

ENDOWMENT AND *WAQF* FUNDS IN MALAYSIAN HIGHER EDUCATION: A CONCEPTUAL STUDY

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ABSTRACT

Higher Education Institutions (HEIs) require sustainable sources of income to fund operating costs. The role of endowment funds has always been significant in providing financial sources to these institutions. In Islam, an endowment is known as waqf. As the differences in these two types of funds are found to be indistinctive, this study explores and highlights the atypical concepts. The method of library research has been used to acquire relevant reference materials to discuss the concepts. This paper has identified several aspects that distinguished these two funds, which include the element of perpetuity element, rights of ownership, and governance (law, structure, trustee, need permission, and income sharing).

Keywords: *endowment, waqf, higher education, Malaysia*

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INTRODUCTION

More than 90% of the expenses by public universities in Malaysia have primarily depended on government funds,³ which is considerably high. Hence, the government has consistently sought to reduce these funds by giving autonomy power to the universities to source for funds. The autonomous power given requires the university to earn 30% of the income, as highlighted by Amran and Muhammad.⁴ This initiative is consistent with the plan of Ministry of Education Malaysia (MoE) under the Malaysia Education Blueprint 2015-2025 (Higher Education), also known as the MEB (HE), as an effort to reduce the dependence of HEI on the government. Also, the fifth agenda in the MEB plan that emphasises financial sustainability encourages HEIs in Malaysia to seek additional income sources as an alternative to become more flexible, more reliable, and more sustainable in terms of institutional finances.

Besides the tuition fees imposed on students as private financial sources, voluntary donations from third parties have also been an alternative for HEIs to obtain additional resources of income. Pérez-Esparrells and Torre have argued that voluntary donations can be considered as the primary fundraising income stream for most institutions.⁵ Proven based on results from studies in the United States (U.S.), this type of financial support provides a massive contribution towards HEIs, which has accumulated about \$49.60 billion in 2019. This amount has been increased by 6.1 per cent compared to the amount in 2018 (\$46.73 billion), which is reported to be the at highest ever through the Voluntary Support of Education (VSE) Survey conducted by the Council for Advancement and Support of Education (CASE).⁶

According to Johnstone, several methods can be used to manage voluntary donations in HEIs, such as through endowments, gifts, or redistribution of tuition fees (some students can pay less because of financial surplus by more

³ *The University Transformation Programme (UniTP) Purple Book: Enhancing University Income Generation, Endowment & Waqf* (Putrajaya: Kementerian Pendidikan Tinggi Malaysia, 2016), 7.

⁴ A. Amran & J. Muhammad, 'Changes and Challenges in Financial Autonomy,' in *Governance Reforms in Public Universities of Malaysia*, ed. F. Md. Taib & M. N. L. Y. Abdullah (Pulau Pinang: Penerbit Universiti Sains Malaysia, 2015), 66.

⁵ Carmen Pérez-Esparrells & Eva M. Torre, 'The Challenge of Fundraising in Universities in Europe,' *International Journal of Higher Education*, vol. 1/2 (2012): \r\nbut also new means of raising supplementary philanthropic (private57.

⁶ 'Voluntary Support of Education' (London, Mexico City, Singapore & Washington, D.C., 2020), 4.

affluent students).⁷ Voluntary donations in the form of endowments would be the main focus in this study, specifically *waqf*, which is considered as an endowment from the perspective of Islam. The Ministry of Higher Education (MoHE) Malaysia has supported the implementation of these two types of funds (endowment and *waqf*) in the HEIs within Malaysia through the publication of Purple Book⁸ and *Panduan Pengurusan Wakaf: Institusi Pendidikan*.⁹ These books contain guidance for public universities to enhance the generation of income through endowment and *waqf* funds.

Since then, the number of public universities that implement endowment and *waqf* funds has increased. According to the Department of Higher Education (Malaysia), all public universities have implemented the endowment fund until 2019, with 17 of these universities have implemented the *waqf* funds.¹⁰ This result shows that public universities in Malaysia have positively responded to the recommendations by the government. Other universities that have yet to implement any of these funds indicated that the knowledge of these funds has been quite limited. Therefore, discussions on these funds, especially on the concepts involved should be provided as exposure for these universities. At the same time, this study can also help these universities identify the similarities and differences in deciding to choose (or both) the most suitable option. Since the discussion about the concept is extensive, this study has chosen to focus only on several aspects, which are definition, philosophy of giving, types, elements, and governance. A discussion about each aspect can be found in the following sections.

DEFINITION OF ENDOWMENT AND *WAQF* FUNDS

Based on the New International Webster's Comprehensive Dictionary of the English language, 'endow' is defined as to bestow a permanent fund or

⁷ D. Bruce Johnstone, *Financing Higher Education: Cost-Sharing in International Perspective* (The Netherlands: Sense Publishers, 2006), 39.

⁸ *The University Transformation Programme (UniTP) Purple Book: Enhancing University Income Generation, Endowment & Waqf* (Putrajaya: Kementerian Pendidikan Tinggi Malaysia, 2016).

⁹ *Panduan Pengurusan Wakaf Institusi Pendidikan* (Putrajaya: Jabatan Wakaf, Zakat dan Haji (JAWHAR), 2018).

¹⁰ Mohamad Afizal Mehat, (Senior Assistant Director, Department of Higher Education (Malaysia), Public HEI Governance Division), data gained through e-mail, 9 February 2020.

income.¹¹ Meanwhile, the Dictionary of Contemporary English has defined ‘endowment’ as a certain amount of money someone gives to a school, a college or other institutions, which encompasses the act of giving money.¹² Moreover, ‘permanent’ can be interpreted through the New International Webster’s Comprehensive Dictionary on an endowment, which is money or property given to an institution, person or object for permanent use.¹³ From the perspective of scholars such as Sazonov, Kharlamova, Chekhovskaya, and Polyanskaya, an endowment can also voluntary donations to legal entities and individuals, which consist of an untouchable part to be invested in financial assets and is a guarantee of the availability of money assets in the future. Meanwhile, income from investments of the principal sum of the target capital can be spent.¹⁴ Moreover, Ehrenberg has defined endowment from the standpoint of education institution as financial and real estate stocks that are held by universities to generate income for both current and future operations.¹⁵

In Islam, a fund created for continuous usage is known as *waqf*, a word that is originated from the Arabic word, *waqafa*, which means holding (*al-habs*) or preventing (*al-man’*), as described by al-Sarakhsī.¹⁶ Although there are two literal meanings of *waqf*, *fiqh* scholars such as al-Nawawī, Ibn Qudāmah, and Ibn ‘Ābidīn have collectively agreed to define *waqf* according to the term of *al-*

¹¹ *The New International Webster’s Comprehensive Dictionary of The English Language*, Deluxe Enc (Naples, Florida: Trident Press International, 1996), 419, entry ‘endow’.

¹² *Dictionary of Contemporary English*, 4th ed. (England: Pearson Education Limited, 2003), 516, entry ‘endowment’.

¹³ *The New International Webster’s Comprehensive Dictionary of The English Language*, 419, entry ‘endowment’.

