The Rise and Fall of Cash WAQF Crowdfunding: Exploring the Shortcomings

Abidullah Khan[a], Muahmmad Hakimi Mohd Shafiai[b], Shabeer Khan[c],
[a,c]Assistant Professor, Department of Business Administration, Sukkur IBA University, Airport Road Sukkur, Pakistan, [b]Senior Lecturer, Faculty of Economics and Management, Universiti Kebangsaan Malaysia, Bangi, Selangor, Malaysia,

Cash waqf, which is practiced widely in Malaysia, still lacks a contribution to society. In order to tackle such issues, cash waqf based crowdfunding was introduced. However, it also failed to attract a maximum number of people to endow their cash and failed within a year of its commencement. Therefore, the purpose of this study is to explore the concept of waqf based crowdfunding and to understand the reasons that led to its failure. A single, instrumental case study research design is used, which is comprehended by interview with the managing partner of the only waqf-based crowdfunding platform. The findings reveal that the management of the platform lacked an understanding of the problems that would arise from its operations. Therefore, this study proposes a solution which will help the management of the waqf-based crowdfunding platform to improve its operational framework. The study will open the door for the researchers and the audience from this specific industry to propose different models that may assist the waqf-based crowdfunding to grow and reach a maximum following.

Key words: *Cash Waqf, Crowdfunding, Perpetuity, Irrevocability, Microfinance Institutions.*

Introduction

The Malaysian states were first colonised by European powers in the sixteenth century, beginning with the conquest of Malacca by the Portuguese. The Portuguese lost the states in a battle of survival and hence, Malaya fell into the hands of the Dutch who were later replaced by the British. The colonial era came to an end with the establishment of Malaysia as an independent country in 1957. Today, Malaysia comprises of thirteen states, and the federal territories and each state have their own *waqf* laws and administration.

The management of *awqaf* was in doubt until the 1950s, when the State Islamic Religious Councils (SIRCs) were given the responsibility of being the sole trustee of the *waqf* assets. However, the role of the state in managing, supervising and regulating the *waqf* assets became prominent in the 1970s (Cizakca, 2000). Sixty-seven years have passed since the establishment of the trustee, however several problems still exist in the current *awqaf*. These problems are not limited to only one state, but all of them are facing almost the same type of problems in managing the *waqf* assets.

For instance, the income of these *awqaf* institutions is derived from the *waqf* activities and is not enough to cover the expenses of the SIRC itself. It affects several other activities of the SIRC, such as marketing the *waqf* products, bringing in new donors or hiring new officers for the purpose of expending its activities. The situation of cash *waqf* is not different than the immoveable *awqaf,* where the overall effect of the cash *awqaf* cannot not be seen to benefit the low-income groups at large.

Therefore, to overcome these problems, a step was taken to merge the activities of *waqf* in crowdfunding for the better management and distribution of *waqf* benefits. Consequently, WaqfWorld.org was launched by the former Prime Minister of Malaysia, His Majesty Tun Abdullah Ahmad Badawi at the 12th World Islamic Economic Forum in 2016. However, since then, the platform is not able to position itself in accordance with the principal of crowdfunding. More recently, the platform closed in order to incorporate further improvements.

Hence, in this study, we attempt to understand the operational framework, the problems that are faced by the Waqf World Growth Foundation (the owner of waqfworld.org) in managing this platform, and to provide solutions to these issues.

Literature Review

The performance measurement of *waqf* institutions is in fact a major issue. For this purpose, Noordin, Haron and Kassim (2017) proposed a Performance Measurement System for *waqf*. However, this study highlights crowdfunding because of its more efficient approach in measuring performance and in delivering to the right people. Due to the success of the charity based crowdfunding platform in attracting donors, a strong opportunity for introducing cash *waqf* based crowdfunding was sensed. Hence, after extensive research on the operational aspects of *waqf* based crowdfunding by the Research Centre for Islamic Economics and Finance University Kebangsaan Malaysia, it was proposed to initiate the launching of the platform. Therefore, the platform was launched by His Majesty Tun Abdullah Ahmad Badawi at the 12th World Islamic Economic Forum in 2016. Before discussing the *waqf* based crowdfunding platform, a brief introduction to crowdfunding is provided.

In crowdfunding, the main objective is to raise capital rather than taking the benefits of other expertise. According to Kleemann et al. (2008):

"Crowdfunding involves an open call, primarily through the Internet, for the provision of financial resources either in the form of donations (without rewards) or in exchange for some kind of compensation and/or voting rights in order to support initiatives for specific purposes."

It is well known that the medium to be used for crowdfunding is the internet. Hence, the services are provided through a web-based interface. These websites are called 'CF Platforms' where the website owners act as a facilitator between both project initiators and the crowdfunders (fund provider). Most of the platforms do not do more than providing a platform to present a project and the financial software through which financial pledges are collected and administered. There are only a few of these 'CF platforms' that provide more, such as giving advice, organising public relations, and make arrangements with micro-payment providers, etc.

In a typical crowdfunding platform (see Figure 1), the project initiator introduces a project on the CF platform. Based on the interest of the people or crowd in the project, they will contribute financially to the project. The project's capital is maintained by the CF platform; hence, the contribution will go to the project account instead of going to the project initiator. In the instance that the project doesn't achieve its set financial target, the money is returned to the funders by the CF platform.

Operational Framework of WaqfWorld Crowdfunding Platform

The analysis of the unpublished and published reports, and from surveying the website of WaqfWorld, the strong potential of the platform in helping financially vulnerable households is depicted. However, the platform has mentioned a specific objective about reducing financial vulnerabilities among the low-income group. For instance, the microcredit facility introduced by the platform provides the opportunity for generating extra income by involving the low-income groups in entrepreneurship activities. A further analysis of the platform makes it clear that the platform not only provides financial assistance to the poor, but also the financially vulnerable households in the society.

