

GOOD GOVERNANCE PRACTICES FOR WAQF IN MALAYSIAN HIGHER EDUCATION INSTITUTIONS (HEIs)

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ABSTRACT

Many Higher Education Institutions (HEIs) in Malaysia have established waqf funds to generate and diversify their incomes. Good governance practices are recognized as a key success factor for the sustainability of waqf in HEIs. This paper provides an insight into the concept of good governance in HEIs and elaborates on several of its dimensions. Through intensive literature review as well as content analysis, it explains the concept of good governance and discusses how this concept could be practiced in sustaining waqf in HEIs. In summary, this paper adds value to the existing literature on governance as it explores the fundamental concepts for governance practices in waqf for HEIs. It is hoped that this paper will provide some requisite inputs towards improvement and efficient management of waqf in HEIs.

Keywords: Governance, Good Governance, Higher Education Institutions, Management, Waqf

INTRODUCTION

Waqf literally means ‘to retain’ or ‘to hold back’. Technically, it is ‘to make a property the inalienable property of its own owner while making its yield and usufruct a charitable donation to specified beneficiaries’ (Bouheraoua & Ansary, 2010). Waqf is not specifically defined in the context of universities, nonetheless, its concepts and principles could be seen adopted in many universities as demonstrated by Mahamood & Rahman (2015).

In recent years, authors have demonstrated waqf as a viable instrument to finance HEIs besides other types of charitable donations, i.e., sadaqah (charity) and hibah (gift) (Alias et al., 2016; Asuhaimi, 2017; Kayadibi, Maulan, Haneef & Alimova, 2016; Mahamood & Rahman, 2015; Ramli & Mohamad, 2013; Shukor, 2017). In fact, almost all public universities and several private universities in Malaysia have established waqf funds. Efforts to implement waqf in HEIs must consider various issues including administrative framework, management, governance and investment as demonstrated by (Haneef, 2016). Other authors highlight that effective governance and innovative economic management are among the main factors to ensure the capability of HEIs to survive and stay competitive (Ismail, Som, Deni & Sulaiman, 2015). Undoubtedly, it becomes more pertinent and relevant to discuss the importance of good governance in the context of implementing waqf in HEIs.

One observes a lack of discussion on good governance practices in HEIs although it has been claimed to be a very important tool for revitalizing waqf in higher education. This paper

thus offers much needed discussion on good governance practices to be utilized in the management of waqf in HEIs.

METHODOLOGY

Being conceptual in nature, this paper adopts library-based research to scrutinize articles published in journals, conference proceedings, books and postgraduate theses. Content analysis is then used to analyze the data obtained.

LITERATURE REVIEW

Katsamunska (2016) considers governance as ‘an umbrella concept for a wide variety phenomenon such as policy networks, public management, coordination of sectors of the economy, public-private partnerships, corporate governance and good governance’. While according to Hyndman & McDonnell (2009) a strict definition of governance in charities implies the act of controlling, directing and regulating. Governance involves the interaction of stakeholders with an organization. In recent years, the term ‘governance’ is not exclusively for the commercial and public sectors but has been extended to cover the non-profit sector, as well as waqf. Indeed, the term ‘governance’ is also used in several studies related to waqf for HEIs, being recognized as one of the challenges for revitalizing waqf in HEIs (Haneef, 2016). Additionally, Sulaiman (2012) reiterates the need for HEIs to develop a system of best practices and good and effective governance to increase donors’ confidence.

Sunny (2007) explains four success factors for implementation of waqf for education namely, society’s awareness, demographic condition (a high Muslim population), established economic status of the Muslim community and efficient and professional governance. Three prominent features of corporate governance that could be applied in the context of waqf governance in HEIs are strengthening the supervision of waqf institutions, strengthening the effectiveness of waqf institutions and strengthening engagement with stakeholders (Muhammad, Rahman & Ahmad, 2016). Moreover, the implementation of waqf in HEIs reflect the Islamic purpose requiring its governance to be administered with ‘adab’ (in a civilized manner) as well as the elements deemed primary and necessary (Shamsudin et al., 2015). So far, however, the literature on governance for waqf in HEIs are scarce. To the best knowledge of the researchers, this present study is one of the pioneer works in this area.

