP Education has taken over the management of the MUIP Quranic Kindergarten from the Council since April 2014. There are classes in the morning and Quran classes for the evening.

8.	MUIP Supermarket Group Sdn. Bhd	MUIP Supermarket Group Sdn. Bhd, wholly owned by the Council is the owner of a network of Darulmakmur Supermarkets (PDM). PDM has 6 branches of the Darulmakmur Supermarket throughout Pahang. Through this network of Darulmakmur Supermarkets, the Council is able to offer the consumers halal products at a reasonable price. Products from the Small and Medium Enterprises (SMEs) are also given the opportunity to market in all Darulmakmur supermarket chains as well as offer employment opportunities to the public. At the Darulmakmur supermarket chain, PDM Café is also open for selling fast food and soft drinks to the general public. MUIP Supermarket Group Sdn. Bhd has also opened a fast food restaurant known as PDM Bistro in Petrol Station (Petron) in Beserah Town, Kuantan.
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## VIII. CONCLUSION

MUIP has managed the waqf well despite the numerous issues and challenges they have to face. It is undeniable that good corporate governance is crucial in developing waqf properties and managing existing waqf funds so that projects carried out will be sustainable for the benefit of the waqf beneficiaries in the future. With the practice of professional waqf governance, it is hoped that the MUIP will help accelerate the development of waqf in Pahang and contribute to the overall socio-economic status of Muslims.

## IX. FUTURE RESEARCH

The role of MUIP in sustaining waqf fund requires some of the following items. Therefore, future research should be done on these areas:

1. Human training and development areas. Human training and development efforts against professional waqf trustees, especially MUIP's waqf officers who are authorized and responsible for cash waqf and real estate development on waqf lands. Waqf officers play an important role in the process of waqf development. Therefore, it is important to educate them so that they are knowledgeable and competent as managers. MUIP can carry out continuous education, development and training programs for them in helping them realizing the potential management and development of waqf assets together.

2. Shariah-based financial entities or Islamic financial institutions. Involvement of strategic business entities that move in the financial (especially Shariah-based) areas such as banks, cooperatives, and others, in the process of promoting and disseminating cash waqf which is being developed by MUIP. All of these help the prospect of waqf and increase public confidence in cash waqf under MUIP.

3. Collaborations and strategic partnerships involving MUIP and other entities. In addressing the issue of lack of funds to develop waqf land, MUIP can collaborate with strategic parties such as private developers, the Prime Minister's Department Implementation Coordination Unit (ICU JPM), Waqf, Zakat and Hajj (JAWHAR) Department, Malaysia Waqf Foundation (YWM) and other Government-Linked Companies (GLCs).



4. Waqf-related data. MUIP can work with various government agencies to obtain waqf-related data and request cooperation for each district in Pahang to conduct surveys on their respective waqfs.

5. Waqf reporting and auditing. MUIP should also report on the activities and financial status of its institution. The absence of the latest Annual Report by the relevant authorities and the relevant information has led to the public's confidence in waqf institutions eroding. In addition, MUIP also needs to establish support rules regarding penalties in cases of non-compliance with officers and this should be enforced.

6. Corporate governance in waqf institutions. The task coordination and internal control should be revised from time to time between waqf, baitulmal and MUIP investments unit so that no waqf related tasks overlap.

7. Waqf strategic planning. Waqf strategic planning is very useful in helping MUIP to set priorities, focus energy and resources, strengthen operations and ensure that employees and other stakeholders are working toward common goals of the institution.

8. Islamic legal rulings (fatwa) on waqf. Further research needs to be done to obtain proper Islamic legal rulings (fatwa) on borrowing zakat fund for the purpose of developing waqf property.

9. Education and awareness on waqf. Continuous education to the Muslim community in Pahang on waqf needs to be done to provide a clear understanding of the concepts, advantages and practices of contemporary waqf. In addition, it can help waqf givers to perform cash waqf or waqf assets to suit the needs of the Muslim community in Pahang.

10. Use of technologies such as block chain in waqf. Finteraa Company has introduced an Endowment Chain that allows participants to submit proposals to develop waqf assets and seek support from various parties to donate funds. MUIP should learn this block chain technology as it can speed up waqf asset documentation process in Pahang. At the same time, the use of block chain or crypto philanthropy for crowd funding can help to resolve the issue of lack of funds for waqf development in Pahang.

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