In the first phase, this platform was new in the crowdfunding industry and it needed time to provide a sustainable operational framework. After experiencing issues in its operations, the operational framework was changed and the Waqf World Growth Foundation — which was the mediator — had an extra duty of *mutawalli*. In the most recent framework, there were two groups of project initiators (*mutawalli*); the Waqf World Growth Foundation and microfinance institutions. The operational framework is illustrated in Figure 2, according to which the *waqif* (donor) endows cash to one of the project initiators for a specific campaign. The nature of the campaign varies and each project initiator may initiate a campaign to fulfil a different purpose.

Previously, the campaign that was available on the website came under the management of the Waqf World Growth Foundation. The foundation aimed to involve microfinance institutions for providing a microcredit facility in the future.

The Key Pillars in the WaqfWorld Crowdfunding Platform

There were four pillars in the operational framework of the WaqfWorld crowdfunding platform. The *waqif* who endows money, the project initiator who initiate projects, the campaign to which the usufructs of *waqf* are channelled, and the crowdfunding platform which managed the dealings between the *waqif* and the project initiators. In this section, the role of each player is explained in detail.

i.   The Waqif
The donor who endows cash for the specified campaign on the crowdfunding platform is known as the *waqif*. This donor can be an individual or a business that endows cash to help the specific campaign. In order to become a *waqif,* one needs to register an account on the crowdfunding platform because only registered individuals or businesses can endow cash for the specific project. However, it is the responsibility of the *waqif* to make sure that the campaign is real and can benefit the mentioned beneficiaries, mentioned in the project details.

ii.   The Project Initiator

There were only two project initiators on the platform. The first was Waqf World Growth Foundation (WWGF) which was also the manager of the platform. The primary role of the WWGF was to develop or customise the growth of *waqf* projects worldwide, through providing end-to-end services such as:

- conceptualising the project and doing feasibility studies
- legal, corporate and Shariah structuring
- planning, managing and executing the projects on the platform
- financing the projects by channelling investment from the institutions and private sector
- reporting the progress

The initial role of the WWGF was not transformed from the services provider to project initiator, since the campaigns posted on the platform were posted by the foundation. However, this was an extra role which would not affect its above-mentioned service provisions.

Therefore, being as a project initiator, the foundation had its own sustainability cash *waqf* operational model. The model illustrated in Figure 3, portrays the step-by-step collection procedure until the distribution of the cash *waqf*. According to their framework, the cash received from the donors would be invested in real estate businesses, private and public equities, commodities, and *sukuk*. The income that was derived from this investment would be channelled to the campaigns as specified by the donor. There were seven different campaigns for which the donor (*waqif*) could endow cash, which varied from supporting the services provided by the foundation to the project initiated for specific causes. The returns that are generated from the cash *waqf* investment were non-income generating and distributed as *sadaqah*.

Apart from the WWGF, microfinance institutions (MFIs) were the second group of project initiators that could initiate campaigns on the crowdfunding platform. However, the nature of the campaigns initiated by the MFIs were different than the WWGF. The latter, initiated campaigns and the capital raised was then invested in the income generated activities which generated returns and those returns were channelled to beneficiaries. However, in the case of the MFIs, the capital that was raised in the form of cash *waqf* was provided as a microcredit to the poor entrepreneurs, in accordance with Islamic contracts. The returns generated from the business were shared between the MFI and entrepreneur in accordance with the specified criteria. Each of the MFIs might have a different operational model for their projects that were initiated on the platform.

To explain further, Figure 4 provides the example of the framework of an MFI which initiated a campaign on the WaqfWorld.org. In the given example, the amount collected from the campaign was transferred to the special account that was dedicated to this specific *waqf* activity. It was then managed by a *waqf* division of *mutawalli* A, who lent it to the small-scale entrepreneurs. The amount was lent on the principle of *mudarabah, musharakah* or other Islamic principles. Once the business was established, the entrepreneur started paying the profit and principal amount in instalments. The profit was given to the needy and poor (beneficiaries) as a donation. Once the amount was received by *mutawalli* A, it was to be reinvested in the form of a loan to another entrepreneur.

iii.   The Campaigns

The abovementioned two project initiators could initiate campaigns that were in accordance with Islamic law. The WWGF benefits of the endowed cash *waqf* were channelled to the two primary campaigns; supporting the needy and the poor and helping to sustain the operations of the WWGF (see Figure 5). The *waqif* was allowed to specify the category at the time of the cash endowment.

From the platform's online portal, the 'major causes' under supporting the poor and needy category contains eight different campaigns that were supposed to benefit the needy and the poor. The returns from the investment would go to support the extremely poor and needy, orphans or orphanages, development of Islamic education institutes, assisting the poor to perform Hajj, empowering the Muslim communities to develop themselves through social business, establishment of health facilities for the poor, reviving the Islamic heritage and culture, and the development of mosques.

The waqf growth sustainability category contained six campaigns. The cash endowed from those projects were to be invested and the returns would then be spent on it. These returns were to be used for the sustainability of the cash *waqf*, the sustainability of the crowdfunding platform, for awareness campaigns about *waqf*, for covering the expenses of consultancy services provided to the religious regarding managing the *waqf*, for the research on product designing, and for covering the expenses of developing designs for the mosques.

iv.   The Platform

The crowdfunding platform is an important pillar as it leaves a first and last impression on the donors regarding supporting the project. The platform must have four elements to be qualified for operations. First, it provides a medium of communication which can ease the interaction between the donor and project initiator. Second, it provides the project initiator with access to the member's database in order to promote the project. Third, it manages the transactions from the donor to the project initiator in a secure manner. Fourth, it promotes the campaign on the platform (Ramos, 2014).

