

CHAPTER I INTRODUCTION

1.1 Introduction

Islamic social finance is one of the elements in the Islamic aspect that caters to the benefits of the people. This sector is mainly comprised of institutions rooted in Islamic philanthropy, e.g. *zakat*, *sadaqah*, and *waqf* (Mohammed Obaidullah, 2014). In fact, although each instrument has its own speciality, they offer similar contributions towards the welfare of the people. With that, this study looked into the *waqf* instrument.

Waqf refers to preserving and holding certain properties solely to provide for certain effort of improving the well-being of the mankind and any utilisation of those properties outside of their main objectives is prohibited (Dahlia & Haslinda, 2013). Besides, it is noteworthy because it has a great function in stabilising the economy of the country and especially the Muslim community. In diversifying the existing *waqf* instrument, the corporate *waqf* was introduced. Corporate *waqf* is an innovation of the traditional *waqf*, which involves movable properties like shares to be donated as *waqf*. This had been established by the founder-based company under the Companies Act 1965 (Muhammad Ali, 2015a).

Individuals also can engage in corporate *waqf*, as implemented by the Waqaf An-Nur Corporation Berhad (WANCorp) via *waqf* membership fee (Muhammad Ali,

2015a). This practice is known as corporate cash *waqf*. Dividends earned from them will be conveyed to an associated *waqf* institution as cash *waqf*, and then the associated *waqf* institution will act as a *mutawalli* (trustee), where it manages and invests the accumulated cash *waqf*, and finally, the revenue earned will be directed to charitable projects after operational expenses have been deducted (Magda, 2008).

Since only WANCorp has implemented this type of *waqf* in Malaysia, this study investigated if corporate cash *waqf* could be adapted in other organisations, such as Majlis Agama Islam Wilayah Persekutuan (MAIWP). MAIWP was chosen as they have voiced intentions to introduce corporate *waqf* to the public in the future phase. In addition, this study also determined the factors that drove the intention of individuals to participate in corporate cash *waqf*. Besides, this study was conducted among employees of MAIWP because they had been more aware of the differences between corporate *waqf* and corporate cash *waqf*.

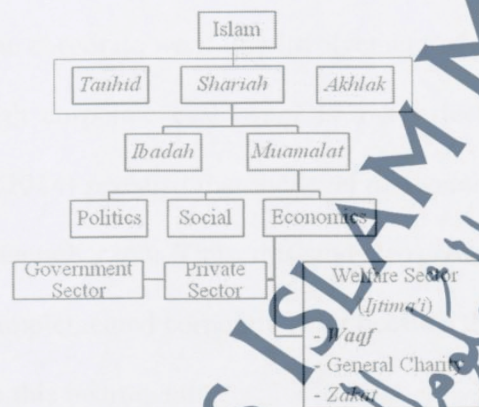
The chapter is divided into eight sections. Section 1.2 provides the background of this study, while Section 1.3 presents the problem statement. Next, Sections 1.4 and 1.5 describe the research questions and the research objectives respectively. Moving on, Section 1.6 depicts the significances of the research, whereas Section 1.7 explains the scope and the limitations of this research. Finally, Section 1.8 presents the thesis organisation.

1.2 Background of Research

The *waqf* instrument is very unique and differs from other financial instruments because besides helping the needy, the *waqif* (*waqf* founder) will also get rewarded by

Allah for “as long as it remains running”, which implies that a running charity may never come to an end (Kahf, 2003). According to Razali (2013), *waqf* is an important element in the welfare sector that leads to economic sustainability, as shown in Figure 1.1 below.

FIGURE 1.1: The Place of *Waqf* Institution Based on the Principles of *Tauhid*, *Shariah*, and *Akhlak*



Source: Razali, 2013

One of the roles of *waqf* in economic development is providing facilities of health, education, and *ibadah* (Asmak, 2009). According to Cizakca (2000) in his book entitled “*A History of Philanthropic Foundations: The Islamic World from the Seventh Century to the Present*”, *waqf* does not only reduce government spending, but it can also achieve another goal of the modern economy that is better distribution of income in the economy. Indeed, the objective of *waqf* institution is to rebuild civilisation and overcome the challenges of living in the present.