¹⁴ Sergey Sazonov, Ekaterina Kharlamova, Irina Chekhovskaya, & Elena Polyanskaya, ‘Funds on the Basis of Mathematical Models Mechanism of Determination of Effectiveness of Spending Assets of Endowment Funds on the Basis of Mathematical Models,’ *International Journal of Educational Management*, vol. 31/1 (2017): 22.

¹⁵ Ronald G. Ehrenberg, ‘Demystifying Endowments,’ 2009, see <http://digitalcommons.ilr.cornell.edu/workingpapers/132/%0AREquired.>, 2, accessed on 9 March 2020.

¹⁶ Al-Sarakhsī, Abū Bakr Muḥammad Shams al-Dīn, *al-Mabsūṭ*, vol. 12 (Bayrūt: Dār al-Kitāb al-‘Alamiyah, 2001), 34.

habs to be associated with the *shara* ' definition.¹⁷ *Jumhūr 'ulamā* ' have defined *waqf* as a holding property, which can be benefited from the preserved ' *ayn*, whereby when a donor donates his property to the *waqf* fund, his ownership of the *waqf* property is eliminated. Based on this description, a person who practices *waqf* not only focuses on charity but also as a commendation to Allah SWT, as described by al-Hammam; al-Khatib; and al-Rahaybanī.¹⁸ Al-Zuhaylī further clarifies that the property under *waqf* no longer belongs to the *waqf* donor, and instead, would be established under the *ḥukm* of Allah SWT, with the benefits being distributed to charity as suited to the purpose of *waqf*.¹⁹ According to Nazīḥ Ḥammād, this definition encompasses the meaning to restrain property and distribute the benefits to all causes of Allah SWT (*taḥbīs al-aṣl wa tasbīl al-manfa'ah*).²⁰ However, a *waqf* donor will still have the right to use the benefits from the *waqf* property if donated as *waqf am*, which would be further explained in the section on types of endowment and *waqf* funds.

PHILOSOPHY OF GIVING

Giving for charity or the benefits of others is a universal culture embraced by humanity that is encouraged by numerous religions. According to Ibrahim, the practice of giving by a person to those in need is a fundamental belief not only in Islam but Christianity as well.²¹ Singer asserts that the Jews are also

¹⁷ Al-Nawawī, Abī Zakariyyā Maḥy al-Dīn Ibn Sharf, *al-Majmū' Sharḥ al-Muḥadhdhab li al-Shirāzī*, vol. 16 (Jeddah: Maktabah al-Irshād, 1980), 241; Ibn Qudāmāh, Abī Muḥammad 'Abd Allāh Ibn Aḥmad Ibn Muḥammad al-Maqdisī, *al-Mughnī*, vol. 8 (Qāhīrah: Hajr, 1992), 84; Ibn 'Ābidīn, Muḥammad Amīn, *Radd al-Muḥtār 'ala al-Durr al-Mukhtār Sharḥ Tanwīr al-Abṣār*, vol. 6 (Bayrūt: Dār al-Ma'rifāh, 2000), 516-517.

¹⁸ Al-Hammām, K. D., *Sharḥ Faṭḥ al-Qadīr 'ala al-Hidāyah Sharḥ Bidāyah al-Mubtadi'*, vol. 6 (Bayrūt: Dār al-Kutub al-'Ilmiyyah, 2003), 191; al-Sharbīnī, Shams al-Dīn Muḥammad Ibn Muḥammad al-Khāṭib, *Mughnī al-Muḥtāj ilā Ma'rifātī Ma'ānī Alfāz al-Minhāj*, vol. 2 (Bayrūt: Dār al-Ma'rifāh, 1997), 485; al-Rahaybanī, M. S., *Maṭālib Uli al-Nuhā fī Sharḥ Ghayah al-Muntahā*, vol. 6 (n.p.: n.p., 2000), 6.

¹⁹ Al-Zuhaylī, Wahbah, *al-Fiqh al-Islāmī wa Adillatuh*, vol. 8 (Dimashq: Dār al-Fikr, 2010), 153.

²⁰ Nazīḥ Ḥammād, *Mu'jam al-Muṣṭalahāt al-Iqtisādiyyah fī Lughah al-Fuqahā'* (Riyāḍ: Dār al-'Alamiyyah li al-Kitāb al-Islāmī, 1995), 353.

²¹ Barbara Lethem Ibrahim, 'Introduction: Arab Philanthropy in Transition,' in *From Charity to Social Change*, ed. B. L. Ibrahim & D. H. Sherif (New York: The American University in Cairo Press, 2008), 2.

encouraged to practise giving as a form of charity that represents a right for the poor or an impartial privilege by the community.²² The act of charity not only can alleviate the suffering faced by the poor but also can maintain the balance and order of a society. However, Singer believes that some motivations and expectations can exist from both donors and recipients in shaping the act of charitable giving.²³

For *waqf*, the factors that have influenced Muslim donors to contribute properties are based on values towards humanity and generosity in helping those in need, as discussed by Zaki Halim Mubarak.²⁴ However, the crucial factor of fulfilling the religious obligation to safeguarding wealth (*māl*) under the *maqāsid al-sharī'ah* has become a catalyst for *waqf*. This purpose has been discussed extensively by various scholars such as Siti Khadijah, Muhammad Sabki and Ismail,²⁵ Tawfique,²⁶ as well as Nasrul Hisyam, Mohd Arafat, Muhibbuddin, Nurul Atikah, Mohd Muslim, & Mohd Muammar.²⁷ Muslims who contribute property into *waqf* shows that their obligation to the religion. However, this insight contradicts to the understanding of endowment. As argued by Fishman,²⁸ Brown, Dimmock, Kang, and Weisbenner,²⁹ as well as the American Council on Education,³⁰ the purpose of endowment varies based on donors that are permitted by law. Since *waqf* is one of the methods

²² Amy Singer, *Charity in Islamic Societies* (Cambridge: Cambridge University Press, 2008), 4.

²³ Singer, *Charity in Islamic Societies*, 4.

²⁴ Zaki Halim Mubarak, 'Peranan Wakaf dalam Membangun Identitas Muslim Singapura,' *Jurnal Al-Awqaf*, vol. 7/1 (2014): 1.

²⁵ A.M. Siti Khadijah, S. Muhammad Sabki, & A. Ismail, 'Philanthropic Commitment Traits for Waqf in Higher Education,' *Global Journal Al-Thaqafah*, vol. 7/1 (2017): 76.

²⁶ Tawfique al-Mubarak, 'The Maqasid of Zakah and Awqaf and Their Roles in Inclusive Finance,' *Islam and Civilisational Renewal*, vol. 7/2 (2016): 217.

²⁷ Nasrul Hisyam Nor Muhamad, Mohd Arafat Jaafar, Muhibbuddin Abdullah, Nurul Atikah Nizaludin, Mohd Muslim Salleh, & Mohd Muammar Mohd Zin, 'Konsep Maqasid Syariah dalam Pengurusan Wakaf,' *International Journal of Islamic and Civilizational Studies*, vol. 2/3 (2015): 4.

²⁸ James J. Fishman, 'What Went Wrong: Prudent Management of Endowment Funds and Imprudent Endowment Investing Policies,' *The Journal of College and University Law*, vol. 40/2 (2014): 200.

²⁹ Jeffrey R. Brown, Stephen G. Dimmock, Jun-Koo Kang, & Scott J. Weisbenner, 'How University Endowments Respond to Financial Market Shocks: Evidence and Implications,' *American Economic Review*, vol. 104/3 (2014): 934.

