



A RELATIONSHIP MARKETING THEORY ON
FACTORS INFLUENCING INTENTION TO
CONTRIBUTE TO *WAQF* IN HIGHER EDUCATION
INSTITUTIONS: EVIDENCE FROM IIUM

BY

SHAKHNOZA ALIMOVA

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the degree of Master of Science in Marketing

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International Islamic University Malaysia

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ABSTRACT

This research aims to examine factors that influence the intention to contribute to *waqf* in higher education institutions in Malaysia based on relationship marketing theory. *Waqf* plays very significant role in Muslim world since many centuries, and it has been paid more attention in Malaysia recently. Increasing interest on capitalizing *waqf* to support higher education institutions to ease financial difficulties become main concern for researchers. Therefore, there is an increasing interest of research to study *waqf* particular higher education context to ease financial difficulties. In this study, data has been collected from 260 academic and non-academic staffs of Internationals Islamic University Malaysia in order to identify factors affecting intention to contribute to *waqf*. The conceptual framework in this study is based on relationship marketing theory, which includes satisfaction, commitment, trust, religiosity and income. Regression analysis is conducted in order to identify relationship between independent and dependent variables. The findings of this study show the significance of satisfaction, trust and income on intention to contribute to *waqf*. However, commitment and religiosity have non-significant relationship with intention to contribute to *waqf*. This research will help practitioners to understand how intention contribute to *waqf* fund in higher education institutions can be further improved.

خلاصة البحث

يهدف هذا البحث إلى دراسة العوامل التي تؤثر على نية المساهمة في الأوقاف في مؤسسات التعليم العالي في ماليزيا على أساس نظرية التسويق العلاقي. تلعب الأوقاف دورا هاما جدا في العالم الإسلامي منذ قرون عديدة، كما انه تم إيلاء المزيد من الاهتمام في ماليزيا مؤخرا. هذا الاهتمام المتزايد برسمة الأوقاف لدعم مؤسسات التعليم العالي لتخفيف الصعوبات المالية أصبح مجالا رئيسي للباحثين. مما أدى لاهتمام متزايد بالبحث لدراسة الأوقاف في سياق التعليم العالي بشكل خاص لتخفيف الصعوبات المالية التي تواجهها. ومن أجل التعرف على العوامل المؤثرة على النية للمساهمة في الأوقاف من أجل دعم مؤسسات التعليم العالي، تم جمع البيانات من 260 موظفا أكاديميا وغير أكاديميين من جامعة الإسلامية العالمية بماليزيا. ويستند الإطار المفاهيمي في هذه الدراسة على نظرية التسويق العلاقي، والتي تشمل الارتياح والالتزام والثقة والتدين والدخل. يتم إجراء تحليل الانحدار من أجل تحديد العلاقة بين المتغير المستقل والمتغير التابع. تبين نتائج هذه الدراسة أهمية الرضا، الثقة، والدخل في نية المساهمة في الأوقاف. ومع ذلك، فإن الالتزام والتدين لهما علاقة سلبية مع النية للمساهمة في الأوقاف. وأمل أن يساعد هذا البحث على زيادة النية والإرادة للمساهمة في صندوق الوقف من أجل تخفيف العبء المالي لمؤسسات التعليم العالي.

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 thesis for the degree of Master of Science in Marketing.

.....
Suharni Binti Maulan
Supervisor

.....
Mohamed Aslam Bin Mohamed
Haneef
Co-Supervisor

I certify that I have 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 thesis for the degree of Master of Science in Marketing.

.....
Kalthom Binti Abdullah
Internal Examiner

.....
Siti Salwani Binti Razali
Internal Examiner

This dissertation was submitted to the Department of Business Administration and is accepted as a fulfilment of the requirement for the degree of Master of Science in Marketing.

.....
Noor Hazilah Abd. Manaf
Head, Department of Business
Administration

This dissertation was submitted to the Kulliyah of Economics and Management Sciences and is accepted as a fulfilment of the requirement for the degree of Master of Science in Marketing

.....
Maliah Sulaiman
Dean, Kulliyah of Economics
and Management Sciences

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.

Shakhnoza Alimova

Signature

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This dissertation is dedicated to my late Grandparents

A'zam Abbosov & Muyassar Abbosova,

To my late father in-law Mehmet Kayadibi

May Allah *S.W.T* grant them with Jannatul Firdaus.

