



ASSESSMENT OF GOOD GOVERNANCE PRACTICE IN SELECTED CORPORATE WAQF INSTITUTIONS IN MALAYSIA

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ABSTRACT

Waqf plays a vital role in addressing various social and economic challenges in communities across the world. Nevertheless, the problem with poor governance of waqf institutions has impeded the development of waqf properties including in Malaysia. One of the main problems is the complexity of the waqf regulatory framework in every state of Malaysia. It is believed that the involvement of corporate entities in managing waqf institutions in Malaysia is seen as an alternative to address this issue by outsourcing waqf management under the corporate entities which were claimed to have an effective governance system. However, there has been a lack of empirical studies to discover its governance practice to prove the claim. Therefore, this empirical study aims to assess good governance practices in selected corporate waqf institutions in Malaysia. The study involves qualitative research whereby a case study research was conducted to allow for more rich and comprehensive data. For this purpose, Waqf An-Nur Corporation (WANCorp) was selected as a case study due to its remarkable impact and contribution towards socio-economic development through waqf innovations. Data were obtained through semi-structured interviews and document analysis. The study revealed several important findings related to the governance structure and process of the case. The findings revolve around board composition, monitoring and controlling, policies and procedures, transparency, reporting, and information disclosure. The study's contribution to knowledge and practical implication lies in its rigorous assessment of the good governance concept in the context of corporate waqf, and its practice.

Keywords: Good governance, Waqf governance, Corporate waqf in Malaysia

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INTRODUCTION

One of the key components of the contribution of waqf to socio-economic development is poverty alleviation. Many Muslim-majority countries are still fighting to combat poverty such as Indonesia, and Bangladesh with no exception in Malaysia which is still struggling to address this issue. Therefore, waqf is proven to be an effective tool to combat poverty by supporting





microfinance programmes and giving prospective business owners interest-free loans (Hamza, 2021). This could help and empower the needy to establish and grow their business as well as encourage their economic independence (Hamza, 2021).

However, the issue of poor governance in waqf institutions has become a concern in many literatures recently. If this ongoing issue is not addressed properly, it can have several negative impacts on waqf institutions, waqf stakeholders, waqf sectors and socio-economic development. This issue may erode the public trust and confidence towards waqf institutions which can hinder the growth and sustainability of the waqf sector (Zain et.al, 2023). It could limit the waqf institution's ability to attract donors' contributions and support. To address these issues, it is pertinent to revitalise the noble function of the waqf institution in socio-economic development by enhancing its governance practice (Hassan & Noor, 2021). This could mitigate the negative impacts of poor governance and foster the sustainable development of the waqf sector (Hassan & Noor, 2020).

There are many efforts and initiatives to improve governance practice in waqf institutions and its importance is widespread across the countries and regions including Malaysia. In line with this vein, it is believed that the current establishment of corporate waqf institutions is meant to address governance and managerial issues in waqf institutions. The involvement of corporate entities in the waqf sector has shifted the development of waqf properties, and a large vulnerable segment of society has attained many benefits from this development. However, regulatory issues have become the main constraint for waqf development in Malaysia, the situation has also affected corporate waqf institutions. There is still no standard regulation for the operation of corporate waqf in Malaysia. As a result, some of the corporate entities faced ongoing management and administrative issues, such as taxation, dividend payment, accounting, auditing, and reporting (Mohd Thas Thaker.et.al, 2016).

Despite these constraints, corporate waqf institutions can still operate and develop waqf properties efficiently despite the constraints. It is believed that corporate governance principles could be the primary reason that these institutions can maintain the management and administration of waqf, as they are subjected to strict regulations as a corporate body (Hassan & Noor, 2020). Awaludin et al. (2018) noted that corporate entities could be very successful waqf managers because they possess good administration and management, which are implemented effectively through guidelines and procedures. The commitment of corporate entities in the development of waqf properties has shown great success. For example, the establishment of Waqaf An-Nur Corporation Berhad (WANCorp) as a subsidiary company of Johor Corporation (JCorp) has significantly impacted waqf development in the state of Johor. WANCorp, as the waqf manager, is responsible for managing waqf assets and shares of JCorp. As of December 2021, it was recorded that WANCorp has distributed over RM6,340,140.92 to public welfare as a result of its commitment to the welfare fund, *wakālah* for business zakat, and public contribution through crowdfunding (WANCorp, 2021).

However, there is a still lack of literature on the subject of corporate waqf in many areas, particularly on governance. Prior studies tend to focus more on assessing the theoretical and conceptual model and issues of corporate waqf. Ramli and Muhamed (2013) are among the few researchers who have attempted to conceptualise a good governance framework for corporate waqf to improve *mutawallī* (waqf trustee) accountability. There is also a lack of empirical studies on the governance practice of corporate waqf institutions, except for a few, such as Awaludin et al. (2018) and Yaacob et al. (2015).

Therefore, this study aims to explore and assess the governance practice of a selected corporate waqf institution in Malaysia, namely Waqaf Annur Corporation (WANCorp) in order to understand its governance practice. WANCorp, as a successful corporate waqf in Malaysia,





was chosen as a case study because no study has been conducted specifically on its governance practice.