³⁰ American Council on Education, *Understanding College and University Endowments* (Washington, D.C.: American Council on Education, 2014), 3.

to perform *ṣadaqah jāriyah*, various verses in the al-Quran can be quoted as support towards this practice, although the term *waqf* is not explicitly mentioned. For example:

لَنْ نَنَالُوا الْبِرَّ حَتَّىٰ تُنْفِقُوا مِمَّا تُحِبُّونَ ۚ وَمَا تُنْفِقُوا مِنْ شَيْءٍ فَإِنَّ اللَّهَ بِهِ
عَلِيمٌ ﴿٩٢﴾

“Never will you attain the good [reward] until you spend [in the way of Allah] from that which you love. And whatever you spend—indeed, Allah knows of it.”

(Surah Āli-‘Imrān, 3: 92)

Based on the verse above, Allah SWT describes the necessity to sacrifice valuable property through *ṣadaqah jāriyah* to attain the essence of perfect welfare and goodness. The act of sacrificing property is proof of a servant convinced by the reward promised by Allah SWT. In his *tafsīr*, Ibn Kathīr has stated that Sharik, Abī Ishāq, and ‘Amrū bin Maymun have narrated the meaning of *al-birr* as heaven, in which the servants of Allah SWT will not enter heaven until *ṣadaqah* or *infāq* are performed.³¹ Besides referring to heaven, *al-birr* is also defined as a reward from Allah SWT or good deeds (*‘amal ṣāliḥ*), which deserves to be awarded, based on *tafsīr* of al-Qurṭūbī.³²

According to Tabari, the word *tuṅfiqū* refers to giving everything one loves and avoiding himself or herself from holding on to the possessions.³³ Furthermore, Anas bin Malik has reaffirmed that when the verse is initially revealed, a wealthy companion of Prophet Muhammad, Abu Talhah, has gone to the Prophet to perform *waqf* on the land that he loved the most in Bairaha’, Madinah. This land has been located in front of the mosque that Rasulullah SAW has often visited. Abū Ṭalhah has intended to reap goodness and reward from his *waqf*,³⁴ which shows that the practice does not only encompass the obedience of a servant in the religion but is also about obtaining the ultimate

³¹ Ibn Kathīr, Abū Fidā’ Ismā’il Ibn ‘Umar, al-Qurshī al-Damashqī, *Tafsīr al-Qur’ān al-‘Azīm*, vol. 2 (Riyād: Dār Taybah li al-Nashr wa al-Tawzī’, 2009), 73.

³² Al-Qurṭūbī, Abī Wālid Muḥammad Ibn Aḥmad Ibn Muḥammad Ibn Aḥmad Ibn Rushd, *al-Jāmi’ li Ahkām al-Qur’ān*, vol. 5 (Bayrūt: Al-Risālah Publishers, 2006), 201.

³³ Al-Ṭabarī, Abū Ja‘far Muḥammad Ibn Jarīr, *Jamī‘ al-Bayān ‘an Ta’wīl al-Qur’ān*, vol. 3 (n.p.: Maktabah Muṣṭafā al-Bābī al-Ḥalābī, 1968), 347.

³⁴ Ibn Kathīr, Abū Fidā’ Ismā’il Ibn ‘Umar, al-Qurshī al-Damashqī, *Tafsīr al-Qur’ān al-‘Azīm*, vol. 2, 73.

reward from Allah SWT. Additionally, in another verse in al-Quran, Allah SWT has reminded His servants that:

يَأْتِيهَا الَّذِينَ ءَامَنُوا أَنفِقُوا مِمَّا رَزَقْنَاكُمْ مِّن قَبْلِ أَن يَأْتِيَ يَوْمٌ لَا بَيْعٌ فِيهِ
وَلَا حُلَّةٌ وَلَا شَفْعَةٌ وَالْكَافِرُونَ هُمُ الظَّالِمُونَ

“O you who have believed, spend from that which We have provided for you before there comes a Day in which there is no exchange and no friendship and no intercession. And the disbelievers - they are the wrongdoers.”

(Surah al-Baqarah, 2: 254)

The above verse elaborates the command by Allah SWT command to perform *ṣadaqah* from sustenance for charitable purposes. This act can provide believers with salvation in the hereafter, whereby no one can help except to those who have given within the path of charity for Allah SWT.³⁵ There is also a *ṣaḥīḥ ḥadīth* that encourages *waqf* practice as reported by al-Nawawī, al-Tirmidhī, Abū Dāwud; and al-Nasā’ī as follows:

إذا مات الإنسان انقطع | عنه | عمله، إلا من ثلاثة: إلا من صدقة جارية،
أو علم ينتفع به، أو ولد صالح يدعو له.

“When a man dies, all his good deeds come to an end except for three things: *ṣadaqah jāriyah* (ongoing charity), beneficial knowledge and a righteous son who prays for him.”³⁶

Al-Nawawī has argued that this *ḥadīth* describes the encouragement of *waqf* practice, and the great reward is known to be *ṣaḥīḥ*.³⁷ *Jumhūr ‘ulamā’*

³⁵ Ibn Kathīr, Abū Fidā’ Ismā’il Ibn ‘Umar, al-Qurshī al-Damashqī, *Tafsīr al-Qur’ān al-‘Azīm*, vol. 2, 675.

³⁶ Al-Nawawī, Abī Zakariyyā Maḥy al-Dīn Ibn Sharf, *Sharḥ Ṣaḥīḥ Muslim bi Sharḥ al-Imām Muḥy al-Dīn al-Nawawī*, vol. 11 (Bayrūt: Dār al-Ma’rifah, 2005), 87, “Kitāb al-Waṣiyyah, Bāb Mā Yalḥaq al-Insān min al-Thawāb ba’dā Wafātih,” *ḥadīth* no. 4199; al-Tirmidhī, Abū ‘Īsā Muḥammad Ibn ‘Īsā Ibn Sawrah Ibn Mūsā, *al-Jāmi’ al-Ṣaḥīḥ wa Huwa Sunan al-Tirmidhī*, vol. 3 (Bayrūt: Dār al-Kitāb al-‘Alamiyah, n.d.), 660, “Kitāb al-Aḥkām, Bāb fī al-Waqf,” *ḥadīth* no. 1376; Abū Dāwud, *Sunan Abū Dāwud*, vol. 4 (Bayrūt: Dār al-Risālah al-‘Alamiyah, 2009), 506, “Kitāb al-Waṣāyā, Bāb fī al-Ṣadaqah ‘an al-Mayyit,” *ḥadīth* no. 2880; al-Nasā’ī, *Sunan al-Nasā’ī: Bi Sharḥ al-Ḥafīẓ Jalāl al-Dīn al-Ṣuyūṭī*, vol. 5 (Bayrūt: Dār al-Kitāb al-‘Alamiyah, n.d.), 251, “Kitāb al-Waṣāyā, Bāb Faḍl al-Ṣadaqah ‘an al-Mayyit,” *ḥadīth* no. 3651.