Furthermore, Mohamad Zaim et al., (2015) asserted that the development of *waqf* application in the context of financial has yet to be fully implemented commercially at financial institutions, such as banks, as they need *waqf* support from

the public. This is consistent with the claim made by the Chief Executive Officer of Perbadanan Wakaf Selangor (PWS), Abu Bakar Yang, that the mission to make the *waqf* successful as an Islamic economic system for the country appears to be difficult without the support and cooperation from the entire community (al-Muamalat, 2012). Meanwhile, in the context of corporate *waqf*, it faces similar problem as it is still new and has not been adequately examined (Magda, 2014). Therefore, in order to ensure the sustainability of the corporate *waqf*, the involvement of people in participating in corporate *waqf* through corporate cash *waqf* is a key factor. However, the study conducted by Magda (2014) revealed that the level of awareness among the public on corporate *waqf* had been rather low. Thus, this study was conducted among employees of the institution that implemented corporate *waqf* because they had been more aware and were familiar with this instrument.

In addition, Islam strongly emphasises the intention of doing something. This is because; every good intention will be rewarded even if someone is unable to perform these actions for the reasons of illness or death. Umar al-Khattab (r.a.) narrated that the Prophet (p.b.u.h.) said:

"الأَعْمَالُ بِالنِّيَّةِ، وَلِكُلِّ أَمْرٍ مَا نَوَى، فَمَنْ كَانَتْ هِجْرَتُهُ إِلَى اللَّهِ وَرَسُولِهِ، فَهِجْرَتُهُ إِلَى اللَّهِ وَرَسُولِهِ، وَمَنْ كَانَتْ هِجْرَتُهُ لِدُنْيَا يُصِيبُهَا، أَوْ أَمْرٍ يَتَزَوَّجُهَا، فَهِجْرَتُهُ إِلَى مَا هَاخَرَ إِلَيْهِ."

The meaning is:

"The reward of deeds depends upon the intention and every person will get the reward according to what he has intended. So whoever emigrated for Allah and His Apostle, then his emigration was for Allah and His Apostle. And whoever emigrated for worldly benefits or for a woman to marry, his emigration was for what he emigrated for".

(Hadith. Al-Bukhari. Kitab al-Iman: Juz'2:#54)

Therefore, prior to action, intention has to take place. One of the theories proposed to explain what predicts behavioural intention is the Theory of Planned Behaviour (TPB), which was introduced by Ajzen (1991). In fact, numerous previous studies have proven that the factors of TPB did have a relationship with the intention to act (Amirul Faiz, 2014; Truong, 2009; Lee et al., 2010; Chris et al., 2003; Mullan & Wong; 2010), besides the factor of religiosity (Shafinar et al., 2013; Amirul Faiz, 2014; Safiek, 2009). Thus, this study employed the TPB model to examine the factors that influenced individuals' intentions to participate in corporate cash *waqf*. With that, the objectives of this study were; first, to examine the extent of attitude, subjective norm, and perceived behavioural control in predicting individuals' intention to participate in corporate cash *waqf*; second, to investigate the best predictor for the individuals' intention to participate in corporate cash *waqf*; third, to examine the extent of variables of TPB (attitude, subjective norm, and perceived behavioural control) in predicting individuals' intention to participate in corporate cash *waqf* if the religiosity factor was controlled.

1.3 Problem Statement

The development of *waqf* worldwide has also influenced the development of *waqf* in Malaysia. This reflects the awareness and the concern projected by Malaysians towards *waqf*. This is proven with the *waqf* land area in Malaysia had been about 11, 091.82 hectares of which 4,836.50 was general *waqf* land, while special *waqf* land was 6,225.32 (JAWHAR). Table 1.1 shows the types of *waqf* land and their total area in Malaysia, while Table 1.2 presents the statistics of *waqf* land by state.