After a thorough analysis of the platform, it is concluded that their platform failed to provide ease of interaction between the donor and the project initiator, as no specific mechanism was mentioned on the website, except the 'contact us' option. Secondly, there was no campaign promotional activity available on the platform. The platform lacked in providing enough information about the campaigns to gain the trust of the donors. The lack of information about the project initiators is another area where the technology partners need to focus.

The Potential Issues Arising from Operations

As the platform was new, and due to fewer projects being initiated, the issues that were expected to arise in the future were unknown. This issue became eminent by looking into the published and unpublished documents. It seemed that the platform's team had not identified the potential issues that might arise during the operations and hence no contingency plan was crafted. Therefore, based on the in-depth study of the Kiva.org platform (a popular lending based crowdfunding platform), two types of operational issues are identified that are faced by any crowdfunding platform; the internal issues and the external issues. The internal issues can arise from a failure in differentiating the platform from the rivals, failure in providing a user-friendly interface, the incompetence of the Shariah team to differentiate between the qualified and unqualified projects according to the *fiqh*, failure in scrutinising the project initiators or the *mutawalli*. On the other hand, there are several external issues that can affect the performance of the platform and hence lead to its failure. Therefore, in this study we focused on answering the internal issues through proposing the operational framework.

Methodology

A qualitative research approach with a case study research design is used to explore the potential and operational issues in WaqfWorld crowdfunding. This research will use a single instrumental case study, in which the researcher focuses on the single issue and then selects a bound case to represent the issue (Stake, 1995). In this study, the main objective is to highlight the operational framework of the WaqfWorld crowdfunding platform and to identify the associated issues. The first part of the objective is explored in the literature, while the second part is explored through interview. A revelatory case approach is used to identify the issues that exist in the current platform and to identify any contingency plans related to this. This case aims to reveal the information about an organisation that was not previously accessible to scientific investigation (Yin, 2003). The reason for selecting this approach is that this platform launched recently, and only a limited amount of information is available regarding its operational framework.

Hence, in order to take benefit of the revelatory case approach, a step-by-step procedure is performed where the observation method is used to observe the WaqfWorld.org crowdfunding platform activities since its initiation. Textual analysis is performed on the published and unpublished reports to understand the operational framework. The interview is conducted to gain in-depth information about the issues related to the operations.

Therefore, keeping the abovementioned issues in view, ten interview questions are posed to the managing partner of the WaqfWorld.org platform. These questions aim to explore the knowledge of the platform's team about the internal and external threats that usually arise from the operations of such type of platforms.

Sample Size and Technique

The sample size for the interview is limited to only one subject. Silverman (2013) explains that for this purpose, we must start with an experienced person and try to know his subjective view. Hence, the structured interview is conducted with the managing partner of WaqfWorld.org to further understand the strength of the platform and the Shariah related issues that may arise from the operation of the platform.

The sampling technique used to achieve this objective is non-probability sampling. Non-probability sampling is the most frequently used sampling technique for case studies (Saunders, 2016). In non-probability sampling, a judgmental or purposive sampling technique is adopted. According to Creswell and Clark (2007), this type of sampling technique enables the researcher to select the cases according to his/her judgment that can best answer the research question. Hence, in this study, the managing partner of the WaqfWorld.org platform is purposefully selected because of her knowledge and direct involvement in designing the operational framework.

Findings
Internal Threats

The operations of Kiva.org showed that attracting donors is not an easy task, as many other platforms also exist for the same purpose. Hence, differentiating itself from the rivals in a unique way is important. Therefore, the first three questions focus on the uniqueness of WaqfWorld.org from its competitors.

The first question was more general and asked about differentiating WaqfWorld.org from other crowdfunding platforms in the industry. The interviewee differentiated its platform in two ways. First, there was strong support from the government in pursuing the WaqfWorld project, whereas, the rest of the platforms were individually backed up or sponsored by

several NGOs. The second strength of the platform was the technology partner, which holds a vast experience in operating Islamic crowdfunding platforms. The technology partner holds experience in developing and managing reward-based, equity-based and donation-based crowdfunding platforms.

The second question was more specific in which the uniqueness of the platform from PWS is focused. PWS is a leading example in Malaysia for bringing innovation in its operations, which are also followed by the rest of the states. However, still, there are several issues that exist in its collection and distribution. Hence, seeing *waqf* based crowdfunding as an alternative, the team needed to be able to differentiate its platform from PWS. The interviewee differentiated the platform based on crowdfunding innovation, whereas, PWS uses the third party for its collection and investment purposes. Secondly, the *waqif* of PWS don't know in detail where their money is invested or to which project of PWS they should invest. In the case of WaqfWorld.org, the donors were able to see the details about the project before endowing their money.

The third question aimed at differentiating WaqfWorld.org from the current peer-to-peer platforms, such as Kiva.org and donation-based platforms such as GoFundMe. The strength that makes this waqf based crowdfunding platform from the P2P and donation-based crowdfunding, is cash *waqf* itself. For instance, Kiva.org provides the interest-free loan facility, whereas, GoFundMe is a charity-based crowdfunding platform where the amount diminishes once it is utilised. According to the concept of WaqfWorld.org, the donated amount is invested on the profit that is generated. The profit is then invested into the humanitarian causes. In this case, the principal amount remains intact while the revenue is donated to the projects.