LITERATURE REVIEW

This section reviews specifically about the current studies on waqf governance and corporate waqf. The main purpose of this review is to identify the gaps in these two subject areas. It will first review waqf governance that has been addressed in theoretical literature and empirical literature. This will be followed by a review of corporate waqf studies in various areas.

Corporate Waqf

Jalil and Mohd Ramli (2014) defined corporate waqf as “the creation and management of waqf assets and distribution of waqf proceeds by a corporate entity independently or collectively with other parties”. Based on this definition, the corporate entity, as a waqf creator or ‘*wāqif*’, makes a waqf by utilising its assets. In this sense, the corporate entity functions as a waqf trustee or ‘*nazīr*’ or ‘*mutawallī*’ responsible for managing, maintaining, and investing the waqf assets. The corporate entity can nominate itself as a waqf beneficiary and proceed to gain flexibility in managing and utilising the waqf. Furthermore, corporate waqf is established by a private entity that involves some activities to generate income, such as trading and investment. Thus, principles of corporate governance, such as accountability, transparency, and professionalism, must be applied within the entity to accumulate and generate assets. Lastly, waqf proceeds created by the corporate entity could be established, managed, and distributed independently (Jalil A & Ramli M.A, 2014).

Prior studies tend to focus more on assessing on conceptual models of corporate waqf. In this case, Ramli and Jalil (2013) in their study identified the models of corporate waqf and highlight the Sharīah considerations on this new form of waqf. The study established corporate waqf as an independent category of waqf due to its salient characteristics. The novelty of this finding is against the common perception of public who consider corporate waqf as a form of cash waqf. This study suggested that corporate waqf as the best form of modern waqf practice based on its vibrant nature and active roles with strong professional participation in its management. Meanwhile, a study conducted by Jalil and Ramli (2014) provided almost similar findings in terms of establishing corporate waqf as an independent category of waqf. However, this study extends the understanding and concept of the corporate waqf by reconceptualising and defining the corporate waqf independently. It discussed corporate waqf from three different aspects: definition of corporate as independent waqf concept, models, and Sharīah considerations.

In another study that assessing the banking model of corporate waqf conducted by Ramli and Jalil (2014) analysed the structure of the corporate waqf model applied in “Wakaf Selangor Muamalat” which has been jointly established by Perbadanan Wakaf Selangor (PWS) and Bank Muamalat Malaysia Berhad (BMMB). This was the first study on “Waqf Selangor Muamalat” structure since it was launched. This study aimed to stimulate more corporate involvement of the banking sectors in waqf and to increase the socio-economic conditions of Muslims.

Further study also has been conducted to identify other types of corporate waqf models. (Ibrahim et.al, 2016) discussed the establishment of corporate waqf model in the in Malaysia by looking at three particular states which are: Federal Territory, Selangor and Johor. The study found that all established corporate waqf model in Malaysia shown a positive impact towards





the development of economy and society however there is still a few elements to be improved which includes the concept, structure, outcome and output from the project developmental process in order to ensure the corporate waqf model will positively contribute to the economy and society.

In exploring the university corporate waqf model, (Bakar et. al, 2018) expounded that waqf is one of the financing instruments for a private university's sustainability. The study proposed a conceptual model to transform the conventional method of financing a university into corporate waqf university (CoWU), based on Yayasan Universiti Multimedia (YUM) experience. This study proposed a practical model in which corporate sector and university can work together to establish and fund corporate waqf university. The study also examines issues in implementing corporate waqf university, and discusses opportunities and challenges in managing waqf for higher learning institutions.

Issues in Corporate Waqf Model

Mohd Thas Thaker (2015) conducted an empirical study on the administration and management issues of Corporate Share Waqf Model through the experience of Waqaf An-Nur Corporation Berhad. This study revealed that Waqaf An-Nur Corporation Berhad faces several issues in their administration and management. The taxation, regulation, forms of dividend payment and administration were found to be the main hurdles in administering and managing Corporate Share Waqf Model particularly in Malaysian Context. This study provided recommendations for the policy maker to address the issue of administration and management of Corporate Share Waqf Model. In similar vein, (Omar et al, 2018) discovered the issues, concept, and development of corporate waqf. This research provided several perspectives and suggestions on this issue. This paper came out with the concept and development of the contemporary waqf focused on corporate waqf and there five current issues identified in the contemporary waqf, and his study proposed seven action plans to overcome the issues.

Governance, Best Practices and Management of Corporate Waqf

Ramli and Muhamed (2013) are among the few researchers who have attempted to conceptualise a good governance framework for corporate waqf to improve *mutawallī* (waqf trustee) accountability. The authors explained that by looking at the nature of corporate waqf, the underlying principles can be referred to as existing corporate governance, Islamic corporate governance, Sharīah governance for Islamic financial institutions and governance of the non-profit organization. Further empirical study conducted by Awaludin et al. (2018) which examine governance practice and disclosure of two Malaysian waqf institutions revealed the important component of governance. The component was observable in both entities but there is still a loophole that need for further improvement. The findings also indicated that managing waqf under corporate entity gave them more advantages than non-corporate entity.