TABLE 1.1: Types of *Waqf* Land and Their Total Area in Malaysia

Type	Amount	Total Area (Hectares)	Value (RM)
General <i>waqf</i>	1012	4,836.50	19,282,885.01
Special <i>waqf</i>	3512	6,255.32	80,046,285.68
Total	4524	11,091.82	99,329,170.69

Source: Jabatan Wakaf, Zakat, dan Haji (JAWHAR)

TABLE 1.2: Statistics of *Waqf* Land by State

State	General			Special			Total		
	No.	Wide (hectare)	Value (RM)	No.	Wide (hectare)	Value (RM)	No.	Wide (hectare)	Value (RM)
Johor	0	1,422.80	0	0	1,729.50	0	0	3,152.30	7,000,500.00
Kedah	164	158.62	164.00	1833	1,086.25	1,833.00	1997	1,244.88	10,997.00
Kelantan	77	16.01	5,690,274.00	276	157.63	51,013,999.00	353	173.63	56,704,383.00
Melaka	24	11.65	25.50	41	21.60	41.00	65	33.25	66.50
N. Sembilan	10	1.01	10.00	26	14.49	26.00	36	15.50	26.00
Pahang	0	0.00	0	0	723.82	0	0	723.82	18,000,000.00
Perak	383	116.12	383.00	0	0.00	0.00	383	116.12	383.00
Perlis	0	2.74	0	0	14.49	0	0	17.23	1,337,998.00
P. Pinang	0	220.03	0	0	559.23	0	0	779.26	850,000,000.00
Sarawak	0	6.86	0	0	4.04	0	0	10.90	1,416,781.90
Sabah	41	2,062.88	41.00	62	32.28	62.00	103	2,095.16	103.00
Selangor	0	235.63	0	0	31.82	0	0	267.45	200,000,000.00
Terengganu	311	581.66	13,591,985.51	1260	18,78.58	29,031,210.68	1571	24,60.24	42,623,196.19
W. Persekutuan	2	0.49	2.00	14	1.59	14.00	16	2.08	16.00

Source: Jabatan Wakaf, Zakat, dan Haji (JAWHAR)

However, in spite of the data given above, many problems have been found to arise concerning the development of *waqf* property. One of them is that most of the *waqf* lands are located at underdeveloped area and thus, difficult to be developed as they are located, for instance, in the interior or marsh, which is definitely inappropriate for developing buildings, plus it involves high cost for such development (Sanep & Nur Diyana, 2011).

Moreover, it had been observed that most of the *waqf* were fixed assets, such as land, and thus, problems arise to obtain financing for the development of *waqf* property (Sanep & Nurdiana, 2011). Aminah and Sabit (2011) also concluded that most of the instruments of the *waqf* assets development were either in the stage of

proposal or had been carried out with two major problems, namely insufficient liquid funds and illiquidity of the assets. Additionally, Siti Mashitoh (2007) found that share *waqf* and cash *waqf* played an important role in providing financial resources to develop *waqf* assets, as well as to foster a culture of *waqf* in the society. These are in agreement with the results obtained by Muzakarah Jawatankuasa Fatwa Majlis Kebangsaan on 3rd November 1996, which stated that share *waqf* is a method that seeks funds for the purpose of developing the *waqf* lands (Hasnol, 2007).

On top of that, one of the resolutions of Seminar Waqaf Antarabangsa 2014 was to highlight the alternative *waqf* schemes, such as cash *waqf* and share *waqf*, other than the traditional *waqf* in socioeconomic activities (JAWHAB, 2014). This portrays that movable *waqf*, such as cash *waqf* and share *waqf*, are important in developing countries at the present moment. This is because; those instruments are easily applied in the present and the community can contribute according to their financial abilities. For example, the Majlis Agama Islam Johor (MAIJ) offered to Muslims who had wanted to participate in share *waqf* of Johor with only RM10 per unit (MAIJ, 2015). Unlike traditional *waqf*, it just involves immovable property that is certainly worth thousands of ringgit and only a small number of people would be able to participate in it.

However, the development and the application of *waqf* in the context of financial have yet to be fully implemented commercially at the financial institutions, such as banks, as they need *waqf* support from the public (Mohamad Zaim et al., 2015). Unfortunately, the results retrieved from a study conducted by Magda (2014) in WANCorp found that 60% of the public displayed low level of awareness on

corporate *waqf*, as indicated in Table 1.3 below. Nonetheless, in terms of cash *waqf*, they showed medium level of awareness, as shown in Table 1.4.