³⁷ Al-Nawawī, Abī Zakariyyā Maḥy al-Dīn Ibn Sharf, *Sharḥ Ṣaḥīḥ Muslim bi Sharḥ al-Imām Muḥy al-Dīn al-Nawawī*, vol. 11, 88.

have also interpreted the word *ṣadaqah jāriyah* in this *ḥadīth* as *waqf* because the reward of *ṣadaqah jāriyah* continuously benefit the person who performs *waqf*, while the reward of other charities is not always be considered as *ṣadaqah jāriyah* or *waqf*.³⁸

In contrast, the reason that motivates the donors to contribute to an endowment fund is the value of love. As stated by Brodman³⁹ and Singer,⁴⁰ a person who is committed to charity possesses the value of love towards mankind. A study conducted by Bekkers has yielded giving to be strongly associated with the expression of love towards humanity.⁴¹ Thus, Rohayati, Najdi, and Williamson have argued that the act of giving for charity is not just to fulfil the needs of the poor, but to improve humanity as well.⁴² Grady supports this assertion by claiming that philanthropy can establish relationships among humans through the process of giving and receiving.⁴³ However, Jews and Christians encourage the followers to give than to receive since Jesus has stated that:

*“It is more blessed to give than to receive.”*⁴⁴

Besides humanity, another aspect that influences a person to contribute to philanthropic funds is generosity, which can be proven through findings from Lwin and Phau. The study argues that besides financial security, generosity is another factor that leads to charitable donations.⁴⁵ A study by Grady also claims that philanthropy is an expression of human generosity, which exists in

³⁸ Al-Sharbīnī, Shams al-Dīn Muḥammad Ibn Muḥammad al-Khāṭib, *Mughnī al-Muḥtāj ilā Ma ‘rifātī Ma ‘ānī Alfāz al-Minhāj*, vol. 2, 485.

³⁹ J.W. Brodman, *Charity & Religion in Medieval Europe* (United States of America: The Catholic University of America Press, 2009), 10.

⁴⁰ Singer, *Charity in Islamic Societies*, 4.

⁴¹ René Bekkers, ‘Traditional and Health-Related Philanthropy: The Role of Resources and Personality,’ *Social Psychology Quarterly*, vol. 69/4 (2006), 349.

⁴² Mohd Isa Rohayati, Youhanna Najdi, & John C. Williamson, ‘Philanthropic Fundraising of Higher Education Institutions: A Review of the Malaysian and Australian Perspectives,’ *Sustainability*, vol. 8/541 (2016), 1.

⁴³ Heather Grady, ‘Philanthropy as an Emerging Contributor to Development Cooperation,’ (Paper presented, Conference International Development Cooperation: Trends and Emerging Opportunities: Perspectives of the New Actors, Istanbul, June 2014), 4.

⁴⁴ ‘Acts 20:35,’ Bible Hub, accessed on 21 July 2020.

⁴⁵ Michael Lwin & Ian Phau, ‘Characteristics of Charitable Donors in Australia,’ in *Recent Advances in Retailing and Services Science Conference*, ed. H. Timmermans (Istanbul, Turkey: Recent Advances in Retailing and Services Science, 2010), 15.

every culture and religion in this world.⁴⁶ Furthermore, Bekkers has described that generosity exists in the intentions of people to help the underprivileged due to emphatic concern, helpfulness, and social value orientations.⁴⁷ Lee and Chang have also found that generosity to give is due to having a high emphatic disposition and a keen awareness of charitable organisations.⁴⁸ From the aspect of charitable giving within the education sector, especially in higher education, Cascione asserts that:

*“Giving to higher education institutions is best understood as philanthropic since it is most often indirect and programmatic, and the institution is expected to deliver the means for the instruction of other benefits of education.”*⁴⁹

TYPES OF ENDOWMENT AND *WAQF* FUNDS IN HIGHER EDUCATION

There are three types of endowment funds, whereby the first type of endowment is a true endowment. According to Sherlock, Gravelle, Crandall-Hollick, and Stupak, as well as Brown, Dimmock, Kang, and Weisbenner, a true endowment is funds specified by the donor to be held in perpetuity.⁵⁰ This type of endowment is commonly restricted for the use of principal and/or income, as described

⁴⁶ Grady, ‘Philanthropy as an Emerging Contributor to Development Cooperation,’ 8.

⁴⁷ Bekkers, ‘Traditional and Health-Related Philanthropy: The Role of Resources and Personality,’ 349.

⁴⁸ Yu-Kang Lee & Chun-Tuan Chang, ‘Who Gives What to Charity? Characteristics Affecting Donation Behavior,’ *Social Behavior and Personality*, vol. 35/ 9 (2007), 1177.

⁴⁹ G. L. Cascione, *Philanthropists in Higher Education: Institutional, Biographical, and Religious Motivations for Giving* (New York: Routledge Falmer, 2003), 5.

⁵⁰ Molly F. Sherlock, Jane G. Gravelle, Margot L. Crandall-Hollick, & Jeffrey M. Stupak, ‘College and University Endowments: Overview and Tax Policy Options,’ *Congressional Research Service*, 2015, 2; but may also consist of cash or property. Current tax law benefits endowments and the accumulation of endowment assets. Specifically, endowment fund earnings are exempt from federal income tax. Additionally, taxpayers making contributions to college and university endowment funds may be able to deduct the value of their contribution from income subject to tax. The purpose of this report is to provide background information on college and university endowments, and discuss various options for changing their tax treatment. This report uses data from the U.S. Department of Education, the National Association of College and University Business Officers (NACUBO). Brown, Dimmock, Kang, & Weisbenner, ‘How University Endowments Respond to Financial Market Shocks: Evidence and Implications,’ 934.

by the National Association of College and University Business Officers (NACUBO).⁵¹ The Financial Accounting Standards Board (FASB) claims that a true endowment is often referred to as a permanently restricted endowment that must be maintained permanently; not used up, expended, or otherwise exhausted.⁵² Hence, a true endowment is often channelled as scholarship funds, as well as financial support to universities. The second type of endowment fund is a term endowment, which refers to the funds restricted by the donor for a specified period. According to NACUBO and Sherlock et al., after the set of time has passed, unused funds or principal may become unrestricted.⁵³ This description implies that funds may be expended after the expiration of a stated period depending on the donors. Therefore, the endowment can also be classified as a temporarily restricted endowment. The third type of endowment is a quasi-endowment or sometimes called funds functioning. Sherlock et al. define this type of endowment as unrestricted funds being treated as an endowment to be spent if selected.⁵⁴ On the other hand, NACUBO claims that this unrestricted fund can be spent for any relevant purposes depending on the

⁵¹ National Association of College and University Business Officers, *Commonfund Study of Endowments* (Washington, D.C.: NACUBO, 2017), 120.

⁵² ‘Statement of Financial Accounting Standards No. 117, Financial Statements of Not-for-Profit Organizations,’ 48.

⁵³ National Association of College and University Business Officers, *Commonfund Study of Endowments*, 126; Sherlock et al., ‘College and University Endowments: Overview and Tax Policy Options, but may also consist of cash or property. Current tax law benefits endowments and the accumulation of endowment assets. Specifically, endowment fund earnings are exempt from federal income tax. Additionally, taxpayers making contributions to college and university endowment funds may be able to deduct the value of their contribution from income subject to tax. The purpose of this report is to provide background information on college and university endowments, and discuss various options for changing their tax treatment. This report uses data from the U.S. Department of Education, the National Association of College and University Business Officers (NACUBO), 2.