DISCUSSION

Existing literature recognizes good governance as vital in managing waqf institutions (Ihsan & Ayedh, 2015; Katsamunska, 2016; Noor, Ali, Abdullah & Tahir, 2014; Wellens & Jegers, 2014). Nevertheless, very few studies have explored good governance practices of waqf in HEIs. Good governance practices are crucial to reduce moral hazards either on the part of the founder or trustee/mutawalli as well as the government (Masyita, 2012). Although no specific discussion thus far identifies good governance practices of waqf for HEIs, it is believed that other dimensions of good governance may be of significant relevance for waqf in HEIs. Some prominent features can be discerned. Muhammad et al., (2016) highlights seven important features of corporate governance which public universities could adopt namely; accountability, integrity, monitoring, transparency, internal control, ethical code, and participation. Ihsan & Ayedh (2015) on the other hand, propose that the Islamic governance framework should consist of Shura (consensus), Adalah (justice) and Amanah (trust) in managing waqf for public

universities. Thus, this present study provides a more comprehensive discussion on features of good governance practices that could be adopted in the management of waqf in HEIs namely, accountability and transparency, monitoring and internal control, waqf regulation and policy as well as participation and engagement.

Accountability and Transparency

According to Arshad & Zain (2017), waqf institutions have a duty to carry out certain actions in managing the resources entrusted to them by the resources provider in a proper and permissible manner and to fulfill its obligation towards the society. Similarly, Noor, Ali, Abdullah & Tahir (2014) view the success of waqf governance institutions as depending on those who manage the institutions with accountability through transparency.

Certainly, in the practice of accountability of waqf in HEIs, such waqf must be managed according to the Shariah requirements of irrevocability, perpetuity and inalienability. Needless to say, its policies relating to strategy and operations, as well as investment and human resources must be Shariah compliant. Additionally, having a clear organizational structure for waqf implementation in HEIs such as establishing the University Waqf Committee, University Board of Trustees and/or University Waqf Board would encourage effective development and investment of waqf funds.

In regard to transparency, “information is freely available and direct access to those who will be affected by such decisions and their enforcement” (Sheng, 2009). Oladapo, Oseni & Mohammed (2016) consider accountability and transparency as part and parcel of ethical considerations for the sustainability of waqf or western endowment foundation models. They emphasize that to be viable and sustainable, an endowment, whether Muslim or western, would need commitment, transparency and accountability on the part of the organization. The donors would be happy to donate more where they observe that the organization is transparent, shows a lot of commitment as well as renders the account of their stewardship to stakeholders on a regular basis. Transparency could be achieved through ongoing announcements to the public concerning the consolidation and distribution of funds through various means such as the media, mosques, banks, and other agencies (Chandra & Rahman, 2010). There is a probability for waqf institutions to receive constant funds from participants if the reporting is done transparently (Nahar & Yaacob, 2011) according to procedures such as keeping and reporting of waqf statistics as is done in India, Indonesia, and Turkey (Ambrose, Aslam & Hanafi, 2015). In the context of HEIs in Malaysia, waqf trustees, i.e., the State Islamic Religious Councils (SIRCs) must be given access to prompt, accurate, and complete information related to waqf funds in HEIs, particularly relating to accounts. This would enable waqf trustees to perform their duties effectively in assessing performance and safeguarding the interests of stakeholders and the well-being of the HEIs waqf.

Monitoring and Internal Control

Monitoring is also an imperative element in shaping good governance of waqf for HEIs. The SIRC as sole trustee of waqf assets has monitoring and supervision powers to ensure the funding operations in HEIs are properly managed. For example, Universiti Sains Islam Malaysia (USIM) as a mutawwali of State of Negeri Sembilan’s Islamic Religious Council (MAINS) is required to submit periodic management and financial reports on the USIM Al-Abrar Waqf fund. For that purpose, a separate account is set up so that the waqf funds collected are differentiated from the university’s account (Alias, Johari & Rahman, 2014). Indeed, monitoring and supervision by the Ministry of Higher Education (MoHE) through the Universities’ Waqf Secretariat is also needed to prevent any misuse on the part of the personnel of the university

managing the funds. In fact, monitoring can become an important mechanism at the university level (Ahmad, Adi, Noor, Soon & Azizan, 2013).