TABLE 1.3: Level of Awareness among the Public on Corporate *Waqf*

Level of awareness	Frequency	Percentage
Low	9	60
Medium	6	40
High	0	0
Total	15	100

Source: Magda, 2014

TABLE 1.4: Level of Awareness among the Public on Cash *Waqf*

Level of awareness	Frequency	Percentage
Low	7	44
Medium	9	56
High	0	0
Total	16	100

Source: Magda, 2014

The institutions need to put more effort towards providing some exposure about corporate *waqf*, as well as cash *waqf*, to the public in order to increase their level of awareness. Another solution to increase the participation of individuals in corporate *waqf*, specifically corporate cash *waqf*, is through the employees of the companies itself. This is because; they displayed rather good awareness and knowledge about corporate *waqf*.

The central focus of this study had been the factors that influenced intention. The most popular theory used by the previous studies in predicting intention to act is the TPB, which was introduced by Ajzen (1991). The main predictor variables in this theory are attitude, subjective norm, and perceived behavioural control. The relevance of this theory has been well-established in many areas of study, for example; current

psychology (e.g. Armitage & Christian, 2003; Christian et al., 2003; Chatzisarantis et al., 2009), health psychology (e.g. Steadman & Rutter, 2004; Payne et al., 2005; Rhodes et al., 2006), social psychology (e.g. Conner et al., 2003; Orbell, 2003; Sheeran et al., 2003), and many more.

A few studies, in fact, looked into the prediction of donating intentions and behaviour by using TPB, such as Nurul Huda et al., (2014). They conducted a study to determine the effects of attitudes, subjective norms, and perceived behavioural control on *muzakki*'s intention to pay *zakat*. They discovered that attitudes and perceived behavioural control variables had a positive and significant effect on the *muzakki*'s intention variable. However, the interesting result was that only 16% of the *muzakki*'s intention variable was explained by the components of TPB. Surprisingly, 84% of the *muzakki*'s intention to pay was influenced by other variables that were not analysed in their study. According to Syed Shah Alam et al., (2012), religiosity has had significant influences on the intention. They added that the stronger the customer's religiosity, the greater is the intention to act. This is because, religious Muslims consider Islam as their source of reference, as commanded by Allah in the al-Quran (Syed Shah Alam et al., 2011).

Moreover, a study by Amirul Fadz (2014) in analysing cash *waqf* participation among young intellectuals in International Islamic University of Malaysia (IIUM) applied the same theory of TPB. He found that besides attitude, subjective norm, and perceived behavioural control, religiosity also functioned as an instrumental in determining cash *waqf* participation amongst those intellectual. Due to the limited studies that had examined the effectiveness of TPB in the area of charity contribution,

such as *waqf*, thus, it had been imminent to conduct this study, specifically in the area of corporate *waqf*. At the same time, this study also determined the important factors in predicting employees' intention to participate in corporate *waqf*, besides considering the factor of religiosity.

The biggest challenge of life among city dwellers, especially the big cities, is the rising cost of living that is haunting, especially those from low-income groups (Abdul Rahman, 2011). According to Muhammad Ali (2015b), due to the burden of living and high debts, many people use almost 75% of their income to pay expenses, such as rent, car payment, cell phone bills, food, and other daily necessities. Yet, this situation must be faced by the people today when the efficiency of the economy is seen by far the efficiency in managing financial that involves debts compared to other activities (Nor Hartini, 2015).

Moreover, the data released by the Economic Planning Unit from the Malaysian Prime Minister's Department recorded a total of 0.8% of Malaysians, who were of Bumiputera ethnic, faced poverty compared to only 0.1% of the Chinese ethnic and 0.6% of the Indian ethnic in year 2014. This is demonstrated in Table 1.5 below.