Ibrahim, (2013) highlighted that there are a lot of efforts to improve the waqf system in Malaysia in terms of management and administration of it. The researcher discussed waqf management by going into the application of corporate waqf which seems to be a success in reforming Malaysia's waqf system. This is in line with the findings of the study conducted by Md Saad et al. (2016) which examined the best practices of selected waqf institutions in Malaysia and Saudi Arabia by analyzing the projects and programs carried out by all selected waqf institutions. The study found that innovative approaches to managing waqf assets and its investment were the critical factors for their success in harnessing the potential of waqf for societal well-being.





In another empirical study conducted by (Md Saad et. al., 2017) who attempted to gauge the level of awareness and willingness of State Economic Development Corporations (SEDCs) and State Islamic Religious Councils (SIRCs) to be involved in corporate waqf initiatives found that the SEDCs are receptive of the idea of corporate waqf entities managing and enhancing the values of waqf assets and waqf properties. However, this must be done within the current legal framework. The study also found a lack of coordination between the SEDCs and SIRCs in making decisions on waqf-related matters. The study suggested that the state government, through its agencies, play a facilitative role in ensuring the efficient development of waqf assets or properties.

Corporate Waqf and Economic Well-being

Hasbullah and Khairi, (2014), Khairi et. al (2015) and Khairi, et. al (2018) provided almost similar findings regarding the proper implementation of corporate waqf as an effective tool in developing the economic well-being of the people. However, each of these studies provided differences in terms of its novelty. For instance, (Hasbullah and Khairi, 2014), identified the uniqueness of the corporate waqf and investigated the contribution of this type of waqf towards the economic well-being of the people. Meanwhile, Khairi et. al (2015) explored the conceptual framework for improving the share waqf and identified the uniqueness of the share waqf in Malaysia. This study discussed the contribution of this type of share towards communities and national welfare. However, (Khairi, et. al., 2018) highlighted that instead of properly implementing corporate waqf, the participation among GLCs in corporate waqf may also be very useful in developing people's economic well-being.

In conclusion, the review reveals that most studies on waqf governance have tended to focus on regular waqf institutions and compared to the corporate waqf, the studies on its governance practice appear to be lacking. Furthermore, the review of related studies on corporate waqf indicates that there is a dearth of empirical studies regarding corporate waqf governance.

Waqf Governance

A number of studies have been done related to the studies of waqf governance. This study has identified several main themes related to waqf governance studies. The themes revolve around theoretical and conceptual studies of waqf governance, accountability in waqf governance and Islamic governance of waqf.

Salman and Htay (2015) explored theoretical concept on which best practices of waqf institution can be built due to the lack of governance guidelines for waqf institutions. The authors found that the agency theory plays an important role in developing the best practices of governance for corporate institutions as the theory explains the relationship between the principal and agent in the context of an organization. Agency theory assumes that there will be the possibility of conflict between the principal and agent since both parties want to maximize their role and the agent will not act as in the interest of the principal. This idea suggests that the behavior of the agent must be controlled and supervised in order to meet the goal of the principal. In this case, this relationship will involve agency cost. In the context of waqf, the issue of principal-agent often occurs in the waqf institutions. The agency theory is a relevant theory that can be used to interpret the relationship between *mutawalli* and donors as *mutawalli* represent as an agent whereas the donors represent as principal (Salman & Htay, 2015).

Similarly, Abdullah (2015) proposed that waqf governance framework should be based on corporate governance whereby the principal-agent theory was applied to demonstrate the





relationship between the *mutawallī* and the *wāqif*. In addition, Azni and Sapuan (2018) also argued that the issue of inefficient and unsystematic of waqf management has a close relation to the agency problem. In this matter, the authors stress the need for a good governance system whereby the accountability can be applied to their stakeholders like *wāqif* and beneficiaries.

Abdul Latif et. al, (2018) advocated that a good governance framework of waqf institution could assist in achieving sustainable development. An in-depth interview was conducted to investigate the governance aspect of waqf under Majlis Agama Islam Kelantan (MAIK). It is observed that the major problem in managing waqf in MAIK was the existence of legal instrument whereby they had to follow strictly the donor's intention to develop those assets based on their will stated in that document. Other problems that had been identified, are minimal sources generated from waqf asset, waqf *āmm* cannot be generated as income revenue, there were no experts in information technology and etc. For this reason, the urged for improvement of waqf governance particularly in these four primaries areas: transparency, reporting, management of funds and Code of Good Governance.

Ramli and Muhamed (2015) believed that accounting was the best mechanism to discharge and to improve the nazir's accountability and transparency in order to attain good governance of waqf institutions. Apart from discharging accountability to the waqf institution, it also represented as discharging accountability to various parties such as *wāqif*, beneficiaries and waqf board. This empirical study investigated the governance process and Sharīah governance in two Indonesian waqf institutions. They found that both institutions were audited by the external auditors as part of achieving transparency of managing waqf fund. However, the study indicated that both institutions did not have internal auditors as well as Sharīah auditors as part of their governance mechanism.

