



ANTECEDENTS AND OUTCOME OF DONORS' TRUST
IN *WAQF* INSTITUTIONS: THE CASE OF
BANGLADESH

BY

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ABSTRACT

Waqf is a historical and charitable vehicle in Islam that has the potential to contribute toward the socio-economic development of a country. There has been a growing lack of trust in *waqf* institutions among donors from Muslim countries due to numerous problems such as misallocation of funds, the low level of information disclosure, weak governance mechanisms and the lack of accountability to stakeholders. Unlike Zakat, *Waqf* is a non-obligatory levy, which will be contributed by the donors based on the level of trust they have in the *waqf* institutions. Empirical investigation is undertaken in this study to establish elements that affect donor trust toward *waqf* institutions. This study is an attempt to develop and empirically test a model of the donors' trust toward *waqf* institutions. The antecedents and outcome model of the donor's trust is developed from the perspectives of Commitment-Trust, Islamic Accountability and Stewardship theory. The data for the study is gathered from 326 actual donors of publicly administered *waqf* institutions in Bangladesh using a self-administered questionnaire. The results from Structural Equation Modelling (SEM) provide validity of the developed model and statistical significance of seven hypotheses developed through critical review of literature. Board benevolence, board ability, board integrity, communication and accountability have a positive influence on the donors' trust while board opportunism affects trust negatively. Trust also has a significant positive impact on the donors' commitment toward *waqf* institutions. The survey results are compared and integrated with follow-up interviews with four *waqf* administrators in Bangladesh. The results of the study can guide the regulators in formulating policies that could increase the donors' trust in *waqf* institutions and ensure a sustainable future of these religious, charitable organisations.

خلاصة البحث

الوقف وسيلة تاريخية خيرية في الإسلام تقدر على المساهمة في التنمية الاجتماعية والاقتصادية للبلد. تزايد نقص الثقة في مؤسسات الأوقاف بين الواقفين في البلدان الإسلامية بسبب العديد من المشاكل والتي تتمثل في سوء توزيع الأموال ، وانخفاض مستوى الإفصاح عن المعلومات ، وضعف الإطار التنظيمي وفقدان المحاسبة والمساءلة أمام أصحاب المصلحة. بخلاف الزكاة، يعتبر الوقف تكليف غير إلزامي، يلتزم به الواقفون حسب مستوى ثقتهم بمؤسسات الوقف. يهدف هذا البحث دراسة ميدانية لتحديد العناصر التي تؤثر على ثقة الجهات الواقفة بمؤسسات الوقف. ويهدف البحث إلى تطوير نموذج تجربة ثقة الواقفين بمؤسسات الوقف وتقييمه. تم تطوير نموذج ثقة الواقفين والمتبرعين والمستند التاريخي له من منظور على الالتزام بالثقة ، والمساءلة الإسلامية، ونظرية الإدارة. تم جمع البيانات الخاصة بالبحرثمن 326 واقفا/متبرعا لمؤسسات الأوقاف العامة في بنغلاديش باستخدام الاستبانة ذات الإدارة الذاتية. تثبت نتائج نموذج المعادلات الهيكلية (SEM) صلاحية النموذج المطور والأهمية الإحصائية لسبع فرضيات تم تطويرها من خلال الدراسات السابقة. إن لخيرية مجلس الإدارة ، وقدرته وسلامته ، والتواصل والمساءلة تأثيرا إيجابيا على ثقة الواقف/المتبره ، بينما تؤثر انتهازية المجلس على فقدان ثقة الواقف/المتبرع ي. وتؤثر ولثقة تأثير إيجابي هام على التزام الواقفين تجاه مؤسسات الوقف. تمت مقارنة نتائج المسح وربطها بالمقابلة مع أربعة من ذوي الخبرة الفنية في إدارة مؤسسات الأوقاف في بنغلاديش . يمكن أن توجه نتائج البحث المنظمين في صياغة الأنظمة لزيادة ثقة الواقفين/المتبرعين في إدارة الأوقاف لضمان استدامة مؤسسات الأوقاف الخيرية.