TABLE 1.5: Incidence of Poverty by Ethnic Groups in 2014

Ethnic Group	%
Bumiputera	0.8
Indian	0.6
Chinese	0.1
Others	0.9

Source: Economic Planning Unit, Malaysian Prime Minister's Department, 2014

However, people need to realise the power of *sadaqah*. This is because; *sadaqah* invites Allah's grace and He wills to open doors of *rizq*. Allah promised through verse 18 of Surah al-Hadid below. Ibn Kathir (2004) have explained this verse; Allah has been informing that by giving *sadaqah*, He will reward with a condition that *sadaqah* must be sincere and simply want to please Him. Allah will repay with 10-fold, even Allah will double again by 700-fold. Indeed, it is a noble reward.

﴿۱۸﴾ إِنَّ الْمُسْلِمِينَ وَالْمُسْلِمَاتِ وَأَقْرَضُوا اللَّهَ قَرْضًا حَسَنًا يُّضَاعَفُ لَهُمْ وَهُمْ أُجْرُ كَرِيمٍ

The meaning is:

“Lo! those who give alms, both men and women, and lend unto Allah a goodly loan, it will be doubled for them, and theirs will be a rich reward”.

(Al-Quran. Al-Hadid 57: 18)

Therefore, one of the charitable media that the people can practice *sadaqah* is through *waqf*, specifically corporate cash *waqf*. This study, thus, is an initiative to assess if corporate cash *waqf* can be accepted at other organisations, such as MAIWP. MAIWP was chosen because they had already implemented corporate *waqf*, and absolutely their employees had been already aware and acknowledged the existence of corporate *waqf*. If corporate *waqf* can be diversified to corporate cash *waqf* as well, absolutely more funds can be received either from companies or individuals.

1.4 Research Questions

The questions for the study are given in the following:

1. What is the predictor of individual's intention to participate in corporate cash *waqf* based on TPB?
2. What is the best predictor of individual's intention to participate in corporate cash *waqf* based on TPB?
3. Could the variables of TPB (attitude, subjective norm, and perceived behavioural control) predict individual's intention to participate in corporate cash *waqf* if the religiosity factor is controlled?

1.5 Research Objectives

The main objective of this study was to investigate how far the willingness of individuals with knowledge of corporate *waqf* to jointly participate in corporate cash *waqf*. This objective was measured by using TPB, which depended on a few influential factors. Therefore, the specific objectives are listed below:

1. To examine the extent of attitude, subjective norm, and perceived behavioural control in predicting individual's intention to participate in corporate cash *waqf*.
2. To investigate the best predictor for the individual's intention to participate in corporate cash *waqf*.
3. To examine the extent of variables of TPB (attitude, subjective norm, and perceived behavioural control) in predicting individual's intention to participate in corporate cash *waqf* if the religiosity factor is controlled.

1.6 Significance of Research

Besides contributing to the increasing number of literatures in the area of corporate cash *waqf*, this study had been intended to make a contribution in terms of theory as well. This theory was provided through the analysis of the roles of TPB and religiosity in explaining individual's intention to participate in corporate cash *waqf* among employees. In particular, the present study offers evidence that attitude, subjective norm, and perceived behavioural control positively influenced individual's intention to participate in corporate cash *waqf*. This is consistent with the findings retrieved from Ajzen (1991), Truong (2009), Lee et al., (2010), Chris et al., (2003), and Mullan and Wong (2010).

Among them, the attitude variable was found to have the strongest effect on the dependent variable. In many studies using Ajzen's TPB, attitude had consistently produced the strongest effect on behavioural intention (Ajzen, 1991). These results make theoretical sense because instrumental attitude refers to perceived benefit, which is associated to participation in corporate cash *waqf*, while affective attitude reflects one's feelings towards participation in corporate cash *waqf*. Therefore, the more favourable one's attitude towards corporate cash *waqf*, the greater is the likelihood of that person to engage in corporate cash *waqf* participation.

Meanwhile, this study also found that the religiosity factor slightly affected the TPB components in predicting individual's intention to participate in corporate cash *waqf*. This indicated that religiosity also played a role in influencing individual's intention to participate in corporate cash *waqf*. This is consistent with the study conducted by Syed Shah Alam et al., (2012), Arshia and Muhammad Mohsin (2012),

and Rahaib et al., (n.d). Hence, the findings obtained from this study can be used as a guideline for other researchers who plan to further study and reveal more details pertaining to corporate cash *waqf*.