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LIST OF ABBREVIATIONS

et al.	(et alia): and others
IIUM	International Islamic University Malaysia
RM	Relationship marketing
NRF	Non-Relationship-Inducing Factors
RIF	Relationship-Inducing Factors
SPSS	Statistical Package for Social Science
KENMS	Kulliyyah of Economics and Management Sciences
KAED	Kulliyyah of Architecture and Environmental Design
AIKOL	Ahmad Ibrahim Kulliyyah of Laws
ICT	Kulliyyah of Information and Communication Technology
KIRKHS	Kulliyyah of Islamic Revealed Knowledge and Human Sciences
EDU	Kulliyyah of Education
IEF	IIUM Endowment Fund
IIUM	International Islamic University Malaysia
UKM	The National University of Malaysia
UPM	The University Putra Malaysia
BMMB	Bank Muamalat Malaysia Berhad
SRC	State Religious Council
PWS	Perbadaan Wakaf Selangor
WSM	Wakaf Selangor Muamalat
RM	Ringgit Malaysia
PBUH	Peace be upon Him
PTPTN	Perbadanan Tabung Pendidikan Tinggi Nasional

CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

This chapter begins with a brief overview of study background on relationship marketing and its influence on intention to contribute to *waqf*. The following sections would highlight the problem statement, research objectives, and research questions. Furthermore, significance of the study elaborated briefly showing the importance of this research and the study scope. The key terms and organizations of chapters are defined in the next section. Finally, the chapter concludes with a summary. It is important to mention that *waqf* and endowment are used interchangeably.

1.2 BACKGROUND OF THE STUDY

Waqf is a type of voluntary charity that is strongly encouraged in Islam. It is a perpetual endowment for a charitable purpose and the revenue generated is spent for the specific purpose, stands out as one of the greatest achievements of Islamic civilization (Budiman & Kusuma, 2011). *Waqf* in Arabic language means to hold, confinement or prohibition. It is used in Islamic law as holding certain property and preserving it for the confined benefit of certain philanthropic cause and prohibiting any use of it other than its specific objectives. *Waqf* is widely related to land and buildings. However, there are *Awqaf* (Plural form of *waqf*) in terms of agricultural machinery, livestock, shares, books and cash (Kahf, 2003).

Waqf as a concept known as a transfer one's property's ownership as well as relief works to be fully and completely under the control of public and for their interests and benefits (Salarzahi, Armesh, & Nikbin, 2010). *Waqf* is a perpetual

donation with determined purpose to be achieved by the use of *Mawqoof* property, where the ownership cannot be transferred or disposed. According to Imam Abu Hanifa, *waqf* is the confinement of a land or even cash in the possession of the appropriator and allocating its benefits for the needy with good intentions (Ibrahim, Amir, & Masron, 2013).

Studies and evidences from the literature review have shown that *waqf* activities in Islamic countries are key players to various changes and improvement of well-being societies. Religious factors such as strong faith and virtue, individual personality, gentle spirit, generosity, job base, the level of income, the level of education and social consciousness are the components of determining the charity measures of *waqf*. *Waqf* activities will help to get the developmental programs and considerable part of divisions and the poor people can use these opportunities and benefit of social services (Sakhori, 2007).

According to Mohammad and Iman, (2006), *waqf* is one of the finest fruits of Islamic civilizations. Yet, its study has not been given the attention it deserves. The negligence of *waqf* for the last two centuries or so has resulted in a great number of underdeveloped and abandoned *waqf* properties in various Muslim nations. Due to this vacuum, the complexity of the concept of *waqf*, and the problems of financial and legal institutions, a solution to the problem of *waqf* development is still to be found.

As explained by Harun, Possumah, Mohd Shafiai, and Nor, (2016), *waqf* is a continuous voluntary charitable act in Islam and it promotes equitable and just distribution of wealth. Furthermore, *waqf* assets were instrumental in providing social and economic safety valves through its role in promoting religion, education, shelter, health, food security and rural-urban transformation. There are many higher education

institutions around the world that are operated successfully with the support of *waqf* system.