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DECLARATION

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

وَإِنْ كُنْتُمْ عَلَى سَفَرٍ وَلَمْ تَجِدُوا كَاتِبًا فَرِهْنَ مَقْبُوضَةً فَإِنْ أَتَى بَعْضُكُم
بَعْضًا فَلْيُؤَدِّ الَّذِي أُؤْتِمِنَ أَمْنَتَهُ، وَلِيَتَّقِ اللَّهَ رَبَّهُ، وَلَا تَكْتُمُوا الشَّهَادَةَ وَمَنْ
يَكْتُمْهَا فَإِنَّهُ آثَمُ قَلْبًا، وَاللَّهُ بِمَا تَعْمَلُونَ عَلِيمٌ ﴿٢٨٣﴾

*If you trust one another, then let him know who is trusted fulfil his trust, and let him be
conscious of God, his Sustainer.*

(Al-Baqarah, 2:283)

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LIST OF ABBREVIATIONS

AAOFI	Accounting and Auditing Organization for Islamic Financial Institution
AGIMO	Australian Government Information Management Office
AMLA	Administration of Muslim Act
ASV	Average Shared Variance
AVE	Average Variance Explained
BIDS	Bangladesh Institute of Development Studies
BRAC	Bangladesh Rural Advancement Committee
CEP	Community Employment Programme
CFA	Confirmatory Factor Analysis
CFO	Comparative Fit Index
CMB	Common Method Bias
CR	Critical Ratios
FEPDI	Financial Reporting Practices Disclosure Index
FFW	Food for Work
GLC	Government Linked Companies
HRIS	Human Resource Information System
IIUMWF	International Islamic University Malaysia's <i>Waqf</i> Fund
IPAP	Integrated Poverty Alleviation Programme
IRCPP	Islamic Religious Council of Pulau Pinang
KMO	Kaiser Meyer Olkin
KMV	Key Mediating Variable
MDG	Millennium Development Goals
MORA	Ministry of Religious Affairs

MSV	Maximum Shared Variance
MUIS	Majlis Ugama Islam Singapura
NGO	Non-Governmental Organization
PBUH	Peace be upon Him.
PEP	Production and Employment Project
REIT	Real Estate Investment Trust
RLP	Rural Livelihood Project
RPCP	Rural Poverty Cooperation Project
SEM	Structural Equation Modelling
SIRC	State Islamic Religious Council
SORP	Statement of Recommended Practices
UN	United Nations
UNDP	United Nations Development Program
UNPAN	United Nations Online Network in Public Administration
VGD	Vulnerable Group Development

CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

Waqf is a charitable instrument in Islam that means ‘to hold still’ and ‘last long’. The act of *waqf* involves the endowment of property by the owner for a charitable purpose. The benefits resulting from an endowed property are perpetual in nature. Thus, the *waqf* institution can provide a greater contribution to the economic development of a Muslim country. Although not explicitly mentioned in the Quran¹, this charitable vehicle is widely accepted by the vast majority of the Muslim community due to the practice of such act by Prophet Muhammad (PBUH²) and his companions. *Waqf* can eliminate poverty and facilitate Muslim majority countries’ struggle against eliminating interest.

Waqf is receiving increasing attention from the Muslim community due to its proven socio-economic contribution in providing a broad range of public goods (Yaacob, 2013). *Waqf* institutions are accountable in every aspect when dealing with *waqf* estates. However, accountability is a complex phenomenon and relates to the ability of one party (the donor) to ask for information from another party (the *waqf* Manager) (Yaacob & Petra, 2013). It is important that the *waqf* institutions do not forget that they are accountable to answer to Allah in the dealing of properties entrusted to them through the *waqif* (the donor) (Sait & Lim, 2006).

Waqf can make an impact in the socio-economics of a country. In the South and South-East Asian regions, the *waqf* properties play a vital role in serving

¹ The Quran is the central religious text of Islam and a revelation from Allah.

² “Peace be upon him” (PUBH) is a phrase used by Muslims after the name of Prophet Muhammad.

educational needs of the pupils coming from low-income families. However, history proves that the *waqf* properties were used to finance the entire government operations and was a major part of the Muslim economic system (Cizakca, 1997). Over time, *waqf* has lost its strength and significance as a charitable instrument. The *waqf*'s ability to shape the economy of a country cannot be denied, and thus it is proven to be a viable research agenda among scholars in recent years.

Studies that specifically address the role of trust in encouraging donations are limited. Authors such as Burnett (1992), Saxton (1995) and Sargeant (1999) argued that higher degrees of trust in a voluntary organisation can be associated with more willingness to become a donor and give more significant sums. According to Sargeant & Lee (2004b), the idea seems logical because the donors who do not trust an organisation's trustees to appropriately handle their funds would probably not offer a substantial proportion of their wealth to the institution concerned.

Hence, this study focuses on determining antecedents and outcomes of the donor's trust in the *waqf* institution managed by the public sector in a Bangladesh. The primary reason for conducting the research in Bangladesh is due to its status as the most corrupt country in three consecutive years according to Transparency International (Transparency International, 2003). Moreover, the *waqf* estates are being managed by Government institutions that create a unique setting to explore the donor's trust in government officials who are responsible for efficient management of the endowed properties. The findings of the study can benefit both the regulators and the *mutawallis*³ to understand the factors that influence trust among the donors and allow them to develop strategies to increase the donors trust toward the institution.