The fourth question aimed at identifying the areas of improvement in the platform. It is important to have a user-friendly platform, which not only contains information about the projects, but also provides information about the project initiator. Currently, Kiva.org has a comprehensive information system which shows the details of the project initiator; time on the platform, the number of borrowers who have successfully raised capital through the project initiation via Kiva.org, total loans, average costs of the loan to the borrower, delinquency rate, default rate, etc. In the case of WaqfWorld.org, no such information was available about the project initiators. The interviewee only identified videos regarding the projects as a key improvement that needed to be accommodated by the platform.

Adverse selection arises when a *mutawalli* is selected without following the proper selection criteria. There are microfinance institutions and NGOs with high-risk profiles, and that are unable to recover the loans in most of the circumstances. The lack of a proper selection criteria would lead to the failure of the *mutawalli* to recover the borrowed cash *waqf*. For

instance, a *mutawalli* gives loans to the borrower without investigating the information asymmetries associated with the borrower, which could cause difficulties in recovering the loans. This lack of proper homework by the *mutawalli* in selecting the borrowers, would make it a riskier institution. If the *waqf* based crowdfunding platform selects this *mutawalli*, then such discrepancies would lead to the mistrust of the people on the crowdfunding platform.

In the recent past, the information about the project initiators was not available on the platform because no projects were initiated. However, the criteria for selecting the project initiator were important in order to avoid any fraud. In this regard, Kiva.org has a strict policy of allowing the project initiator to be the part of their platform. One of the major requirements is that the operating revenue or the assets of the potential project initiator, must be at least USD $100,000. Secondly, the project initiator must be operating a lending scheme with the portfolio quality that is in-line with the market. After the evaluation of the project initiator, a credit rating is assigned which shows the strength in recovering the loan. However, in answering question 5, the interviewee pointed out that there is no specific criteria available for the project initiator selection. The reliance was made on the technology partner, however, from the portal of WaqfWorld.org, no such information was found.

The cash *waqf* has to fulfil the conditions identified by the *fiqh*, which makes it less attractive to the conventional non-banking and non-governmental organisations as the *mutawalli*. For instance, the responsibility on these *mutawalli* gets multiplied because of the perpetuity concept of the *waqf*. Hence, the Shariah team must be able to provide proper information to the *mutawalli* or the project initiator about the cash *waqf* rules. Regarding question 6, the interviewee expressed that there were no issues with the projects, as the Shariah matters come under the responsibility of the *mutawalli*. However, the earlier projects were initiated by *awqaf* institutions and Islamic microfinance institutions on the platform who are experienced in *shariah* related issues. In future, the platform aimed to include NGOs or conventional microfinance institutions. In this instance, the role of the *shariah* committee will be important.

According to the perpetuity condition of the *waqf*, the assets must be perpetual in nature. For immovable assets such as land, the condition is feasible. However, for moveable assets, there is a strong possibility of losing perpetuity. Question 7 raised the same issue and the interviewee maintained that the money will be invested in less risky projects where the revenue is certain. A similar view is held by the OIC Fiqh Academy, that investment must not be made in the risky projects, in the quest of generating more profit.

As *waqf* is irrevocable, hence, the interviewee was asked how the platform will tackle the issue where the project is unable to raise the quoted amount in the given time frame.

According to the interviewee, the raised amount will be channelled to the project, irrespective of its fund completion on the platform. This will create a problem in evaluating the performance of the project initiator on the basis of the loans disbursed and received.

External Threat

It is compulsory for any business or non-business organisation to study their customers. A lack of information about their customers leads to un-directional marketing strategies. Hence, for the success of the *waqf* based crowdfunding platform, it is also compulsory to study their potential funders. An understanding of their potential funders, would assist in developing strategies to attract them.

In this regard, the interviewee was asked whether any studies were conducted regarding the willingness of funders in contributing to the platform. However, according to the interviewee, no such study was conducted at the time.

WaqfWorld.org was focused on involving the whole Muslim world. However, there are issues associated with Muslim countries, which are either developing or underdeveloped. That is why the literacy rate is low and internet users are also fewer. For the purpose of crowdfunding, a person needs to be literate and have access to the internet. In answering the last question, the interviewee revealed that the projects initiated on the platform, in the initial stage, failed to raise the quoted amount (except one project). However, the reasons were provided as poor marketing and high funding goals. It showed that due to there being no preliminary study regarding the donors, the marketing strategies targeting them were weak.

Proposing Operational Framework for WaqfWorld Crowdfunding Platform on the Basis of Findings

It is discussed, that the financial vulnerability problem that is faced by the low-income Malay groups can be mitigated through *waqf* based crowdfunding. However, there are a number of issues identified in the current *waqf* based crowdfunding platform that can affect its overall impact on achieving its objectives. Hence, in this section, the recommendation is provided to tackle those issues. Moreover, this section will attempt to provide a more effective operational framework, which will cover the aspects that are lacking in the current operational framework.

Limiting the Geographical Scope of the Platform

The aim of the WWGF is to attract donors and project initiators from all over the Muslim world. However, a high illiteracy rate, limited internet access, and limited knowledge about cash *waqf*, are a few of the important factors that must be considered before expanding the

geographical access. Moreover, the concept of cash *waqf*, in respect of crowdfunding, is not simple for the public to understand. In other words, the concept of cash *waqf* based crowdfunding is more complex than peer-to-peer lending and donation-based platforms. The information about cash *waqf* based crowdfunding among the masses requires aggressive promotional strategies. However, such promotional activities require huge capital and human resources. Moreover, every country has different types of restrictions on the fundraising that may affect the operations of the WaqfWorld. Apart from that, many Muslim countries have no established *waqf* law. On the other hand, the acceptability of cash *waqf* in many Muslim countries is still questionable. Therefore, the scope of this platform needs to be restricted to only a few countries, so that focus on the promotional activities becomes more specific and the issues that may arise from the operations can be dealt with more efficiently.