As poverty is a major obstacle in several Islamic countries, *waqf* can be set as an alternative solution to this matter. Poverty is a main deterrent to people from studying in various educational institutions. Harun, Possumah, Shafiai, and Noor (2014) studied the experience of *waqf* institutions and their role in strengthening the sources of funds. They found that *waqf* is an excellent source of fund that has the potential to contribute to a better quality of higher education institution. The procedures can be done by forming official organizations at state and federal levels where Malaysian educational budget and plan can be reorganized to support superior Higher Education Institutions.

Waqf has been the focus of much scholarly attention, but have yet to be examined in a theoretical framework which would interpret its workings as an institution and relate them to their economic performance. It is significant to mention that there is a difference between the reputation of the *waqf* as a successful economic institution and the actual historical record of its performance (Budiman & Kusuma, 2011).

According to Gurin, Dey, Hurtado and Gurin (2002) pursuing study at higher education institutions will not only improve standards of life, but it also nurture students' academic and social well-being. Moreover, Yusof, Ab. Aziz, and Johari, (2013) mentioned the significance of *waqf* for socioeconomic development which would have significant impact on higher education in Malaysia. Studies and evidences have shown that *waqf* for higher education institutions has significant role for an economic performance of the country as well its social improvement. Therefore, people's commitment, trust, satisfaction towards intention to contribute to *waqf* will

be examined in this study. The study will also investigate whether income and religiosity have relationship with the underlying intentions to contribute to *waqf*.

1.3 STATEMENT OF THE PROBLEM

Waqf is voluntary in nature and any individual can take part in *waqf* contribution. *waqf* fund can be huge potential in assisting the financial difficulties of higher education institutions in Malaysia. Basically, people can contribute to *waqf* even with cash money and it is even easier for them to participate in Waqf. Although cash *waqf* is a very convenient to contribute in *waqf* fund but there are less awareness.

Furthermore, the Malaysian government cut the budget for higher education institutions, urging universities to find their own sources of fund to maintain their financial stability due to the economic crisis. Therefore, this research focuses on International Islamic University as Malaysian higher education institution in order to find out the influential factors of intention to contribute to *waqf* fund. Indeed, the cash *waqf* is expected to have a significant role to ease financial difficulties faced by higher education institution. Actually, awareness of cash *waqf* should be increased among IIUM workers. However, awareness of cash *waqf* among academic and non-academic workers in IIUM is considerably low.

On the other hand, trust plays a significant role for individuals to contribute to *waqf* fund or to participate in any kind of charity programs. Basically, trust in contribution to *waqf* perspective means the extent of donor belief which *waqf* institution will behave as expected and it will fulfil its obligations (Sargeant, & Lee, 2004). Despite being an important factor, studies have shown that many people lack trust in *waqf* and its institutions, resulting in lower contribution to it (Yusof, Yusof, Hasarudin, & Romli, 2010). According to Osman et al. (2016), people are not willing

to contribute to *waqf* due to the lack of trust as trust and giving behaviour are interrelated (Sargeant et al., 2006).

It is important to mention that, prior to the recent economic crisis, public institutions of higher education fully relied on public fund in order to maintain their operation costs as well as students' financial assistance provision (Ridhwan et al., 2014). According to Ibrahim et al., (2013) people's commitment would increase the *waqf* development which it improves the society's well-being. Moreover, religiosity plays a significant role in predicting donating behaviour (Lwin, Phau, & Lim, 2013).

However, the Ministry of Higher education Malaysia experienced substantial budget cut of RM2.4 billion from 2015, which equals to 15.3 percent reduction. As a result, the amount allocated for scholarships, grants and educational assistance were decreased from RM3.459 billion (2015) to RM2.647 billion (2016), which means the amount decreased by 23 percent. Indeed, the majority of the cuts came from the Ministry of education and Ministry of higher education. Ministry of education budget was reduced by 55.5 percent, which was RM873 million in 2015 and RM388 million in 2016. In addition to that, Ministry of higher education budget reduced by 16.4 percent, which was RM300 million in 2015 and RM 49 million in 2016 (Loh, 2016, 28 January).

Moreover, budget allocation for the universities is shown in figure 1.1 below with accordance percentage difference. These universities are University Malaya, University Malaysia Terengganu, University Technology Mara as well as University Utara Malaysia.

