



AN INVESTIGATIVE STUDY OF *WAQF*
MANAGEMENT AND ACCOUNTABILITY OF
WAQF INSTITUTIONS: EVIDENCE FROM THREE
CASES IN BANGLADESH

BY

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ABSTRACT

The economic development of Islamic countries is impaired for the absence of credible management and accountability practices. Accounting can be an important tool to improve the management and accountability of *waqf*. Moreover, no attempt has been taken on *waqf* research in Bangladesh from accounting perspective, so this study is unique being the starting point in this area. The research aims to explore the management and accountability practices of *waqf* institutions in Bangladesh. This study focuses on three *waqf* institutions of Bangladesh which are (1) Hajrat Shah Ali Bagdadi (Rw.) Mazar Sharif *Waqf*, at present it is a very famous *waqf* for its social activities; (2) Azimpur Dayera Sharif *Waqf* which is a family *waqf* and it has historical and religious background in the development of human welfare and (3) Hamdard Laboratories (*Waqf*) Bangladesh which is renowned for its contribution in the public health and has a significant amount of *waqf* assets. An exploratory research design is adopted which is qualitative in nature that provides an in-depth analysis of *waqf* practices among the three cases. The data for this study is collected mainly by interviewing *mutawallis* and administrative officers as well as viewing documentation. From the close observation of the three *waqf* institutions, it is found that the criteria and working agenda of the three *waqfs* are different. All the *waqfs* have distinctive practices regarding management, accountability and disclosing of *waqf* report to the public. The recommendations and suggestions implied through this study may contribute in the policy making and implication concerning management and accountability matters of *waqf*.

المخلص

إن التنمية الاقتصادية في البلدان الإسلامية فشلت بسبب غياب الإدارة ذات المصداقية و التي تمارس عملها بإتقان في ضل مفهوم المحاسبة. إن المحاسبة يمكن لها ان تكون أداة ذا أهمية في تحسين إدارة مسائل الوقف. بناءا على ما قيل، فإن القارئ يلاحظ قلة في الدراسات التي تتناول الوقف من وجهة نظر محاسبية في بنغلاديش. لذلك، فإن هذه الدراسة انفردت بطرحها لهذا الموضوع و أسست نقطة إنطلاق في هذا المجال. ويهدف البحث إلى استكشاف الممارسات الإدارية ومسائل المؤسسات الوقفية في بنغلاديش. وتتركز هذه الدراسة على المؤسسات الوقفية الثلاثة في بنغلاديش هي: (1) حضرة شاه علي بغدادي، مزار شريف الوقف؛ في وقت الحاضر هو الوقف المشهور جدا بأنشطته الإجتماعية، (2) دايراه أزمفور شريف الوقف؛ هو وقف عائلي وله الخلفية التاريخية والدينية في تطوير الإنسان والإنسانية. (3) المختبر الهامدارد للوقف بنغلاديش؛ الذي إشتهر في مساهماته في مجال الصحة العامة كما يساهم بجزء كبير في الأصول الوقفية للناس. ولقد تبنت الدراسة منهج البحث الإستكشافي التي هي ذات طابع نوعي لتقديم تحليلات متعمقة لممارسات عملية الوقف بين المؤسسات الثلاث المذكورة. وتم جمع البيانات لهذه الدراسة بشكل رئيسي من خلال المقابلة الشفهية للمتولي الوقف والموظفين الإداريين وفضلا عن عرض الوثائق المكتوبة. عن طريق المراقبة الدقيقة لهذه المؤسسات الوقف الثلاثة المذكورة، تبين أن المعايير وجدول العمل في الأوقاف الثلاثة مختلفة. الدراسة أيضا توصلت إلى ان هناك تمايزا بين جميع الأوقاف في الممارسات المتعلقة بالإدارة والمراقبة و الكشف عن تقارير الأوقاف للجمهور. و في الأخير قدم الباحث من خلال هذه الدراسة توصيات واقتراحات تساعد في إتخاذ سياسات متعلقة بالوقف تساهم في تحسين مستوى الإدارة و المحاسبة.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Science in Accounting.