Furthermore, based on the Annual Report of WANCorp 2012 and 2013, the number of shares that had been donated as *waqf* by subsidiaries of Johor Corporation Berhad (JCorp) showed an increase in 2013, which was 131.765 million compared to 94.2 million in 2012. From the shares, RM3, 512, 515.97 was allocated to *Fisabilillah* activities, which included charity and social works (RM544, 338.79), development of human capital, education and entrepreneurial (RM1, 607, 187.93), as well as special projects (RM751, 335.70). This amount was contributed by 6 companies only, 3 of them were listed companies, while the rest were unlisted companies. If more companies contributed, obviously, the corporate *waqf* fund would be greater and thus, more funds could be allocated to the *Fisabilillah* activities.

This study also believes that if participation in corporate *waqf* is open to individuals from other organisations, the corporate *waqf* fund can be expanded. Therefore, this study determined the factors that influenced individual's intention to participate in corporate *waqf* through corporate cash *waqf*. From the expansion of corporate *waqf* fund, many parties can gain multiple benefits, such as individuals, companies, and government. The individuals can gain benefits in terms of education, health, entrepreneurial, while companies benefit in terms of equity ownership that belongs to Malaysian Muslims, besides fulfilling their Corporate Social Responsibility (CSR). As for the government, it would be able to achieve an economic balance

between the races, and on top of that, socioeconomic development can be reached. Indirectly, the corporate *waqf* industry can be enhanced in the eyes of the world.

1.7 Scope and Limitations of Research

This study focused on the factors that influenced individual's intention to participate in corporate cash *waqf*. Based on the previous studies, four factors were identified; attitude, subjective norm, perceived behavioural control, and religiosity. In this study, the data were collected through survey questionnaires. This study had been just limited to the respondents who were employed at the MAIWP as their institution was one of the Majlis Agama Islam Negeri-negeri (MAINs) that practiced corporate *waqf*. They were found to be absolutely aware and familiar with the corporate *waqf* practice. Therefore, they provided good indication to the factors that influenced individual's intention to participate in corporate cash *waqf*.

Additionally, to the best of the researcher's knowledge, the main limitation of this study had been the sample. In order to generalise the public, the study should be conducted among the public. However, due to the results obtained from the pre-test that was conducted among the public, a majority of the respondents had been unfamiliar about this instrument and some of them refused to answer the questionnaires, thus, it had been decided that the sample was limited among the employees alone.

The study location was another limitation. This study would have been more effective if it had dealt with all MAINs, but only a few MAINs implemented the corporate *waqf*, such as MAIWP. Moreover, due to time and financial constraints, this

study was confined to MAIWP alone, which further explains the fact that the findings of this study cannot be generalised to other MAINs.

In addition, another drawback of this study is that it was not a longitudinal study in nature; therefore, the predictive role of intentions in actual corporate cash *waqf* participation could not be further investigated.

1.8 Thesis Organisation

A total of 5 chapters constitute the whole study. Brief information concerning each chapter is provided in the following:

Chapter 1 - is the introductory chapter, which briefly explains the background of research, the problem statement, the research questions, the research objectives, the significance of research, the scope and limitations of research, and the thesis organisation.

Chapter 2 - provides discussions of the literature review pertaining to the importance of wealth distribution, concept of *waqf*, concept of cash *waqf*, concept of corporate *waqf*, concept of corporate cash *waqf*, MAIWP, empirical research and hypotheses development, as well as theoretical framework.

Chapter 3 - provides explanations of the research methodology that consists of research design, data collection methods, as well as data analysis methods, which consist of descriptive analysis of response, exploratory factor analysis, reliability analysis, and multiple regression analysis.

Chapter 4 - presents the results of the study, which are comprised of demographic profile of the respondents, descriptive analysis of response, exploratory factor analysis, reliability analysis, and multiple regression analysis.

Chapter 5 - presents the discussion of findings, contributions, and recommendations for future research.

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