³Mutawallis are managers or custodian of waqf endowment.

1.2 BACKGROUND OF THE STUDY

Throughout Bangladesh's history, the practice of giving to others without expecting any return and helping the distressed often began at home and formed a crucial part of the socialisation process in which family values and traditions were instilled with both voluntary and religious dimensions (Khair & Khan, 2004: 49). However, the *waqf* institutions are currently facing numerous problems in Bangladesh. The first and most significant problem related to the centralisation of the *waqf* administration.

All decisions are made by the head office, which renders no opportunities for divisional employees to participate in decision-making. Empirical evidence (Curristine et al., 2007) suggests that decentralisation of political power and spending responsibility of sub-national governments may improve public sector performance. The reason for drawing an example from the public sector literature is due to the context of the study, i.e. government managed *waqf* institutions.

In the current context of *waqf* management in Bangladesh, the centralised management structure does not follow the policy to adjust to financial resources and improve the quality of the service delivered to the citizens, using decentralisation, merger or abolishment of services (Eupan, 2006).

There are also issues regarding the qualification and abilities of the *mutawalli* in effectively managing the *waqf* estates to generate a continuous flow of fund for their sustainable future (Mutalibab & Maamora, 2016). These issues only pose serious concerns on the governance structure of the *waqf* institutions in Bangladesh and are vital for the future growth of *waqf* institutions. The level of educational background will enhance the personal experience in managing the *waqf* properties, which are lacking among the *waqf* administrators (Mutalibab & Maamora, 2016). Ahmad and Safiullah (2012) have already identified lack of efficiency and qualification as factors

affecting the performance of the *waqf* administrators in Bangladesh. Such claims are verified in the study through the introduction of boards attributes that can influence donor's trust in *waqf* institutions.

The inadequate workforce is another critical issue faced by the government body responsible for the *waqf* administrations in Bangladesh. Only 111 officers and employees are managing nearly 100,000 *waqf* estates of the whole country (Ahmad, 2015). Among other problems, lack of organisational and academic competency (Karim & Murad, 2010a), unregistered *waqf* properties (Mannan, 2014), lack of provisions in relevant laws (Ahmad & Safiullah, 2012), illegal occupation and misappropriation of *waqf* properties (Mannan, 2014), lack of social awareness, the integrity of the *mutawallis* and their qualification and the lack of a *Shari'ah* and Advisory Board are identified as major issues of *waqf* management in Bangladesh (Karim & Murad, 2010).

The most significant issue is related to the disclosure practices. Currently, annual accounts are prepared and disclosed to internal management (Ministry of Law, Justice and Parliamentary Affairs, 2010). As a result, performance measurement of *waqf* institutions is not possible for the stakeholders. Lack of information on *waqf* management has generated a lack of awareness on the development of such estates among the general public that might create windows of misrepresentation on *waqf* estates. Such misinterpretations might have a negative influence on the donor's trust in *waqf* institutions which could affect the sustainability of this perpetual charitable vehicle of Islam. The level of disclosure has a link with accountability and have received greater attention for the non-profit sector in the developing countries (Dhanani & Connolly, 2012). The study aimed at determining the perception of

donors about the current disclosure practices and the extent to which it helps the institution to build trust and enhance donors commitment.

1.3 PROBLEM STATEMENT

The *waqf* institution in Bangladesh is already suffering from a lack of organisational competency, unregistered *waqf* properties, lack of provisions in relevant laws, illegal occupation and misappropriation of *waqf* properties, lack of social awareness, the integrity of *mutawallis* and their qualification and absence of a *Shari'ah* Advisory Board (Ahmad & Safiullah, 2012). Hence, the study focusing on antecedents and outcome of donors trust in the *waqf* institution has the ability to assist regulators in determining the extent of trust donors have in the current environment and will allow them to develop reformed strategies toward enhancing the donor's trust.

There have been surveys conducted by The World Economic Forum, the Eurobarometer, the Asia Barometer, the Latin barometer, the Australian Government Information Management Office (AGIMO) Accenture, MORI, BBC and Gallup International, the United Nations Online Network in Public Administration and Finance (UNPAN), the United Nations Development Program (UNDP), the Transparency International to confirm the declining trust in public sector organisations in various parts of the world. These surveys have found that there is a consistent and ubiquitous decline of trust in a range of public institutions in both the developed and developing countries since 2004 (Blind, 2007).

As mentioned before, one of the problems of *waqf* management in Bangladesh relates to a lack of relevant laws. The *Waqf* Ordinance, 1962 is the only regulation that provides a general guideline for the regulating authority. Instructions