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DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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Date

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THREE CASES IN BANGLADESH**

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*This work is humbly dedicated to:
My beloved mother, Mahmuda Begum
And my caring father, Md. Fazlul Haque ,
May Allah SWT shower His mercy on them as they have shown me the right path since
my childhood.*

*My beloved sisters, Tania Sultana, Tayeba Sultana, Tamzida Tabassum and brother,
Azwad Abid who have always encouraged me to move forward.*

May Allah SWT reward them and guide them till the Day of Judgment.

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LIST OF ABBREVIATIONS

AD	Azimpur Dayera Sharif <i>Waqf</i>
AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions
APPC	Asia Pacific Philanthropy Consortium
HL	Hamdard Laboratories (<i>Waqf</i>) Bangladesh
HS	Hajrat Shah Ali Bagdadi (Rw.) Mazar Sharif <i>Waqf</i>
IUMWF	International Islamic University Malaysia <i>Waqf</i> Fund
MFI	Micro-Finance Institution
NGO	Non-Governmental Organization
NPO	Non-Profit Organizations
NSBR	Non-Scientific Business Research
PBUH	Peace Be Upon Him
RM	Ringgit Malaysia
RW	Radi Allah Anhu
SAW	Sallallahu Alaihi Wasallam
SBR	Scientific Business Research
SIRC	State Islamic Religious Council
TK	Taka (Currency of Bangladesh)

CHAPTER ONE

INTRODUCTION

1.1. BACKGROUND OF THE STUDY

Waqf is one of the best resources of charity dedicated for the overall advancement of the Muslim society. Though it has remarkable potentials to bring prosperity for the poor and needy, unfortunately this subject is less taken care of and not dealt with an effective and efficient manner by most of the students and scholars and they do not concentrate much on *waqf* related researches and studies (Hoexter 1998). Though there are some literatures available in some countries on *waqf* studies from accounting perspective (i.e. Abdul Rahim et al. 1999; Siti Rokyah 2005; Hisham 2006; Adnan et al. 2007; Yayla 2007; Ihsan 2007) but no research has been conducted on *waqf* accounting in the context of Bangladesh. This is supported by Rashid (2008) that in the last thirty years from 1977-2007, only 40 *waqf* related materials have been produced on Bangladesh. These are 10 books, 4 partial books, 4 published papers, 1 unpublished PhD thesis, 6 newspaper/magazine articles, 9 reports and 6 on-line materials. A large portion of these *waqf* related studies is related with both classical and modern *waqf* laws whereas very little attention is paid on the contemporary issues such as *waqf* development and management.¹ In these circumstances, this study attempts to investigate the management and accountability practice of the *waqfs* in Bangladesh.

¹ Syed Khalid Rashid, Bibliography of *Waqf* Literature Produced in India, Pakistan, Bangladesh, Malaysia and Indonesia during the period from (1977-2007), *Awqaf* (Refereed Biannual Journal Specialized in *Waqf*& Charitable Activities), No. 15, Year 8, November 2008, p, 13

Osman (2010) recommends that significant attention should be given on the association of *waqf* management with its beneficiaries in order to improve the present condition of *waqf* management. The researcher also proposes that significant development of *waqf* management depends on the incorporation of opinions from the grassroots to the higher positions of the managerial board while everyone will attain the full liberty of expressing their own views.

According to Lewis (2006), assisting accountability is one of the major goals of accounting system. In this regard, accountability signifies the accountability to the community (*ummah*) as well as the society in a broad sense. According to the Islamic belief, as Allah (swt) is the sole owner of this world and universe, so this accountability will go on to His Supremacy and the Muslims are accountable for their deeds to Him. In the *Quran*, the importance of this accountability or *hesab*² has been found more than eight times in different verses, which also shows the uniqueness of such accountability for the human beings to Allah (swt) (Askary and Clarke 1997).