Ihsan, Eliyanora, and Septriani (2016) assessed the practices of accountability in the history of waqf by referring to the five major mechanisms established by Ebrahim (2003) they are disclosure statements and reports, performance assessment and evaluation participation, social auditing, and self-regulation. The finding showed that there was a need to develop the regulatory framework regarding *mutawallī*'s accountability since there is still no clear guideline how accountability can be discharged to waqf stakeholders. The study suggested that the audit should be added to Ebrahim's mechanisms of accountability.

Meanwhile, Abu Bakar et al., (2020) emphasized in their study that accountability and transparency in the management of the waqf properties lied within a highly quality auditor. Thus, this study suggested that the managing body should consider the hiring of a highly qualified auditors who meet the following criteria: confidentiality, due care, fairness, honesty, independence, integrity, objectivity, professional behavior, professional competence, righteousness, trustworthiness, and well versed in the technical standards.

Islamic Principles of Waqf governance

In line with the revival of waqf institutions, there is a growing interest in the literature about the need to set up a good governance framework for waqf-based institutions based on Islamic principles to enhance their governance practices. However, studies are still limited and do not provide sufficient empirical data on the actual governance practice for waqf-based institutions. Yet, the studies are highly insightful for the development of good governance perspectives for waqf-based institutions.

For example, Ihsan and Ayedh (2015) highlighted that good governance practice was a major factor that contributed to the success of waqf institutions in the past. The study sought to discover the four principles of good governance of waqf, which have become the major factors contributing to the success of waqf institutions. The principles include the principle of





trust (*'amanah*), justice (*adālah*), and mutual consultation (*shūrā*). The study provided a clear direction on how the principles can be actualised in waqf governance practice through certain building blocks (dimension). However, the explanation of the principle of *'amanah* and its actualisation appeared too simple and needed further scrutinisation. Another study also proposed that the framework of good governance be based on the principles of trust (*'amanah*), accountability (*mas'ūliyyah*), God-consciousness (*taqwā*), *ḥisbah*, and mutual consultation (*shūrā*) (Hassan et al., 2017; Salman & Htay, 2015). Yet, some explanations of the concepts appear too broad, particularly on the concepts of *'amanah* and *mas'ūliyyah*. Further discussion of how to implement the two principles in waqf governance is required.

RESEARCH METHODOLOGY

This study is primarily qualitative adopting a case study research method. The main advantage of choosing the qualitative approach is that it provides insight into a social setting as viewed by participants and allows the researcher to explore the phenomenon genuinely

WANCorp is considered the unit of analysis of the study. The main reason for selecting WANCorp as the case study in Malaysia is because this institution is well-established compared to other corporate waqf institutions in the country and it is one of the most successful corporate waqf institutions in Malaysia. It is hoped that exploring this case would assist in understanding the current practice of corporate waqf institutions in Malaysia, which is still lacking in the literature.

The data collection techniques for this study are interviews and document analysis. Thus, this study aims to obtain the views of waqf managers about the good governance practice in corporate waqf institutions. Document analysis is often utilised together with other qualitative research methods as a means of triangulation. For this study, document analysis was employed to enrich the data and support the informants' arguments.

FINDINGS

A case study was conducted at the Waqaf An-Nur (WANCorp) and two informants from the management department were interviewed via an online platform which is a Zoom meeting. The duration of the interview took one and a half hours. The table below presents the profile of the informants.

Table 1: The informants' profile

No.	Management Role	Acronym	Gender
1.	Mosque Management	WANM 01	Male
2.	Compliance	WANC 02	Male

Source: Researcher's Compilation

It is important to note that interviewing a compliance manager provides valuable insights into how compliance is integrated into the governance practices of waqf institutions. This is due to compliance managers having specialized knowledge and expertise in ensuring adherence to legal and regulatory requirements, ethical standards, and industry best practices. Meanwhile, the mosque manager in WANCorp plays a major role in monitoring and overseeing the mosque operations to ensure smooth functioning. This includes monitoring mosque management, events, programs, and activities taking place within the mosque premises. The





mosque manager also has specialized knowledge and expertise in Sharīah that is useful for researchers to gather information related to Sharīah governance practice. Interviewing this manager helps to understand the specific mosque monitoring in WANCorp as well as Sharīah-related policies and procedures.

Contribution of WANCORP in Socio-Economic Development

JCorp launched the idea of corporate waqf in 2006, which involved the transfer of 12.35 million unit of shares owned by JCorp Kulim (M) Bhd, 18.60 million unit of shares in KPJ Healthcare Bhd, and 4.32 million unit of shares in Johor Land Bhd to Kumpulan Waqaf An-Nur Bhd as the trustee (Jalil & Mohd Ramli, 2014). Evidently, through its corporate waqf agenda, JCorp pledged 25% of the annual dividend from the shares transferred into waqf, as reported in 2007. The dividend was channelled into charity programmes and religious activities that benefit Muslim and non-Muslim communities and fulfilled the needs of society as a whole (Ibrahim et al., 2016).