It is a standard occurrence that such platforms struggle in attracting donors at the first stage. This was identified from the campaigns that failed during the initial stage. Hence, in the initial stage, the operations of the platform need to restrict its operation to Malaysia because of the existence of *waqf* law and fully operational cash *waqf* institutions. Due to the existence of *waqf* institutions, the knowledge about *waqf* among Malays is more than other Muslim countries. The operational restriction will help in understanding the issues that may arise due to the operations. Once the platform is successful in Malaysia, the operations can be extended to more countries over time.

Improvements in the Crowdfunding Platform

It is observed from the findings that the platform lacks in providing crucial information about the campaigns, the project initiators, and the selection criteria for the project initiator. This type of information is necessary for the donor to trust the platform and that his endowments will go to the right hands. A lack of such information creates a suspicious feeling about the originality of the platform itself. That is why all types of crowdfunding platforms provide enough information about the campaigns and the project initiators that can gain the trust of potential funders.

The campaigns must be loaded with information about its importance, its fundraising status, and its impact on the beneficiaries. Similarly, the information regarding the project initiator who uploads the campaigns, must also be available. The information about the project initiator, its experience in poverty alleviation, its total number of clients, the recovery rate, delinquency rate and default rate, are important for providing a rating to the project initiator. The rating will provide the donor with ease in deciding about endowing the cash for the campaign, after making an assessment of the project initiator.

The operation of the WWGF is different, where it has to raise the funds for a specific category of campaigns, then invest the capital and channel the profits to that specific category. In this case, the information about the funds raised, the avenues where the funds are invested, and the returns generated from the investments, must be reported on the platform. Moreover, the information about the disbursement of the returns to the specified campaigns must also be included on the platform. It will provide an idea about the strength of the project initiator in generating returns, while keeping the principal intact.

The Selection Criteria for Microfinance Institutions

The WWGF, as the manager of the WaqfWorld crowdfunding platform, needs to define the selection criteria for microfinance institutions, which are the project initiators on the platform. A strong selection criteria can effectively separate the risky project initiators from the efficient ones. However, there is no specific criteria for scrutinising available, neither on the platform nor mentioned by the interviewee. Therefore, the WWGF needs to perform a due diligence process for the microfinance institutions. The following due diligence process is proposed for the WWGF and comprises of three phases.

In the first phase, the interested microfinance institution sends an application to the WWGF with detailed information about its history, mission, the products and services offered, and its organisational and operational structures. After evaluating the potential of the microfinance institution in reducing financial vulnerabilities among Malays, the WWGF will move to the next phase.

In the second phase, the MFI will be asked for its financial statements, portfolio management reports and the financial projection reports. Financial statements are necessary to evaluate the current financial position (profit or losses) of the MFI. On the other hand, portfolio management reports describe the MFI's investments; microcredits provided to its clients and how these credits have been diversified among highly risky and less risky clients so that the potential losses are decreased. Most importantly, completing a review of the financial projection reports and completing a comparison of the current financial statements of the MFI with the projection. If the MFI is consistently falling behind its projected targets, it means that the MFI is a risky candidate for the WWGF and may make losses on endowed cash.

In the third phase, the WWGF needs to send a financial analyst who will interview the borrowers, credit officers, and review the internal financial documents. The analyst should then submit the report to the WWGF for either approving or rejecting the application.

Tackling the Irrevocability Issue

The current model of WaqfWorld.org accommodates two types of project initiators; microfinance institutions and the WWGF itself. In the findings, Figure 5 represents the operational framework of a microfinance institution that acted as a project initiator under WaqfWorld.org. The microfinance institution initiated a single campaign and the cash was endowed to that specific campaign. However, the campaign didn't succeed to raise the quoted amount in the given time frame. Hence, as per the rule of crowdfunding, the raised capital must be returned to the donors. However, due to the concept of irrevocability, the donor or the *waqif* cannot take back the endowed amount. Therefore, the endowed cash is channelled to the project, irrespective of campaign completion on the platform. However, the project may not commence because of insufficient funds and hence, the beneficiary of the project may not be able to generate profit on the given amount. This will increase the delinquency rate of the project initiator and ultimately affect the overall rating of the microfinance institution.

In order to solve the issue of irrevocability, the proposed operational framework for microfinance institutions suggests, instead of introducing a single campaign, a group of campaigns must be launched in a single category. Hence, the people will endow cash to the category rather than single campaign. The quoted amount and the amount raised for the category must be shown in its status. For instance, there are three campaigns in Category A initiated by XYZ microfinance institution. Campaign A needs USD $500, Campaign B requires USD $1000, and Campaign C requires USD $2,500. Hence, the total amount shown in the category status is USD $4,000. However, in the given time frame, only USD $700 is collected, which is less than the total amount quoted in category A. In this scenario, USD $700 can be channelled to Campaign A. Once Campaign A is fully funded, its status will be shown in Category A.

The proposed operational framework for MFIs is illustrated in Figure 6. According to the framework, the MFI uploads the campaign category on the WaqfWorld crowdfunding platform, in which several campaigns are initiated. Once the campaign category is raised in full or in a portion of the quoted amount, it will be channelled to fund the projects in that category. The campaigns provide microcredit to micro-entrepreneurs, hence, the beneficiaries must return the principal amount and the profit (based on Islamic financing contracts). The principal amount will be returned to the campaign category to fund other campaigns while the operational cost will be covered from the profit and the net profit will be disbursed to the WWGF as *sadaqah*.

Appointing a Shariah Advisory Committee

Introducing a new project initiator will also bring the risk of campaigns that are not Shariah-compliant. Hence, there is a need for a Shariah advisory committee that can screen the campaign before it is included in the major category. However, the responsibility of the Shariah advisory committee must be taken by the WWGF, since all the project initiators are returning the profits on investments back to the foundation for sustainability of the *waqf*.