Sufficient internal control is needed to achieve good governance of waqf in HEIs. This includes risk management and internal audit. HEIs need to fully understand the risks of all aspects, especially investing in the Islamic capital market as such investment is not risk-free. To effectively manage such risks, a strong framework needs to be established. According to former Governor of Bank Negara Malaysia, Dr. Zeti Akhtar Aziz as quoted by Muhammad, et al., (2016) the system of internal control, external audits, and risk management must exist in the implementation of the corporate governance framework. Thus, the HEIs waqf must be encouraged to determine the degree of risk tolerance by identifying, assessing, and monitoring the risks of preserving waqf assets. The financial affairs of HEIs should be audited annually to ensure that financial statements are credible. Auditors must avoid conflicts and ensure integrity is applied in the audit process. Equally important, the audited accounts must comply with financial reporting standards. Hence, the audit element is an element that needs to be emphasized in ensuring the transparency of an institution.

Waqf Regulation and Policy

Waqf regulation is imperative in governing the overall system of waqf higher education. The rule of law has been identified as an important element of good governance (Sheng, 2009; Sunny, 2007). The uniqueness of waqf characteristics requires its implementation in institutions to be in line with Shariah legal principles. In Malaysia, the University Transformation Programme (UniTP) Purple Book has been released by the Ministry of Higher Education to guide public universities in waqf implementation. However, effective implementation would depend very much on the level of readiness of each HEI as well as the State Islamic Religious Council (Ministry of Higher Education, 2016). Mahamood & Rahman (2015) suggest that the “provision of a supervisory board of trustees should be made in the regulations, as the university will run its business using a collection of waqf funds received from waqf donors or waqifs which need continuous supervision to prevent any misuse on the part of the personnel of the university who manage the funds”.

In the same way, waqf policy for HEIs needs to be regulated so that it can be a reference by all parties involved in waqf for HEIs. The law relating to waqf in Malaysia needs to be harmonized and amended, if necessary. This effort requires close cooperation from the Ministry of Higher Education, waqf related agencies, and public universities to ensure the harmonization of policies and regulations for the success of the waqf fund at public universities. Also, SIRC needs to establish a clear policy regarding the establishment of waqf fund in public universities by not only referring to the existing frameworks in general.

Participation and Engagement

Participation by the stakeholders of waqf is a key cornerstone of good governance. Muhammad, Rahman & Ahmad (2016) emphasize that HEIs should regularly engage with waqf trustees and the public to discuss performance, corporate governance and matters relevant to the interests of the institution. This situation indirectly enables HEIs to understand the potential, risks, management qualities and challenges for improving the governance of its institutions. Besides, Sunny (2007) portrays that there should also be the participation of each party in making decisions and shura is aimed towards achieving the Islamic moral value (Ihsan & Ayedh, 2015). It is nevertheless hard to invite all stakeholders of waqf in HEIs to participate in decision-making. Henceforth, the University Waqf Committee should consist of the representative of the major group of stakeholders.

Furthermore, a university needs to engage with waqf-related agencies, particularly the SIRC, to avoid violations of jurisdiction as waqf is a religious matter under the authority of the state government under Schedule 9 of the Federal Constitution. This collaborative aspect also has important implications, especially on the approval of the SIRC to appoint a university as a waqf fund administrator and manager. The strong engagement between a university and the SIRC will help to promote waqf to all citizens of the state and give impact on the growth and development of the university itself. Moreover, there should be good networking with other waqf fund institutions such as Johor Corporation and Awqaf Holding Berhad for financial supports.

CONCLUSION

In conclusion, it could be recapitulated that there is a consensus among scholars that the good governance practices are imperative in HEIs to ensure waqf revitalization. It is because only good governance practices can instill confidence among the potential donors or waqif to entrust their gift with the mutawalli (Haneef, 2016). Overall, the researchers consider the development of waqf for higher education in the future will greatly depend on good governance. It is, however, difficult to achieve in its totality but, actions must be taken to work towards these ideas with the aim of making it a reality.

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