The establishment of WANCorp is considered the first corporate waqf model in Malaysia. WANCorp has been entrusted to manage the assets and shares of companies under JCorp, acting as an entity under JCorp, which is endowed according to the principles of Sharīah. This is the core of the waqf corporate model practised by JCorp with authorisation from the State Islamic Religious Council of Johor (SIRCJ). According to the MoU between SIRCJ and JCorp on 4 December 2009, SIRCJ has agreed to appoint WANCorp as the “*Nazīr Khās*” for the endowed shares effective on 11 July 2005. Thus, WANCorp functions as the beneficiary, manager, and administrator of the waqf assets recognised by SIRCJ. At the same time, WANCorp also acts as the *mauqufun ‘alaih* (main beneficiary) for the assets endowed by the endowers. It also performs Islamic Corporate Social Responsibility on behalf of JCorp (WANCorp, 2018).

The source of funding for WANCorp primarily comes from the endowed shares of corporations. The endowment of shares is made by several subsidiaries of JCorp. The endowed shares are further divided into listed and non-listed shares. The listed companies participating in this corporate waqf model include KPJ Healthcare Berhad, Kulim (M) Berhad, and Al-Aqar KPJ REIT. Meanwhile, the non-listed companies are Tiram Travel Sdn Bhd, Capaian Aspirasi Sdn Bhd, and TPM Management Sdn Bhd (Mohd Ramli & Jalil, 2013; Ibrahim et al., 2016; Jalil & Mohd Ramli, 2014; WANCorp, 2018).

The waqf proceeds are distributed based on the Hujjah Waqaf document, which regulates that 70% are distributed for reinvestment and human resource development, 25% for *fīsabīlillāh*, and 5% for SIRCJ. The 70% of the waqf proceeds are kept in two forms:

1. Investment (fixed) deposits at Sharīah-compliant financial institutions
2. Purchase of “Saham Dana Johor”

The 25% portion of the waqf proceeds are divided into three types of charity programmes:

1. Charity and Good Deeds (55%).
2. Human Resource Development, Education, and Entrepreneurship Capital (10%).
3. Specific Projects (35%).

The first category includes a contribution to healthcare, mosques, Islamic chapels, public societies, orphanages, bridged waqf, and other types of CSR. The second category includes seminars, *mutawwif* training programmes, books, non-interest loans, and scholarships. Specific projects are projects decided by WANCorp for a particular year that require large amounts of funding, such as the indigenous people improvement programme in 2011 and the





Imām al-Bukhārī theatre in 2010. In 2011, RM718,076 of the waqf proceeds or 5%, were distributed directly to SIRCJ (Jalil & Mohd Ramli, 2014).