⁵⁴ Sherlock et al., ‘College and University Endowments: Overview and Tax Policy Options, but may also consist of cash or property. Current tax law benefits endowments and the accumulation of endowment assets. Specifically, endowment fund earnings are exempt from federal income tax. Additionally, taxpayers making contributions to college and university endowment funds may be able to deduct the value of their contribution from income subject to tax. The purpose of this report is to provide background information on college and university endowments, and discuss various options for changing their tax treatment. This report uses data from the U.S. Department of Education, the National Association of College and University Business Officers (NACUBO), 2.

votes by the Board of Trustees.⁵⁵ Getz also argues that this type of fund can only be used when instructed by the donors.⁵⁶

Meanwhile, there are two types of funds under *waqf*. The first type of *waqf* is known as *waqf khāṣ*, whereby the *waqf* donor or *wāqif* has specified the purposes and beneficiaries of the funds. According to Asmak, the *wāqif* will determine the recipients of *waqf*, as well as the specific purposes from the initial act of giving.⁵⁷ One of the examples of *waqf khāṣ* in HEIs is the land donated as *waqf* to build relevant facilities such as hostels, cafeteria, and students' activities centre. The second type of *waqf* is *waqf 'ām*, which refers to the *waqf* practice that is dedicated for general charitable purposes without specification of any specific beneficiaries (individuals or any organisations/institutions) or particular purposes. *Waqf 'ām* can be utilised for general charitable purposes that strengthen the position, as well as the image of Islam and ummah. For instance, a person can use his land for *waqf* to Muslims in general or for any charitable purposes. According to Asmak, specific conditions for *waqf* are not imposed by the *waqf* donor under *waqf 'ām*.⁵⁸

ELEMENTS OF ENDOWMENT AND *WAQF* FUNDS IN HIGHER EDUCATION

Two elements that distinguish endowment and *waqf* funds that are discussed based on the earlier definitions are perpetuity and rights of ownership. Although both types of funds have the element of perpetuity, the reason for the element is different. For endowment, the element of perpetuity can be observed through the principle of the given contribution must be invested to generate income and fund operating expenses and activities of an institution. This understanding has been extensively discussed by various scholars such as Pérez-Esparrells and Torre, Gilbert and Hrdlicka, Madanchi, Shahverdiani,

⁵⁵ National Association of College and University Business Officers, *Commonfund Study of Endowments*, 124.

⁵⁶ Malcolm Getz, 'Endowment,' *The Bottom Line*, vol. 4/2 (2007): 37.

⁵⁷ Asmak Ab Rahman, 'Peranan Wakaf dalam Pembangunan Ekonomi Umat Islam dan Aplikasinya di Malaysia,' *Jurnal Syariah*, vol. 17/ 1 (2009): 118.

⁵⁸ Asmak, 'Peranan Wakaf dalam Pembangunan Ekonomi Umat Islam dan Aplikasinya di Malaysia,' 118.

and Hamidifar, as well as Dyachkova.⁵⁹ In Islam, the element of perpetuity is known as *al-ta'bid*, which is observed through the need to preserve the contributed property. The need to preserve can be referred to as cannot be transferred for other purposes following the advice by the Prophet, as narrated by *fiqh cholars* that *waqf* property should not be sold, given as a present, and inherited.⁶⁰ Since the contributed property must be preserved, *waqf* is often associated with the contribution in the form of fixed assets, such as lands and houses, with an assumption that these assets are permanent and durable. Non-permanent properties or those with a short life span such as food and drinks cannot be used as *waqf*. Thus, the element of the perpetuity for *waqf* can be observed, which Nizam describes as being parallel with the definitions made by a majority of scholars.⁶¹

Besides, the endowment has flexible ownership in terms of rights of ownership. Donors who have donated funds as a true endowment or a term endowment are regarded as gifts or bequests. This concept is consistent with FASB, which has mentioned that “endowment funds generally are established by donor-restricted gifts and bequests to provide a permanent endowment or

⁵⁹ Pérez-Esparrells and Torre, ‘The Challenge of Fundraising in Universities in Europe,’ but also new means of raising supplementary philanthropic (private’ 56; Thomas Gilbert & Christopher Hrdlicka, ‘Why Are University Endowments Large and Risky?’, *The Review of Financial Studies* (2015): 3; Mehdi Madanchi, Shadi Shahverdiani, & Fatemah Hamidifar, ‘Endowment and Charity Financing Model to Develop Science and Technology,’ *International Journal of Finance and Managerial Accounting*, vol. 1/4 (2016): 56; E. Dyachkova, ‘Managing Endowment Fund Income in Universities,’ *Educational Studies*, vol. 1 (2016), 225.

⁶⁰ Al-Bukhārī, Abī ‘Abd Allāh Muḥammad Ibn Ismā‘il al-Ju‘fī, *Ṣaḥīḥ al-Bukhārī* (Riyāḍ: Dār al-Salām, 1999), 451, “Kitāb al-Shurūṭ, Bāb al-Shurūṭ fī al-Waqf,” *ḥadīth* no. 2737; al-Tirmidhī, Abū ‘Īsā Muḥammad Ibn ‘Īsā Ibn Sawrah Ibn Mūsā, *al-Jāmi‘ al-Ṣaḥīḥ wa Huwa Sunan al-Tirmidhī*, 659, “Kitāb al-Aḥkām, Bāb fī al-Waqf,” *ḥadīth* no. 1375; al-Nasā‘ī, *Sunan al-Nasā‘ī: Bi Sharḥ al-Ḥafīẓ Jalāl al-Dīn al-Ṣuyūṭī*, vol. 5, 232, “Kitāb al-Aḥbās, Bāb Ḥabs al-Mashā’,” *ḥadīth* no. 3604; al-Nawawī, Abī Zakariyyā Maḥy al-Dīn Ibn Sharf, *Sharḥ Ṣaḥīḥ Muslim bi Sharḥ al-Imām Muḥy al-Dīn al-Nawawī*, vol. 11 (Bayrūt: Dār al-Ma‘rifah, 2005), 88, “Kitāb al-Waṣiyyah, Bāb al-Waqf,” *ḥadīth* no. 4200; Ibn Mājah, Abū ‘Abd Allāh Muḥammad Ibn Yazid al-Qazwinī, *Sunan Ibn Mājah*, vol. 2 (Bayrūt: Dār Iḥyā’ al-Kutub al-‘Arabiyah, 1975), 801, “Kitāb al-Ṣadaqāt, Bāb min al-Waqf,” *ḥadīth* no. 2396.

⁶¹ Nizām, *al-Fatawā al-Hindiyah*, vol. 2 (Bayrūt: Dār al-Kutub al-‘Ilmiyyah, 2000), 361.

term endowment”⁶². According to Kazemi and Wilkens, these types of funds are owned by the institution.⁶³ Nevertheless, in a different circumstance, the institution can transfer the ownership of the funds to possessions even if the funds were not initially donated as gifts. For quasi-endowment, which is also known as unrestricted funds, the funds do not belong to the institution. According to Getz; Sherlock et al., as well as Monti, if there is surplus money for the long term, the institution treats the funds as a gift, and would serve as a true endowment.⁶⁴ Therefore, the quasi-endowment is also known as funds functioning as endowments.