Regrettably, Muslim users and financial policy makers who unanimously accepted the diversity in religious and secular aspects of life and their judgment of what is satisfactory and what is constructive while preparing the report. This situation may be derived from the consequences of modernism³ (Sulaiman and Willett 2001). Both Western and Islamic organizations share the similarity in some of their distinguished features, such as, their overall academic procedures and practices. Both have the shortage of funds, improper accounting systems, insufficient financial accountability practices and incompetent financial control which result into the

² In the Qur'an, the word "account" (Arabic: *hesab*) is used in its generic sense, relating to one's obligation to account to God on all matters pertaining to human endeavour (Source: <http://en.wikipedia.org/wiki/Accountancy>).

³ It suggests that the Muslims are gradually adopting the capitalist and secular values of the West in their business dealings. (Ariff, 1991).

inadequate exposition of financial reporting. Bangladesh is no exception in this case. In general, a large portion of the *waqf* properties in Bangladesh is not properly taken care of. In some cases, those land properties are merely left idle in the remote areas of villages, which are only utilized in specific reasons like, to arrange *Eid* prayers. The rest of the year, those are scarcely utilized. If those assets are well-maintained, the ordinary people can be more benefited from the intrinsic value of *waqf*. Accounting can be an important tool to improve the management and accountability of *waqf*. In line with this assertion, this study attempts to fill in the gaps with respect to the knowledge pertaining to *waqf* management and accountability practices particularly in Bangladesh.

1.2.WAQF: AN OVERVIEW

According to Raissouni (2001), *waqf* in Arabic term means “*Habs*”, “locking up” forbidding movement, transport something, or confinement. The word *waqf* is used in Islam in the meaning of holding certain property and preserving it for confined benefit of certain philanthropy and prohibiting any use or disposition of it outside that specific objective. In general, the history of *waqf* is very rich with impressive achievements in serving the poor in particular and enhancing the welfare.

Waqf is also called *sadaqah jariyah* (Kahf 2007), which means the continuous charity. *Waqf* is beneficial not only in this world but also has a perpetual contentment of the donor even after his/her death. Allah says in *Surah Al Imran, verse 92*: “By no means shall you attain to righteousness until you spend (benevolently) out of what you love; and whatever thing you spend, Allah surely knows it.”

The Qur’an does not contain any specific reference to *waqf* and its legal parameters have been developed by jurists across centuries. It is inspired from

repeated emphasis upon charity in the Qur'an. As a special of dispensing charity, *waqf* is certainly included under the general terms of *sadaqah* and *infaq*.

Prophet Muhammad (saw) has encouraged the human beings to donate his or her wealth in order to achieve perpetual *barakah*. There are significant inferences and references in his moral teachings and actions about the practice of *waqf*. A few sayings of the Prophet are noteworthy from such context. Kahf (2006) mentioned in this regard: The Messenger of Allah said in a Hadith reported by Muslim, Tirmidhi, Abu Dawud, Nasa'i and Ibn Majah from Abu Hurairah that: "When a person dies, his actions come to an end, except in one of three ways: A continuing act of charity, (or *sadaqah*), or a useful contribution to knowledge, or a righteous child who prays for him."

Another *Hadith* also manifests the significance of charity in human life. Abu Hurayrah (may Allah be pleased with him) said, "The good deeds that will reach a believer after his death are: knowledge which he learned and then spread; a righteous son whom he leaves behind; a copy of the *Quran* that he leaves as a legacy; a mosque that he built; a house that he built for wayfarers; a canal that he dug; or charity that he gave during his lifetime when he was in good health. These deeds will reach him after his death." [Ibn Majah: 242]. The blessings of Allah (swt) is so magnanimous that He has endowed us with the opportunity to accelerate our good deeds eventually at the ending of our worldly life and bestowed us with the hope of eternal glorification of our soul.