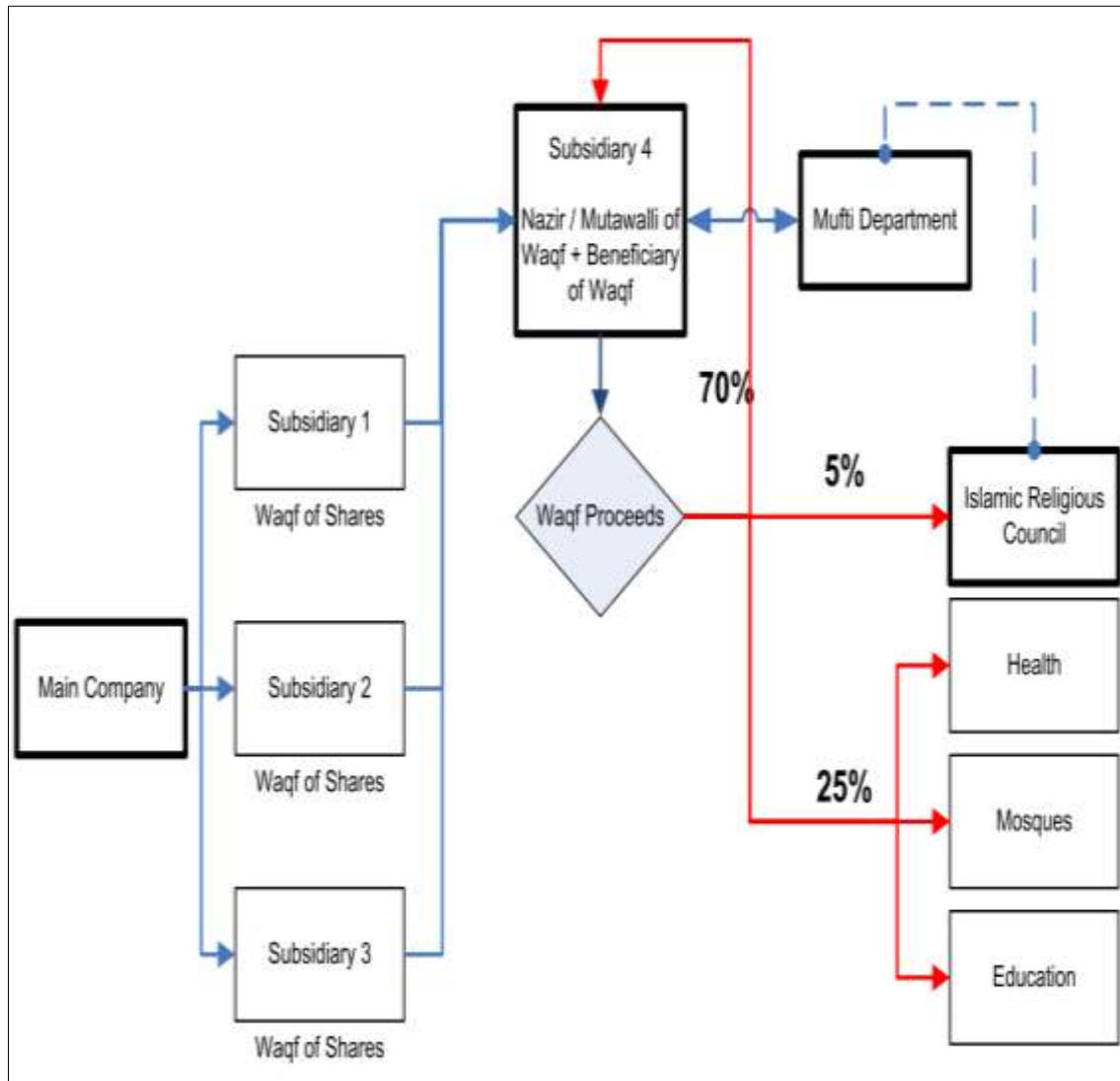


Figure 1: WANCorp Corporate Waqf Model
Source: Mohd Hanefah et al. (2011)

Governance Practice

Governance Structure and Process

The governance structure of WANCorp consists of the Board of Directors (BOD), the Sub-Committee, and the Management.



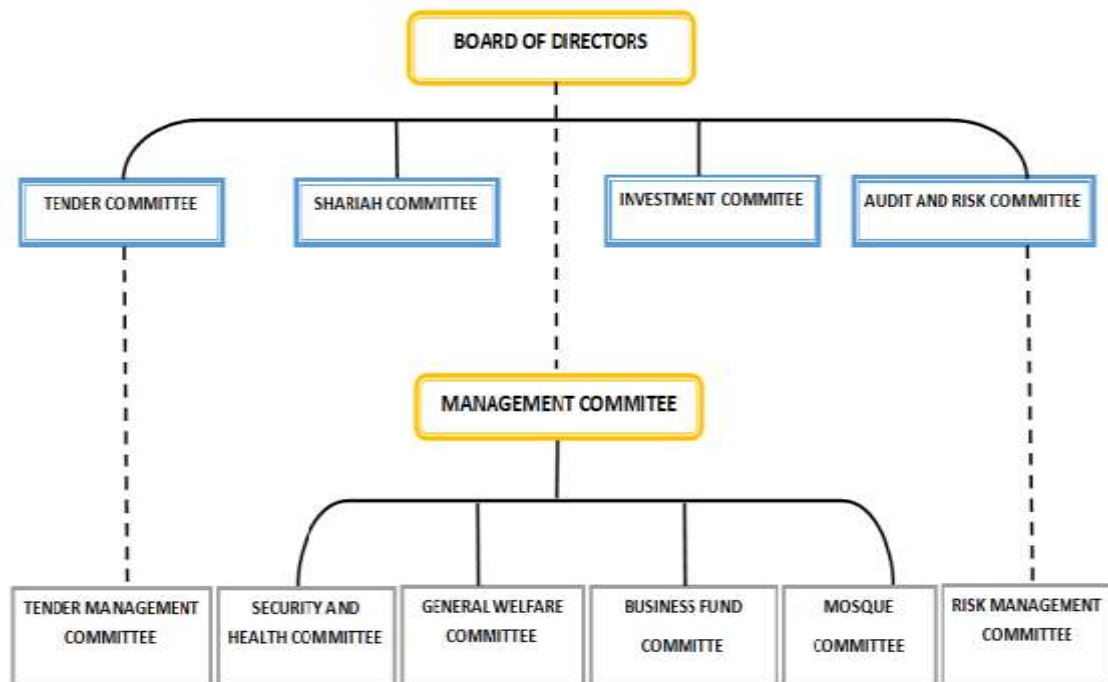


Figure 2: The governance structure of WANCorp
Source: WANCorp (2020)

1. Board of Directors (BOD)

The Board of Directors (BOD) is the head of WANCorp. It is the highest authority in the organisation in charge of determining the organisation's vision and mission. WANCorp's Board of Directors consists of 11 members with different professional expertise to contribute to better decision-making in the institution; four of its members are independent directors. The following illustrates the list of Board members with their current background information.

2. Sub-Committee

The sub-committee is placed under the board, where it plays a major role in assisting and supporting the board in overall oversight function and management. The sub-committee has four different functions as follows:

1. Audit and Risk Management Committee
2. Shari'ah Committee
3. Investment Committee
4. Tender Committee

Each committee includes a majority of independent directors, with the Audit and Risk Management Committee composed solely of independent board members. The Governance Committee of the board holds responsibility for all governance-related initiatives at WANCorp.

3. Management

The management committee plays a vital role in day-to-day monitoring and supervision. It ensures that all activities in the company are fully operated in a controlled manner. The everyday decision-making involves at least six committees.





As discussed in the previous section, the governance structure of WANCorp forms the monitoring and controlling mechanisms in its governance process, such as the Audit and Risk Management Committee, Investment Committee, and Tender Committee. All the structures are positioned in their appropriate place to achieve greater integrity and transparency in the company's operations.

1. General Policies and Procedures

The informant expounded that all the company's operations must follow a stringent standard of operation, and it must be updated occasionally.