Besides, *waqf* has an element of *al-mu'tamad* or irrevocable, which means that the process for *waqf* is enforced once the donor declares the property as *waqf*. According to Abu Yusuf, the process of *waqf* is used and valid once the donor makes the declaration. From that point on, the property no longer belongs to the donor but has been transferred as possession of Allah SWT. Hence, the *waqf* is considered to be beneficiaries or *mawqūf 'alayh*, which cannot be revoked, as described by al-Sarakhsī.⁶⁵ Al-Kasānī asserts that this opinion is also accepted by a majority of scholars from the four Islamic schools of thought.⁶⁶ In the context of education, higher institutions have no rights on

⁶² ‘Statement of Financial Accounting Standards No. 117, Financial Statements of Not-for-Profit Organizations,’ 48.

⁶³ Hossein Kazemi & Kathryn Wilkens, ‘A Simple Approach to the Management of Endowments,’ All About Alpha, 2017, see <http://www.allaboutalpha.com/blog/2017/08/07/a-simple-approach-to-the-management-of-endowments/>, accessed on 19 October 2018.

⁶⁴ Getz, ‘Endowment,’ 37; Sherlock et al., ‘College and University Endowments: Overview and Tax Policy Options,’ but may also consist of cash or property. Current tax law benefits endowments and the accumulation of endowment assets. Specifically, endowment fund earnings are exempt from federal income tax. Additionally, taxpayers making contributions to college and university endowment funds may be able to deduct the value of their contribution from income subject to tax. The purpose of this report is to provide background information on college and university endowments, and discuss various options for changing their tax treatment. This report uses data from the U.S. Department of Education, the National Association of College and University Business Officers (NACUBO), 2; Frank Monti, ‘The Surprisingly Complex ABCs of Endowment Funds,’ website of Inside Philanthropy, see <https://www.insidephilanthropy.com/the-gift-adviser/2015/3/4/the-surprisingly-complex-abcs-of-endowment-funds.html>, accessed 24 February 2020.

⁶⁵ Al-Sarakhsī, Abū Bakr Muḥammad Shams al-Dīn, *al-Mabsūṭ*, vol. 12 (Bayrūt: Dār al-Ma‘rifah, 1989), 41.

⁶⁶ Al-Kasānī, Abū Bakr Ibn Mas‘ūd al-Ḥanāfī, *Badā‘i’ al-Ṣana’i’ fī Tariīb al-Sharā‘i’*, vol. 8 (Bayrūt: Dār al-Kutub al-‘Ilmiyyah, 2003), 383.

the donated fund since the *waqf* belongs to Allah SWT. These institutions can only act as *waqf* managers (*mutawallī*) on the donations.

GOVERNANCE OF ENDOWMENT AND *WAQF* FUNDS IN MALAYSIAN HIGHER EDUCATION

McElhane; Dimmock; Madanchi, Shahverdiani, and Hamidifar, as well as Kaffe, describe two types of legal structures that are internationally involved in managing endowment funds at HEIs. Firstly, as a part of the university itself; and secondly, as a separate legal entity, such as a foundation or investment management company.⁶⁷ However, within the context of Malaysia, particularly in public universities, endowment funds are usually managed by the university, specifically, the financial division, which also acts as the bursary of the university. As already discussed by Baharom, Wiaam, and Sarafuddin who mentioned that endowment funds in the public universities in Malaysia are managed by bursaries, whereby a small investment or endowment unit is set up.⁶⁸ Although the bursary office has the authority to receive and manage the endowment fund, the office is also responsible for reporting all endowment activities and financial status to the Board of Directors (BoD) of the individual university.⁶⁹ Usually, the BoD consists of representatives from the government and three education officers who have been appointed by the Ministry of Education (MoE).

Since endowment is regarded as a trust fund, the legislation that governs this fund in Malaysia, which also involves higher education institutions, is

⁶⁷ Robert Louie Stanton McElhane, 'The Effects of Higher Education Endowment Management Practices on Endowment Performance' (Ph.D. Thesis, The University of Southern Mississippi, 2010), 38-39; Stephen G. Dimmock, 'Background Risk, and University Endowment Funds,' *The Review of Economics and Statistics*, vol. 94/3 (2012), 790; Madanchi, Shahverdiani, and Hamidifar, 'Endowment and Charity Financing Model to Develop Science and Technology,' 65; Charikleia Kaffe, 'Peer Effects in Investment Manager Selection: Evidence from University Endowments,' 2.

⁶⁸ Baharom Abdul Hamid, Wiaam Hassan @ Kamarudin, & Sarafuddin Abdul Syahid Sowell, 'The Endowment Fund as a Source of Sustainability for Higher Education in Malaysia: Maximising Investment Returns,' (ISRA Research Paper, Kuala Lumpur, 2018), 21.

⁶⁹ Baharom, Wiaam, & Sarafuddin, 'The Endowment Fund as a Source of Sustainability for Higher Education in Malaysia: Maximising Investment Returns,' 21.

the Trustee Act 1949 (Act 208). This act consists of 69 provisions that focus on matters concerning trust, executorship and administratorship, which are stipulated in Section 2 of this act.⁷⁰ Although the Trustee Act 1949 (Act 208) functions as the primary source of trust law, Dhillon, Mohammed, and Miin argue that the judiciary in Malaysia will still refer to the English law in deciding cases. For example, in the case of *Liew Choy Hung v. Fork Kian Seng*, the judge has referred to the case of *Springgette v. Defoe, Pettit v. Pettit* and *Halsbury's Laws of England*.⁷¹ This practice has been specified in the Civil Law Act 1956 (Section 3), which states that the judiciary in Malaysia is allowed to use the Common Law of the United Kingdom (U.K.) in situations when appropriate, provided that the case is confined to the cut-off date.⁷²

On the other hand, the implementation of endowment by a university does not give rise to any legal problems as there are specific regulations that allow the university to receive and manage the investments for endowment funds. These regulations are predetermined in the Universities and University Colleges Act 1971, specifically Item 4 (1) of the First Schedule.⁷³ Based on this stipulation, the university acts as a trustee of the properties that have been endowed. However, the implementation for *waqf* by the university is quite complicated as *waqf* in Malaysia is under state jurisdiction (except for Wilayah Persekutuan Kuala Lumpur, Labuan, and Putrajaya) as stipulated in List 2 of the Ninth Schedule within the Federal Constitution.⁷⁴ For example, in several state enactments, Majlis Agama Islam Negeri (MAIN) is stated to be the sole trustee for all *waqf* assets located within a state.⁷⁵ Hence, if a university wants to implement the *waqf* fund within the institution, the university would first need to seek permission from the respective MAIN of the state. If the permission is granted, the university holds the status of *mutawalli* or *waqf* manager and is, therefore, entitled to accept and manage the *waqf* fund. Based on this context,

⁷⁰ Trustee Act 1949 (Act 208), 7.

⁷¹ Guru Dhillon, Noor Mohammed, & Ng Yih Miin, 'Equity & Trust's Law Applications in Malaysia, UK and US - In Tandem or Apart?' *Current Law Journal*, vol. 1/ixxiv (2011): 6.

⁷² Civil Law Act 1956 (Act 67), 7-9.