Waqf revenue can be used in serving worship places (mosques), education, and philanthropy, such as food, health and so on. The objective of *waqf* may be for society at large, including the provision of religious services, socio-economic relief to the needy, the poor, education, environmental, scientific, and other purposes (Kahf 1998).

The revenue, fruits or services from the *waqf* should be distributed among the poor or needy people in the society according to the *waqif's* will (Ahmed 2002).

1.3.MOTIVATION OF THE STUDY

Bangladesh has an approximate population of 160 million. Around eighty-five percent of the population in Bangladesh is Muslim and the people's religious tradition has promoted a culture of giving. In general, the middle income group gives comparatively more and mainly to individuals, while the higher income group invests in religious institutions (i.e. respective prayer houses, *madrasah*⁴, orphanages, etc.), mostly in their birth places. According to the APPC (Asia Pacific Philanthropy Consortium), Individual Giving survey on 'Investing in Ourselves' published in 2001, 87.8% of households in metropolitan areas, 88.7% in urban areas and 64.9% in rural areas give to individuals or organizations. Other than giving for religious reasons, in recent times, a change has become evident in the people's attitude towards philanthropy. In the past, establishment of educational institutions (schools, colleges, *madrasahs*, etc.) and prayer houses (mosques, temples, etc.) used to be established as non-profits by the people either individually or in a group. But in recent times, the rate of establishing nonprofit educational institutions is decreasing while that of for-profit is increasing (kindergarten schools). One of the key reasons for this is that the government now allows the establishment of educational institutions in the for-profit sector. Many schools are now in operation with a trade license. During the *Eidul Adha* (another major Muslim festival celebrating the Prophet Abraham's intended sacrifice for the Almighty) people slaughter animals. One-third of the meat goes to charity. A survey on *sadaqah* (voluntary giving as an act of righteousness or beneficence)

⁴*Madrasah* is the Arabic word for any type of educational institution.

indicates that at least RM 50,000,000 (1 RM = 22 Taka) is given in this form by the Muslim families. About half of that is the value of hides and skins of sacrificial animals throughout the year. A good percentage of the funds of orphanages in the country derives from this source. In addition, the fixed asset of Muslim *waqf* property is more than RM 200,000,000 income from which is used for public benefit.⁵

The two statistical reports published by Bangladesh Bureau of Statistics, one in 1983 on the census of mosques and the other in 1987 on the '*Census of Waqf Estates 1986*', showed that there existed 131,641 mosques in Bangladesh out of which 123,006 have in their favour dedicated to *waqf* properties and 150,593 *waqf* estates out of which 97,046 are registered and 45,607 are non-registered while the rest 7,940 are *waqf* by user (Rashid, 2008).

A close field study scrutinizes that most of the *waqf* properties, in Bangladesh, are not registered (Zaman, 2003); if registered, those are not properly recorded and left idle. Some properties are ill-maintained and remain undeveloped. Some are rarely looked after by the institutional personnel. It is a matter of utter regret that a vast arena of such assets is devoid of any pragmatic future development. A dire consequence is noticeable while the authority becomes unable to properly utilize those assets, especially, when the lands are being leased out with very minimal charges. The situation becomes more dreadful when the lands are sold out for insignificant prices. If those properties are well-maintained, the ordinary and needy people can be benefited from it and the persons who donate such properties can attain perpetual blessings by the rotation of the monetary values significantly and effectively through the diversity in humanitarian activities. Three registered *waqf* institutions are chosen in this study based on their assets which are famous for their remarkable contribution in social

⁵ Asia Pacific Philanthropy Consortium *Secretariat*, <http://www.asiapacificphilanthropy.org/node/17>

welfare. Out of the three *waqf* institutions, two are registered as general *waqf* while the other is family *waqf*. There is no statement available to measure the amount of *waqf* assets, therefore physical assets are used to quantify the amount of assets.