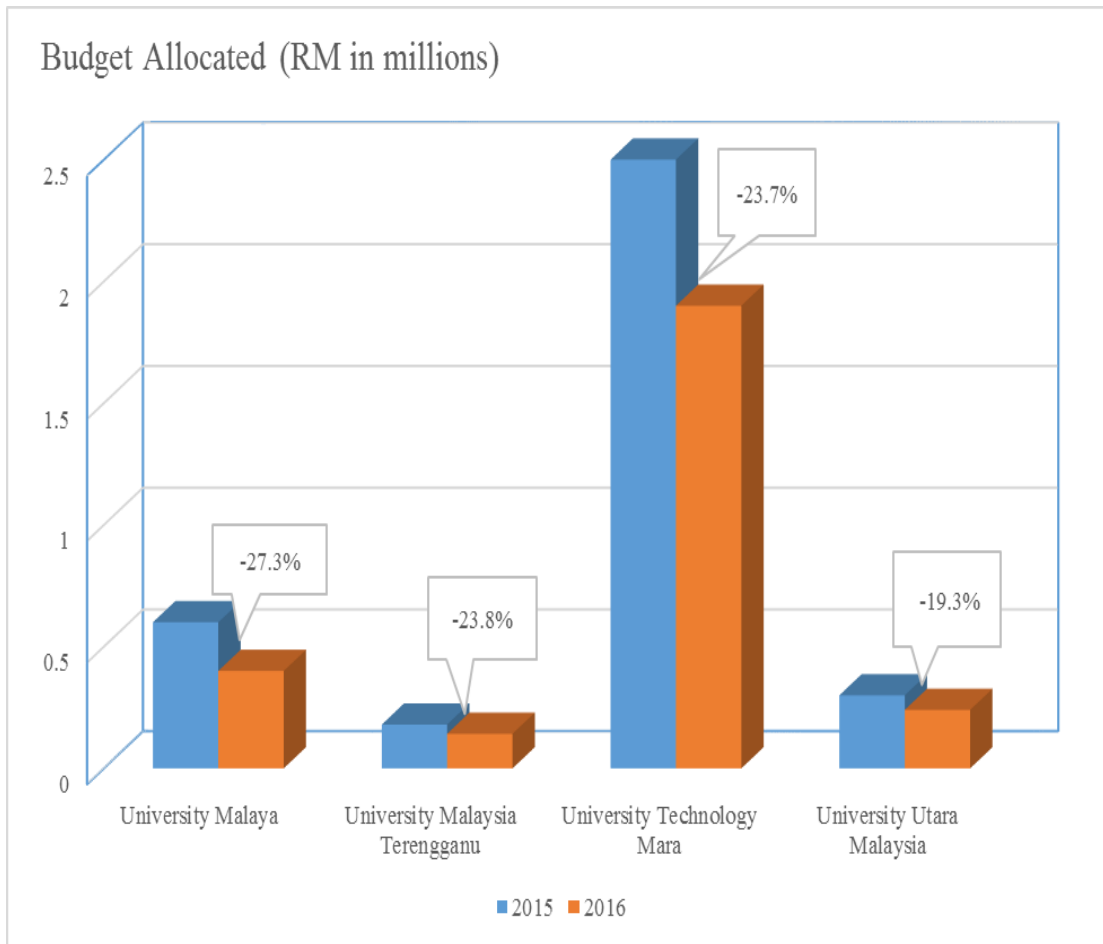


Figure 1.1 Budget comparison (percentage difference)

Based on Figure 1.1, budget comparison for several universities has shown in percentage difference. It can be seen that University Malaya had 27.3 percent budget cut, which its budget equaled to RM638 million in 2015 and RM464 million in 2016. Additionally, University Malaysia Terengganu had 23.8 percent decrease in budget, which was RM186 million in 2015 and RM142 million in 2016. Moreover, University Technology Mara's budget cut equaled to 23.7 percent, which was RM2,618 million in 2015 and RM1,997 million in 2016. Finally, University Utara Malaysia had budget cut 19.3 percent, which its budget equaled RM302 million in 2015 and RM244 million in 2016 (Loh, 2016, 28 January).