⁷³ Universities and University Colleges Act 1971 (Act 30), 36.

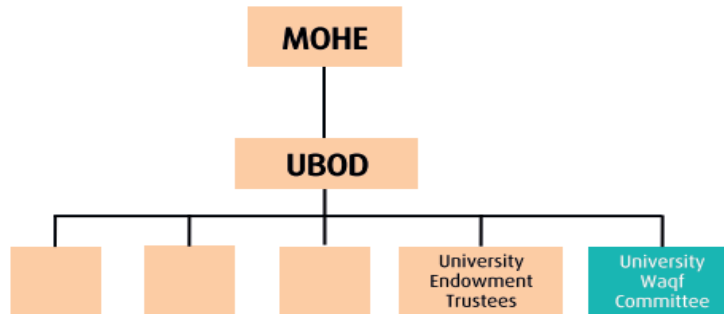
⁷⁴ Federal Constitution, 223.

⁷⁵ See Section 4 of the Wakaf (State of Selangor) Enactment 2015; Section 32 of the Wakaf (State of Malacca) Enactment 2005; Section 5 of the Wakaf (State of Negeri Sembilan) Enactment 2005.

Siti Mashitoh, Asmak, and Azizi establish *mutawalli* as the second level within the hierarchy of *waqf* management in Malaysia.⁷⁶

As presented in the Purple Book, the Ministry of Education, Malaysia has suggested three possible governance models for *waqf* that can be adopted by public universities in Malaysia.⁷⁷ The illustration and explanation of each model can be found below.

Figure 1: Model 1 of *Waqf* Governance at Public Universities



Source: MoE, Putrajaya, 2016.⁷⁸

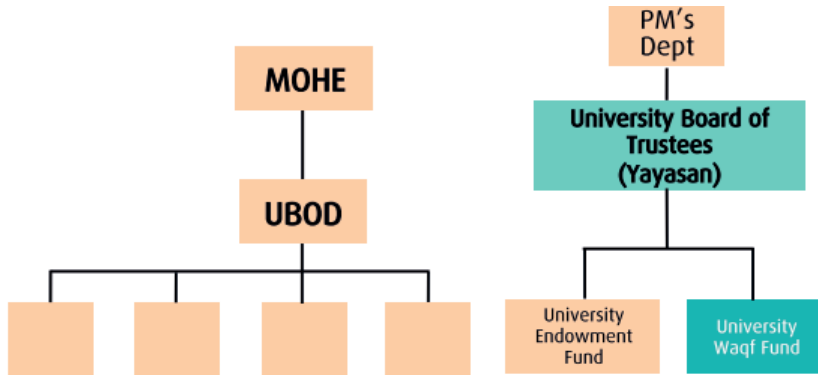
The first model, as shown above, recommends the university to set up a unit or department under the management of the university. The *waqf* committee is placed under the BoD of the university and acknowledged to be one of the Board committees. This recognition allows the management of the university to have authority in all decisions, accounts and financial management related to the *waqf* activities. This model is similar to the model applied for the endowment at most public universities, as discussed earlier.

⁷⁶ Siti Mashitoh Mahamood, Asmak Ab. Rahman, & Azizi Che Seman, ‘Cabaran Pelaksanaan Wakaf Universiti Awam Di Malaysia: Analisis Menurut Perundangan Di Malaysia,’ *Kanun*, vol. 30/2 (2018): 396.

⁷⁷ *The University Transformation Programme (UniTP) Purple Book: Enhancing University Income Generation, Endowment & Waqf*, 25-26.

⁷⁸ *The University Transformation Programme (UniTP) Purple Book: Enhancing University Income Generation, Endowment & Waqf*, 25.

Figure 2: Model 2 of *Waqf* Governance at the Public Universities

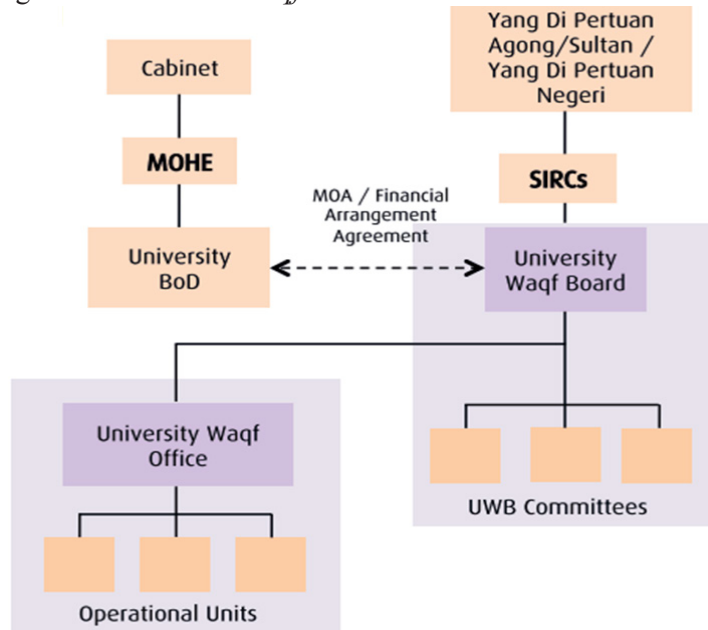


Source: MoE, Putrajaya, 2016.⁷⁹

The second model, as shown above, recommends the university to set up an office for *waqf* under the Board of Trustees (BoT). The university *waqf* fund is placed under BoT as a project under the University Foundation (Yayasan), which has a separate account and financial management. Meanwhile, the third model, as shown below, recommends the university to establish a University *Waqf* Board (UWB) as a separate and independent entity. The collaboration, coordination, roles and responsibilities of the UWB are described in a written agreement or *waqf* deeds. The members of the UWB would consist of representatives from the MAIN and the university.

⁷⁹ *The University Transformation Programme (UniTP) Purple Book: Enhancing University Income Generation, Endowment & Waqf*, 25.