As mentioned above that no attempt has been taken on *waqf* research in the context of Bangladesh from accounting perspective, so this study is unique being the starting point in this area. As a result, the researcher is motivated to explore the management and accountability practices of *waqf* institutions in Bangladesh.

1.4.OBJECTIVE OF THE STUDY

This study is conducted to achieve certain objectives as follows:

1. To explore the existing *waqf* management practices in Bangladesh.
2. To investigate the accountability practice and reporting of Bangladeshi *waqf* institutions.
3. To investigate how *waqf* institutions in Bangladesh disclose their reporting to the users.

1.5.RESEARCH QUESTIONS

The earlier researches on *waqf* were mostly dealt with *waqf* management and reporting i.e. Abdul Rahim et al. (1999); Hisham (2006); Osman (2010). On the contrary, very few researchers like Siti Rokyah (2005), Ihsan (2007) have given much priority on *waqf* accounting. The earlier investigations of *waqf* practices in Bangladesh are mostly centered on the *waqf* management and problems related with *waqf* in general, for example, Ahmad (2010), Khan F. (2010), Rashid, S.K. (2008), Zaman I. (2003). So far, no research has been conducted on *waqf* accountability practices in the context of Bangladesh and this present study will fill up the gaps and

give a new dimension to the *waqf* practices in Bangladesh from the view point of accountability perspective as well as reporting. This inadequacy opens scope for this research on *waqf* accountability prospects in Bangladesh.

This study will demonstrate three research questions springing from the main stream of *waqf* research proceedings in Bangladeshi context. The research questions are as follows:

- a) How the *waqf* institutions are being managed in Bangladesh?
- b) How Bangladeshi *waqf* institutions perform their accountability practice and reporting?
- c) How Bangladeshi *waqf* institutions disclose their reporting to the users?

With the aforesaid research questions as yardsticks, the study attempts to offer some probable solution which may improve the future *waqf* accountability practices in Bangladesh.

1.6.SIGNIFICANCE OF THE STUDY

Islam encourages to donate money, wealth or any kind of property for the benefit of the poor Muslims and to uplift the society as a whole so that the distinguishable gap between the rich and the poor can be shrunken. It is a form of *Ibadah* and if it is well-managed, it will help enormously to eradicate poverty from not only in the limited range of a community but also in a wider extent i.e. country. If the Muslim world is united and work hard simultaneously through different Islamic approaches like *zakat* or *waqf*, the strength of Islamic brotherhood will be empowered and broaden. We should not look at it from a nationalistic point of view. It can go beyond the prosperity of a specific nation if they work as a single entity and work harmoniously among the

Muslim world. This ummatic brotherhood has more scopes and it can contribute much for the betterment of the Muslim society through charitable approaches like *waqf*.

Waqf plays a very significant role for the proliferation of properties and wealth among the Muslims. Nonetheless, it has potentials for the vital prosperity of a society. It can ensure the consumption of basic human needs in a society through its everlasting approaches. In order to lessen the poverty effectively, people should practise the long term or long lived charity. Short-term charity may help the needy, but long term charity is more prominent and necessary at present, as the Muslim world has been experiencing so much of trials and tribulations. We can attain the nearness of Allah (swt) through such charitable activities which may ensure our heartfelt love and submission to the Almighty and the society can be benefited from it significantly and we can become spiritually upgraded. It is deemed as an infinite charity and the incessant fruits can be attained perpetually even in our afterlife.