Basically, 15 public universities out of 20 public universities are facing budget cut in Malaysia. Especially, 10 out of 20 universities will face massive cut ranging from 10 percent up to 31 percent, including many top-ranking institutions. The name of universities which will be affected from budget cut in 2017 are given in below Table 1.1. These are the 15 public universities and the budget difference in 2016 and 2017 is also included in the Table 1.1

Table 1.1 Public universities' operating expenditure in budget for 2016 and 2017 (in Ringgit)

Name of universities	Amount 2016	Amount 2017	Difference
University Kebangsaan Malaysia	7.57b	6.12b	1.45b
University Technology Malaysia	415.64m	290.16m	125.48m
University Putra Malaysia	439.28m	308.89m	130.39m
University Sains Malaysia	542.09m	390.35m	151.74m
University Technology Mara	2.23b	1.67b	563.07m
University Malaysia Sabah	315.96m	242.45m	73.51m
University Islam Antarabangsa Malaysia	529.02m	407.22m	121.8m
University Malaysia Kelantan	114.18m	88.61m	25.58m
University Malaya	463.91m	370.03m	93.87m
University Malaysia Perlis	212.39m	190.14m	22.25m
University Malaysia Pahang	224.02m	213.46m	10.56m
University Tun Hussein Onn Malaysia	247.91m	236.66m	11.25m
University Pertahanan Nasional Malaysia	93.23m	89.29m	3.94m
University Malaysia Sarawak	195.79m	195.63m	0.16m
University Sultan Zainal Abidin	148.03m	147.93m	93,500

Source: "Budget 2017 Public universities", 2016

The most affected university from the budget cut in 2017 is University Kebangsaan Malaysia and the difference amount equal to RM1.45 billion. Moreover, UTM, UPM and USM are the next listed universities, and the difference in amount between 2016 and 2017 are equals to RM125.48m, RM130.39m and 151.74m accordingly. Furthermore, UiTM, UMS are also suffers from decrease in budget in year 2017. Unfortunately, University Islam Antarabangsa Malaysia will also affect from budget cut in year 2017. The operating expenditure was equal to RM529.02m in year 2016. However, this amount will be decreased by RM121.8m in year 2017. The least affecting university from budget cut is University Sultan Zainal Abidin and the difference in amount equals to RM93,500 between year 2016 and 2017.

Higher education institutions in Malaysia are facing serious financial burden due to the huge budget cut. Therefore, it is significant to develop *waqf* system for higher education institutions where it helps financial management of universities, and also strengthens government's overall economy. Mahamood and Ab Rahman, (2015) highlighted the significance of *waqf* in financing higher education. Research paper suggests the alternative solution for higher education institutions to ease the financial burden through implementation of endowment based *waqf* fund for higher education institution. Moreover, research findings showed that *waqf* or pious endowment is important to provide financial aid for community as well as for better academic quality.

Based on the findings of Harun, Possumah, Shafiai, and Noor, (2014), *waqf* as being one of the biggest financial source that has not been completely explored. In addition, developing and exploring *waqf* fund could be leading to a better quality of higher education institutions. Thus, Possumah, et. al., (2014) suggested to apply *waqf* for education since it is significant for the country's future sustainability.

It is important for endowment funds to establish close relationships with donors. As a result, marketing plays a significant role on the attainment of the objectives. According to Brennan and Brady (1999) mentioned that “the charity sector is an ideal domain for relationship marketing” (p.331). Relationship marketing aims to establish, develop and maintain relationships with clients. Meanwhile, Berry (1995) stated that relationship marketing was relevant for organisations offering complex and personalized services, which is frequently the case of endowment funds (Bennett & Barkensjo, 2005). In addition to that, the growing importance of philanthropy for higher education across the world that can be found in the literature. Consequently, the literature has extensively discussed factors that influence giving behaviour, as well as strategies for successful higher education philanthropy (Rohayati, Najdi, & Williamson, 2016).

Essentially, this study aimed to identify the factors which influence the intention to contribute to *waqf*. Therefore, application of effective marketing strategy for *waqf* development could boost financial abilities of higher education institutions in Malaysia. Accordingly, this research is based on relationship marketing theory which includes relationship and non-relationship inducing factors to identify the factors which influence intention to contribute to *waqf*. Relationship-inducing-factors in this research are commitment, satisfaction and trust. On the other hand, non-relationship inducing factors are known as income and religiosity.

The reason for adapting the above-mentioned factors is based on the literature review and its suitability for this study. Moreover, these factors are the most commonly used in the literature review in the context of endowment.

As a result, this research set following research objectives and research questions accordingly.