The Overall Operational Framework for WaqfWorld Crowdfunding after Modifications

In the proposed framework, the current structure is maintained where two types of project initiators are involved. However, in the proposed operational framework of the Microfinance institutions, the inclusion of Shariah screening, and the due diligence process, make the overall operational framework of the WaqfWorld crowdfunding different. The proposed framework is given in Figure 7. The framework is explained in six steps as follows:

Step 1: The MFI should clear the due diligence process. Once the due diligence process is successfully completed, the MFI will be eligible to upload the project.

Step 2: As proposed earlier, that the MFI will initiate a campaign category rather than a single campaign, the same concept can be seen in the proposed framework of WaqfWorld crowdfunding. However, before the campaign category is uploaded on the platform, it must be cleared by the Shariah advisors. The Shariah advisors must also screen the campaigns that are added to the category from time to time. On the other hand, the WWGF can upload the project, subject to the approval from the Shariah committee.

Step 3: Once the campaign category is uploaded on the platform, it will be visible to the public who will endow their cash for the campaign category. However, for the WWGF, the waqif can endow cash to specific campaigns under major causes or the sustainability of cash waqf.

Step 4: The cash endowments to the MFI's campaign group will be channelled to the category. On the other hand, the waqif's cash will be endowed to a specific campaign of the WWGF, according to his/her choice.

Step 5: The cash endowments will be channelled to all or a few projects under the category, depending on the amount raised. On the other hand, the WWGF funds will be invested in halal economic activities. It is the responsibility of the Shariah advisors to make sure the investments are made in Shariah-compliant activities.

Step 6: The profit generated by the WWGF's investment will go to the waqif's specified campaign. The Shariah committee should make sure that the returns are going to the specified campaign. The campaigns that are funded by the MFI from the endowed cash must be disbursed as microcredit, in accordance with Islamic financing contracts. It is the responsibility of the Shariah advisors to make sure that the MFI has channelled the

microcredit in accordance with Shariah principals. Once the beneficiary of the campaign starts repayments, it will be divided into two accounts; one deals with the principal and the other with the profits. The principal will go back to the campaign category. The profits will first cover the operational costs of the MFI, followed by the net profit being channelled to the WWGF campaigns as sadaqah. However, this amount will go to the sustainability waqf category to cover the operational costs of the WWGF.

Conclusion

Waqf practice in Malaysia has been observed since the colonial era. In order to better manage the waqf assets, the management of the *waqf* is given to the Shariah Religious council of each state. However, there are a number of problems that still exist in managing *waqf* assets. The income generated from the rentals and leasing of *waqf* assets is not enough to cover the expenses of the council itself. This problem is not only faced from the immovable assets, but also from moveable assets, such as cash *waqf*. Therefore, to tackle this problem, a *waqf* based crowdfunding platform was introduced, through which people can endow cash for the campaigns launched on the platform. It was expected that this platform would reduce the costs of the *mutawlli*, where less manpower would be required to promote their campaign and collect cash.

However, this platform failed within a year of its initiation. In order to understand the preparations of the platform's management in tackling these issues, an interview was conducted with the managing partner of the platform. It was identified during the interview, that the management did not have a contingency plan in case the issues mentioned in the study arose. If these issues arise when any crowdfunding platform is fully operational, it would lose the trust of the people.

Therefore, as a solution, we have identified the issues and then provided an operational framework, which is the modified version of the current operational framework of this WaqfWorld crowdfunding platform. The study will provide a guideline for the management of WaqfWorld in making a contingency plan for overcoming the potential issues in revitalising the platform. Moreover, it provides enough knowledge for the researchers who seek innovations in the management of *waqf* assets.
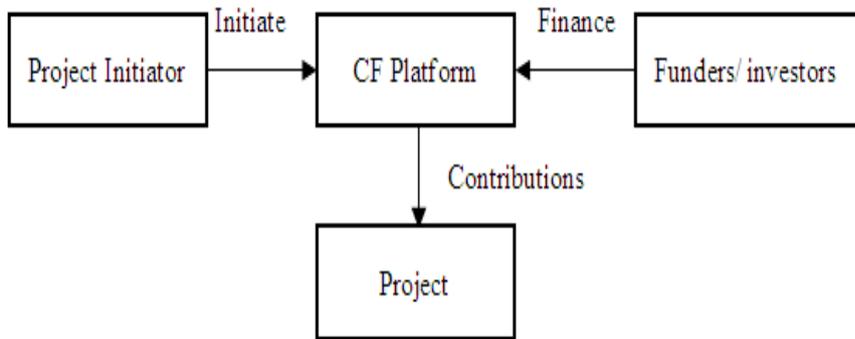
Figure 1. A typical crowdfunding platform
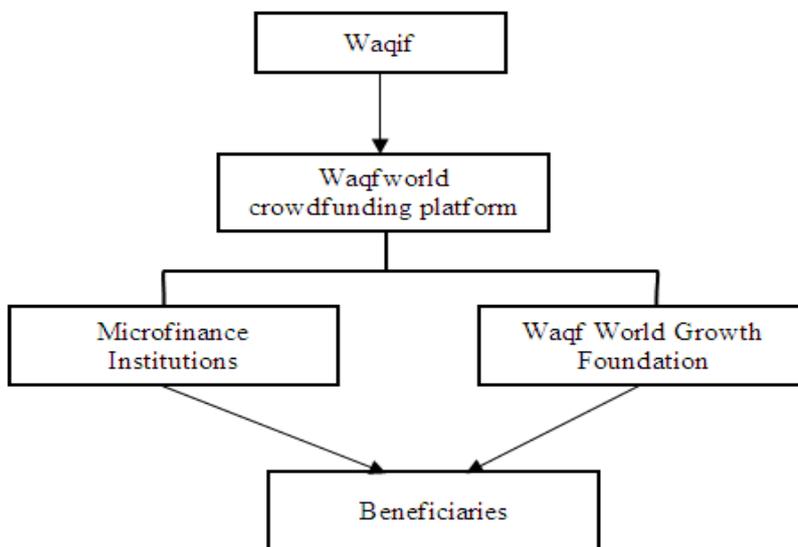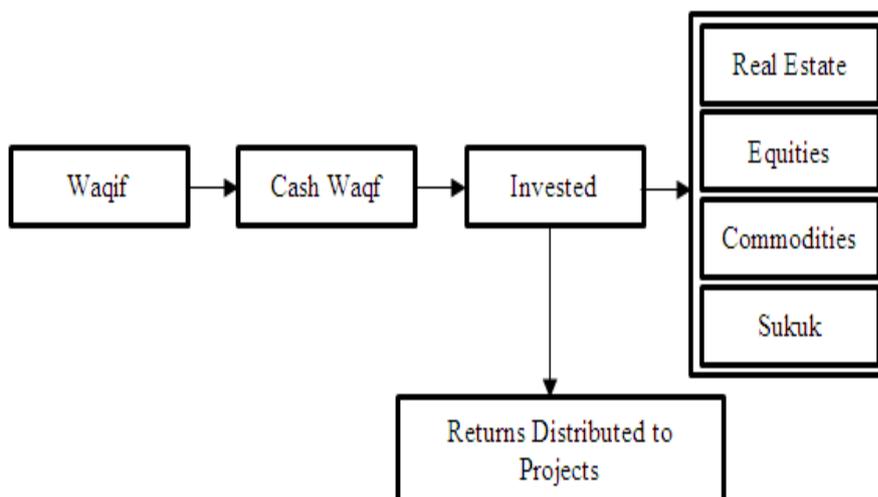