Figure 3: Model 3 of *Waqf* Governance at the Public Universities



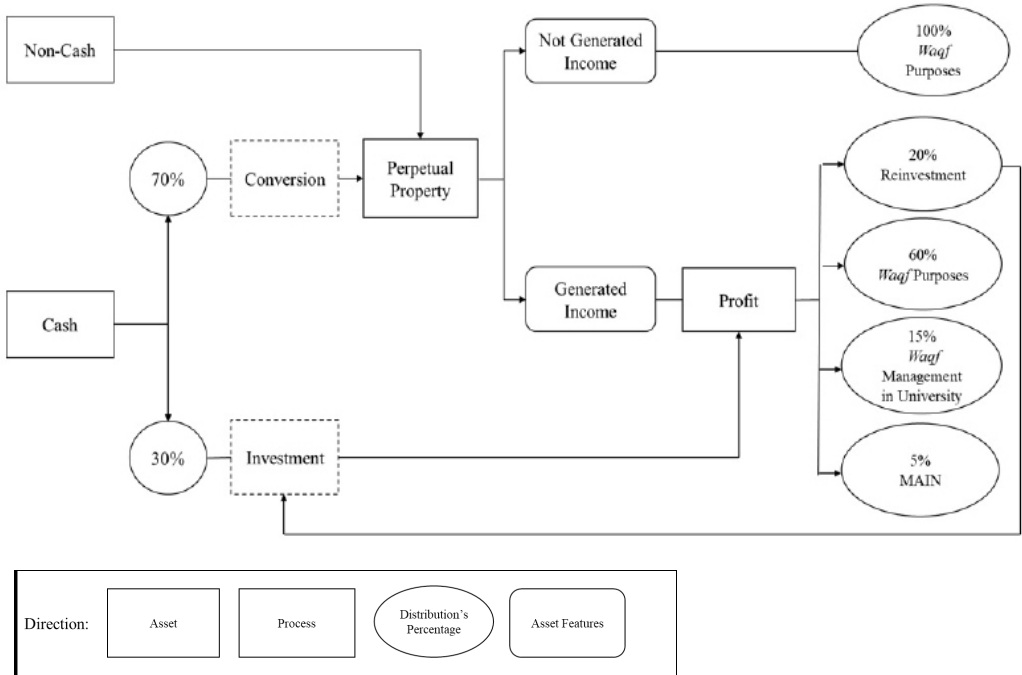
Source: MoE, Putrajaya, 2016.⁸⁰

The income derived from *waqf* property in every state in Malaysia is necessary to be distributed to the MAIN (after deducting the purposes and reinvestment of *waqf* for income generation) as the sole trustees. This procedure occurs when the university needs to obtain permission from the MAIN in implementing *waqf* funds from *waqf* properties that can generate income. Nonetheless, this practice refers to *waqf* from the income and not the principal. The model for income distribution of *waqf* has been proposed by Siti Mashitoh, Asmak, and Azizi, whereby 60% of the income is suggested to be used for *waqf* purposes. The remaining 20% should be used for reinvestment, while 15% is specified for *waqf* management in the university. Only 5% of the income is reserved for the MAIN.⁸¹ By having MAIN as one of the beneficiaries of the *waqf* income, the university can play a role in sustaining the *waqf* fund. The proposed model is illustrated in the figure below.

⁸⁰ *The University Transformation Programme (UniTP) Purple Book: Enhancing University Income Generation, Endowment & Waqf*, 26.

⁸¹ Siti Mashitoh Mahamood, Asmak Ab Rahman, & Azizi Che Seman, 'Pembentukan Institusi Pengajian Tinggi Berteraskan Wakaf di Malaysia: Cadangan Model Pelaksanaannya,' *Jurnal Syariah*, vol. 26/1 (2018): 13.

Figure 4: *Waqf's* Income Distribution Model



Source: Siti Mashitoh Mahamood, Asmak Ab Rahman, and Azizi Che Seman, 2018.⁸²

DISCUSSION

The discussions above argue that once endowment donors contribute the property to the endowment fund of an institution, the institution would bear the responsibility to expand the funds through investment. The income generated from investment can be used to fund the operating costs of the institution. In contrast, once the *waqf* donors contribute the properties to the *waqf* fund, the *waqf* trustees or *mutawalli* must safeguard the property to ensure the benefits can be enjoyed by the beneficiaries as long as the property exists.

In terms of the philosophy of giving, the endowment donors contribute the property to endowment funds based on the factors of humanity and generosity.

⁸² Siti Mashitoh, Asmak, & Azizi, 'Pembentukan Institusi Pengajian Tinggi Berteraskan Wakaf Di Malaysia: Cadangan Model Pelaksanaannya,' 13.

On the other hand, apart from these two factors, there is another factor that distinguishes *waqf* from the endowment, which is to fulfil the religious obligation to safeguard the wealth. Furthermore, endowment and *waqf* funds are based on two types of outcomes, namely specific and unspecific. For endowment, the specific types of funds are known as true endowment and term endowment, while the unspecific type of fund is known as quasi-endowment. For *waqf*, the specific type of fund is known as *waqf khas*, while the unspecific type of fund is called as *waqf am*. Both funds have the element of perpetuity which can be observed through investments that generate income (for endowment) and preservation of contributed property (for *waqf*). This factor highlights the importance of these funds to be maintained in perpetuity. In terms of rights of ownership, endowment offers flexible ownership, while *waqf* belongs to Allah SWT.

In Malaysia, endowment funds of HEIs can be established under the BoD, within the financial division of the university. There are several laws governing endowment funds in this country, especially in higher education institutions, which are the Universities and University Colleges Act 1971, Local Legislation (Trust Act 1949), and English Law by referring to cases. The establishment of *waqf* in the university is quite complicated as the university will need to first obtain permission from the MAIN of the state as the sole trustee of the *waqf* property, as imposed by the federal constitution and state legislation. Under granted permission, the university holds the status of *mutawalli*, which qualifies the institution to accept and manage the *waqf* property. Three models can be used by a university to implement the *waqf* fund, as previously discussed. Due to the status of MAIN in the *waqf* property, any income generated needs to have a portion distributed to the MAIN. Hence, the factors that differentiate endowment and *waqf* funds are summarised in the table below.

Table 1: Differences between Endowment and *Waqf* Funds

Aspect		Endowment	<i>Waqf</i>
Philosophy of giving		Humanity and generosity	To fulfil the religious obligation to safeguarding wealth (<i>mal</i>) instead of humanity and generosity.
Element	Perpetuity	Need to be invested	Need to be preserved
	Rights of Ownership	Flexible	Allah SWT

Aspect	Endowment	Waqf	
Governance	Law	1. Universities and University Colleges Act 1971 2. Local Legislation (Trustee Act 1949) 3. English Law (referring to the case) - Civil Law Act 1956	1. Federal Constitution 2. State Legislation
	Structure	University's financial division (bursary)	1. Model 1 2. Model 2 3. Model 3
	Trustee	University	MAIN
	Need permission	No	Yes (from MAIN)
	Income sharing	No	Yes (with MAIN)

Source: Developed by Author for the Current Study.

Undoubtedly, the endowment is a trust fund that gives freedom to the university in accepting and managing (including investing) property that has been endowed. Since the university is not bound to any other organisation, the university has full power over the endowed property, including the income generated. For *waqf*, there are Islamic elements associated with the act of benevolence, such as a person who donates the property intends to fulfil *maqāṣid al-sharī'ah* and for the sake of Allah SWT. As the principle of *waqf* is preserved, *waqf* donors are assured that the property for *waqf* will remain forever. Moreover, *waqf* donors would be confident to donate to the universities because of the requirement in obtaining permission from the MAIN of the state for investment purposes. This process reaffirms the importance of an organisation that monitors the implementation of *waqf* funds in institutions (i.e., MAIN, which is also known as *nazir*). For universities with specific needs, such as having the freedom and full authority in managing the fund, an endowment is the best option. Meanwhile, universities that prefer funds adhering to the principles of Islam (especially to attract and convince Muslim donors) and abiding by the rules of an organisation that monitors the management, *waqf* would be the best option.

CONCLUSION

The implementation of endowment and waqf funds is essential for an educational institution as a continuous source of finance. Although the implementation of both funds has a similar purpose, there are several factors within the concept of implementation that distinguishes these funds. In this study, the factors are found to be related to the philosophy of giving, elements of perpetuity and rights of ownership, as well as governance (law, structure, trustee, permission, and income sharing). The discussions on these differences can assist the universities, particularly in decision-making processes for institutions that have yet to implement any of these types of funds.

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