"We must seek to ensure that any company operations must have their own SOPs. It must be updated from time to time. If there is a need for any approval, it must be brought to the committee as I mentioned before".

2. Sharīah-Related Policies and Procedures

The informant WANM 01 stated that all activities related to financial transactions are enshrined through specific Sharīah policies and procedures.

"I remembered that if we wanted to give financing, we have the SOP for qarḍul ḥassan financing. If the financing is in the form of tawarruq, there will be an SOP for tawarruq".

3. Monitoring and Controlling Process

Auditing is an essential element of the monitoring mechanism in the company. Therefore, the Audit Committee plays a major role in monitoring the company's operation and internal control system to reduce uncertainties and protect the interests of the stakeholders. Realising the importance of enhancing and maintaining the integrity of the organisation in managing waqf, WANCorp established the Audit and Risk Committee in October 2020. At the end of the financial year, the financial statement is audited by an external auditor.

Apart from that, the informants highlighted that WANCorp played a special role in monitoring six mosques in different locations in Johor. WANCorp was given a mandate by the SIRCJ to manage and monitor the six mosques. The six mosques are categorised as Institutional Mosques (*Masjid Institusi*), which are different from the common mosques in Johor that are categorised as Qariah Mosques (*Masjid Qariah*). The mosque committee of WANCorp is responsible for monitoring the mosques by ensuring that all actions and activities are in line with the board's decision.

Regarding the controlling process, an appropriate control mechanism has also been put in place with the presence of risk management. WANCorp has provided information about risk management in the institution to control its operations in several categories, such as credit risk, liquidity risk, and market risk. Moreover, the policies and procedures for managing each risk are also explained in the annual report.

As part of the controlling process, the Sharīah Committee is obliged to review the compliance of all the products, activities, and business transactions in WANCorp. In this sense, the informant indicated that any types of activities and new business creation and innovation proposed by the respective parties or units in WANCorp must first go through the Sharīah Committee. The Sharīah Committee must review any proposals assigned to them to guarantee that WANCorp will not be involved in any non-Sharīah-compliant events or activities, such as *ribā* (interest), *gharar* (uncertainty), *maysir* (gambling), and other prohibited elements. The management of WANCorp is





responsible for ensuring Sharīah compliance in day-to-day activities. Thus, it is incumbent upon the management to make sure that all respective parties in the organisation strictly follow the policies and procedures of the Sharīah principles and requirements in any waqf activities.

4. Transparency, Reporting, and Information Disclosure

WANCorp is always concerned about publishing its financial and non-financial information to the public as part of effective communication with the wider stakeholders. Its annual reports are also made available on its website. The annual reports and the website usually disclose a piece of detailed information about events or projects for beneficiaries, such as the objectives and the impact on the community. Regarding the reporting practice, WANCorp's financial statement is placed in its annual report, which can be publicly accessed on its web page. The year-end audited financial statement is also posted on the same platform. The basic preparation of WANCorp's financial statement follows the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards, and the Malaysian Company Act 2016 (WANCorp, 2020). Sharīah Governance Structure

Shariah Governance Structure and Process

Sharīah governance is highly critical for a waqf-based institution to monitor the Sharīah compliance of waqf institutions related to waqf principles. However, in the case of corporate waqf institutions in Malaysia, no specific framework or standard is available that explains the structure and process of Sharīah governance in a waqf-based institution.

In this study, it is observed that WANCorp has attempted to build a staircase toward providing a sound Sharīah governance framework in its organisation. Based on the governance structure of WANCorp, the Sharīah Committee in the board's structure focuses on supporting the board in making sound decisions pertaining to Sharīah and its requirements. The Sharīah Committee members are composed of three members. The committee is chaired by the State Deputy Muftī. The Sharīah Committee in WANCorp plays a major role in supervising compliance in the management of waqf.

1. Roles and Responsibilities of the Sharīah Committee

According to the informant, the scope of Sharīah supervision of the Sharīah committee members in WANCorp has been expanded to their subsidiary companies, such as Maruah Emas and Larkin Sentral.

“The main roles and responsibilities of the SC are to supervise the compliance of all Islamic transactions involved in WANCorp and their subsidiaries, such as Islamic Financing (Qardul hassan) for the aṣnaf, Ar-Rahnu (Islamic Mortgage) transactions, and Tawarruq. This means that all Islamic transactions in WANCorp must strictly follow the policies and procedures provided in every transaction.”

2. Sharīah-Compliance Initiatives

Human resources are also a significant element in complementing the Sharīah practice in WANCorp. Human resources are responsible for human capital development in WANCorp. According to the informant WANM 01, the practice of Sharīah is not only confined to the *muāmalāt māliyyah* (financial transaction) related to waqf but also to the





human capital development among staff members, such as wearing modest clothing, being punctual with the working hours, and reporting the time in and out. In enhancing the staff's internal motivation, the management takes additional initiatives by performing the *Ṣalāt ḥājat* prayer and conducting a Qur'ānic recitation, specifically the *Sūrah Yāseen* recitation, before morning briefings. It usually takes about half an hour, and after that, they hold a brainstorming session among themselves. In addition, they must always ensure their strategic partners belong to the group of *Ahli Sunnah Wal Jamāah* when there is a collaboration made between them.