Figure 2. Operational framework of WaqfWorld.org

Figure 3. Operational framework of WWGF

Source: Waqfworld.org

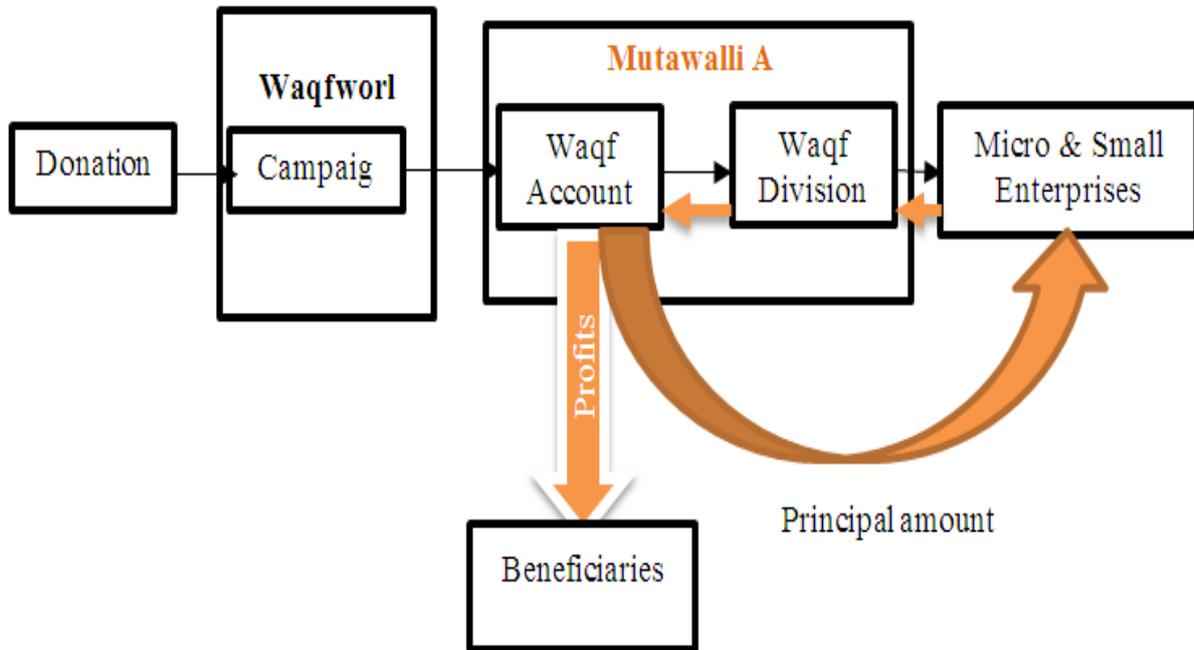**Figure 4.** Example of mutawalli's framework of managing cash waqf