According to Khaf the first *waqf* is *Kabah* in *Makkah* as it is revealed in the *Quran* (*Surah Al-Imran*, verse 96) that it is served as the first place of worship for the people.⁶ According to Ibn al 'Athir (1976) as cited in Ahmed (2004), one of the oldest *waqf* is created by Prophet (pbuh), when he bought a piece of land and built a mosque named Al-Masjid al-Nabawi. One of the oldest civil *waqf* concerning with drinking water is created by Uthman at the advice of Prophet (pbuh) is the *waqf* of *Bi'r Rumah* (Rumah Well) in Madinah (Ahmad, 2004). This *waqf* was meant to the welfare of the poor, needy travelers. One of the major objectives of *waqf* is to provide help and comfort to the poor. So, to support the poor is the ultimate priority among the other objectives of *waqf*. In general, it is considered for the benefits of the down-trodden humanity. It will remain equally effective and prioritize the welfare of the poor, even

⁶ Khaf, *Waqf: A Quick Overview*. <http://monzer.kahf.com/papers.html>.

if the founder does not mention it clearly in his or her *waqf*. The benefits of the *waqf* will ultimately go to the well-being of the poor and needy people in the society. As long as the main goal of *waqf* is justified through the various humanitarian deeds, such as to help the orphans, widows, to help the poor men and women in terms of paying their cost of marriage, to nurse mothers, to help the battered wives and to help the wayfarers; it will not contradict to the *shariah*. *Waqf* properties can also be used for the welfare of the victims of any natural calamities, such as flood, earth-quake, and landslides. It can be utilized in any emergency needs of humankind. (Fiqh of *waqf*)

The need of accounting standards for *waqf* institutions has discussed by a number of researchers, for example, Ihsan and Shahul (2007). But until today no serious effort has been taken to organize and disseminate such standards (Adnan Akhyar M. & Maliah Sulaiman 2007). Ihsan (2007) implies that Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) has initiated to think about how to develop such standards.

Furthermore, under the *waqf* laws, the main duty of a *mutawalli*⁷ is to look after the property in such a way that the benefits of the recipients are well-preserved (Basar 1987). Some Muslim jurists opine that the sole right for the ownership of a *waqf* is belonged to Allah (swt). On the other hand, some jurists argue that the right of the ownership of a *waqf* is belonged to its beneficiaries. According to the *waqf* policy, the *mutawalli* is accountable for its proper management to the beneficiaries as well as the *waqf* board (Beekun and Badawi 2005).

From the above discussion, it can be asserted that *waqf* has a great significance in the betterment of socioeconomic development. The economic developments of

⁷ A *mutawalli* is the manager or superintendent of *waqf* property and not a trustee. A *mutawalli* has the full power of managing and administering *waqf* properties in order to accomplish the purpose for which the *waqf* has been created.

Islamic countries are impaired because of the lack of credible accountability practices. In this circumstance, this study attempts to fill in the gaps with respect to the knowledge pertaining to *waqf* management and accountability.

1.7.CONTRIBUTION OF THE STUDY

This study is an attempt to contribute significantly to the *waqf* accounting literature in general, and Bangladesh in particular. As a preliminary study in *waqf* accounting in the scenario of Bangladesh, the researcher hopes that this study will provide some assistance to the betterment of *waqf* institutions. It will also be helpful for the enhancement and improvement of *waqf* in the sphere of its administration, management and accountability in Bangladesh. Moreover, this study will promote accounting regulators to give concentration to *waqf* accountability and also to develop accounting standards for *waqf* in Bangladesh, which could lead to the proper exposition of accountability for the benefit of the Muslim *ummah*.

1.8.ORGANIZATION OF THE CHAPTERS

The thesis consists of five chapters. Firstly, the thesis begins with the introductory chapter. This chapter provides a brief explanation of the background, objectives and research questions, motivation, brief description of the significance and contribution of the study.

Chapter two is divided into three sections which will explore firstly the management and accountability of *waqf* in general. The second section will concentrate on the review of the prevailing literature on *waqf*, which will be an inclusive study of the literature of *waqf* in other countries outside of Bangladesh and the third section concentrates on *waqf* literature within the context of Bangladesh.