DISCUSSION

The findings on the governance practice of corporate waqf institutions describe the important elements of the governance structure and process of the selected corporate waqf institutions. In this study, the governance structure is related to the primary entities in corporate waqf institutions, which involve the board of directors, sub-committee, management, and senior management. Meanwhile, the governance process refers to how things are done, which involves governance policies and procedures, monitoring and controlling processes, transparency, reporting, and information disclosure.

The Need for a Dynamic Governance Structure

WANCorp has a dynamic structure of the board of directors. WANCorp's board of directors consists of 11 members, with two members coming from a *Sharīah* background and four members of independent directors. WANCorp has also established a sub-committee to support the role of the board. On the other hand, realising the importance of establishing a specific committee to support the roles of the board, WANCorp has taken a step further by establishing four sub-committee members to assist the board in decision-making.

Having a Clear Policy and Procedure

Policies and procedures relating to governance play a significant part in ensuring that waqf institutions are directed and managed effectively. Loss of confidence in waqf institutions would affect them socially and economically, thus negatively impacting society and the waqf as a whole. It is observed that WANCorp is aware of the role of management in monitoring and ensuring appropriate control. It strongly believes that the company's day-to-day activities must follow the specified standard of operations, policies, and procedures, and each aspect has to be monitored daily. The institutions have provided a clear view and evidence of the need for SOPs and policies in their everyday practice to ensure the implementation of good governance. For WANCorp, the role of the management is to monitor the company's operation by tracking the progress of every unit. The functional groups are also enshrined by finance policies, endorsed by either the senior management or the board of directors.

The Importance of Shariah Governance

This study highlights the importance of *Shariah* governance and the role *Sharīah* committee to ensure all matters related to waqf are consistent with *Sharīah* rules and principles. The scope of SC's supervision in WANCorp has also been widened to its subsidiary companies. The study indicated insufficient *Sharīah* governance mechanisms to control and monitor waqf activities





at the internal level. For example, there is no evidence of a specific Sharīah audit function found in the case study. Sharīah audit is an important mechanism for good Sharīah governance.

The Urgency of Monitoring and Controlling Functions

This study also emphasised the crucial need of auditing and risk management to ensure overall compliance and control of all company activities. WANCorp established the Audit and Risk Committee in October 2020. At the end of each financial year, the financial statement is audited by an external auditor. An appropriate control mechanism was also implemented through risk management. It is observed that WANCorp has provided information about its risk management to control its operations in several categories, such as credit risk, liquidity risk, and market risk. Moreover, the policies and procedures for managing each risk are explained in the annual report.

The Essential Need for Transparency, Reporting, and Information Disclosure

It is observed that WANCorp's financial statement is stated in its annual report, which is always made available on its web page for public access. The year-end audited financial statement is also posted on the same platform. The basic preparation of WANCorp's financial statement follows the Malaysian Financial Reporting Standards (MFRS), the International Financial Reporting Standards, and the Malaysian Company Act 2016 (WANCorp 2020). The annual reports are a means for effective communication with wider stakeholders, which are always available on its website. WANCorp is always concerned about publishing its financial and non-financial information to the public. Detailed information about events and projects for beneficiaries, such as their objectives and impact on the community, are also disclosed in the annual report and website.

CONCLUSION AND RECOMMENDATIONS

The main purpose of this study was to explore the practice, governance selected corporate waqf institutions by using qualitative research methods. Since prior studies provided limited evidence on the real practice of corporate waqf governance, thus this study provides empirical findings on the real practice of corporate waqf in Malaysia. Furthermore, it is evident that the involvement of corporate entities in the management of waqf unleashed the potential of waqf properties to increase social values. Throughout the study, the findings highlight successful governance practices that have proven effective in corporate waqf institutions. These could offer valuable benchmarks for other corporate waqf entities which seeks to improve their governance practice.

Despite the merits of this research and its contribution this study has certain limitations. Firstly, this study was conducted in a selected corporate waqf institutions in Malaysia, and the size of the sample was small. Thus, the findings of the study cannot be generalised to represent all corporate waqf institutions in Malaysia. Other corporate waqf institutions in Malaysia might have different governance practices, issues, and challenges. Secondly, this study has limitations in providing the explicit number of participants involved due to institutions' reluctance to provide three participants to represent their institutions. As a result, it may affect the data saturation point of the study as well the reliability of the data. However, to overcome these issues, the researcher used an additional method of data collection which is document analysis. It involves an analysis of documents related to the cases investigated, such as their annual





report, official website, bulletin, organisational charts, and journal articles, as a means of triangulation.

In view of the limitations of the study discussed above, there are some recommendations for future research directions. Firstly, it is recommended to explore governance practices, issues and challenges in all types of corporate waqf institutions in Malaysia, which come in different models such as business, education, banking and education. A comparison can be made between the types of models of corporate waqf institutions. The result can enrich the literature as different types of models may influence the degree of governance practice of each institution and the existence of new governance issues and challenges. Therefore, more holistic solutions can be achieved to unleash the potential of corporate waqf institutions as a new driver for effective waqf development in Malaysia.

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