Figure 5. Beneficiaries of WWGF cash waqf

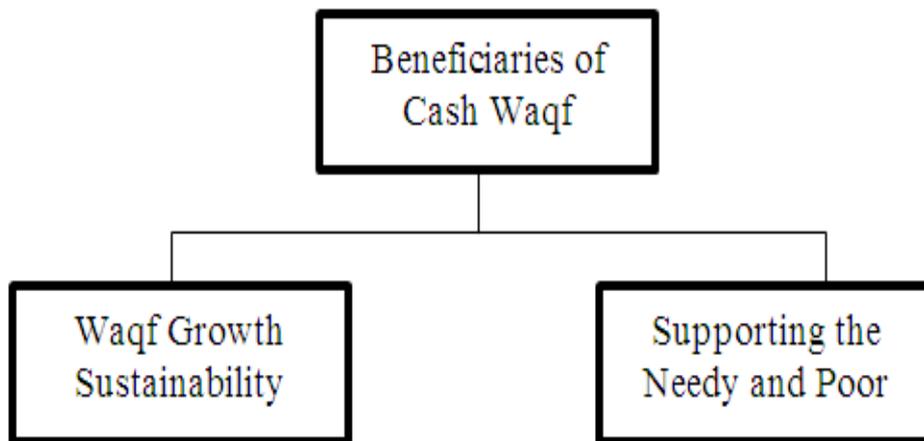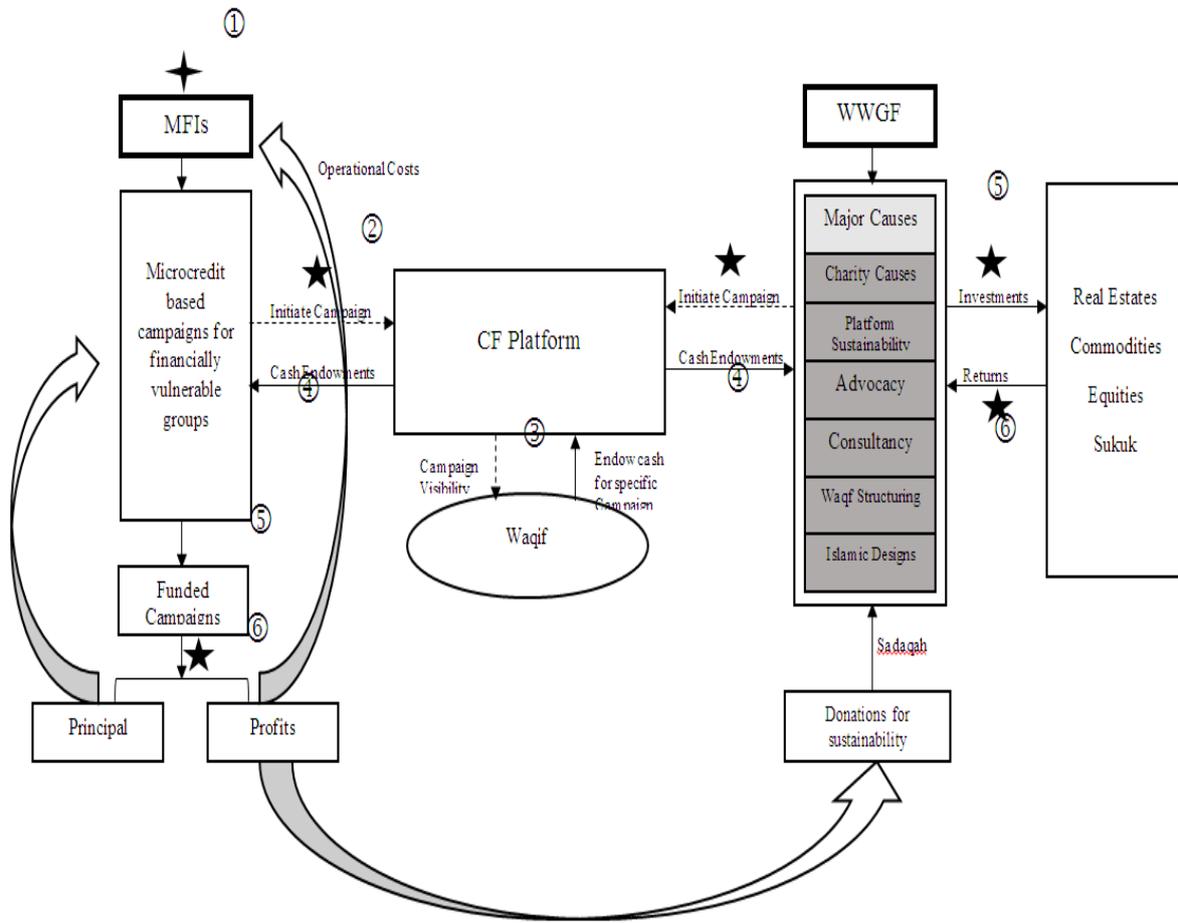**Figure 6.** Proposed Operational Framework for Microfinance Institution

Figure 7. The proposed Operational Framework for Waqf World Crowdfunding

Note: ★ = Shairah Screening; ✛ = Due Diligence

REFERENCES

Cizakca, M. (2000). *A history of philanthropic foundations: The Islamic world from the seventh century to the present*. Istanbul: Bogazici University Press.

Creswell, J. W., & Clark, V. L. P. (2007). *Designing and conducting mixed methods research*. Thousand Oaks: SAGE Publications, Inc.

Kleemann, F., Voß, G. G., & Rieder, K. (2008). Un(der)paid Innovators: The Commercial Utiliza-tion of Consumer Work through Crowdsourcing. *Science, Technology & Innovation Studies*, *4*(1), PP. 5-26.

Noordin, N. H., Haron, S. N., & Kassim, S. (2017). Developing a comprehensive performance measurement system for *waqf* institutions. *International Journal of Social Economics*, *44*(7), 921–936. https://doi.org/10.1108/IJSE-09-2015-0257

Ramos, J. (2014). *Crowdfunding and the role of managers in ensuring the sustainability of crowdfunding platforms*. *JRC Scientific and Policy Reports*. Seville.

Saunders, M. N. K. (2016). *Research Methods for Business Students*. New York: Pearson Education.

Silverman, D. (2013). *Doing qualitative research: A practical handbook*. Thousand Oaks: SAGE Publications.

Stake, R. E. (1995). *The art of case study research*. Thousand Oaks: Sage.

Yin, R. K. (2003). *Case Study Research . Design and Methods* (3rd ed.). Thousand Oaks: Sage Publications. https://doi.org/10.1097/FCH.0b013e31822dda9e