The Role of Ethical Theory in Corporate Governance of *Waqf* Institutions Towards Poverty Alleviation: A Case Study of Zamfara State, Nigeria

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ABSTRACT

Despite the abundant resources at the disposal of the most populous nation in Africa, poverty is still rampant in that region of the world. Efforts from the public, private and voluntary sectors to ameliorate the problem of poverty have so far largely failed to yield positive impact. This is because these efforts are not supported with good governance due primarily to ethical factors such as corruption; investment factors such as insufficient and costly access to funds; and lack of efficiency represented misallocation of resources evidencing bad governance. Waqf institution has historical good records of governance in ensuring poverty alleviation among the poor. However, there is hardly any study that investigates the corporate governance of modern waqf institutions in relation to poverty alleviation. The present study used "Governance" to examine the relationship between ethics, investment and efficiency as embedded in ethical theory with the corporate governance of waqf institution towards poverty alleviation in Zamfara State, Nigeria. The study adopted multiple regression technique through SPSS version 20 to analyze the relationships between governance as a dependent variable and ethics, investment and efficiency as independent variables on the other hand. The quantitative sample of the study consisted of 370 officials of the waqf institution through the 17 emirates in Zamfara State, Nigeria. The result showed that investment and efficiency have remarkable statistical significance level with efficiency having higher beta value than the other variables in the context of this research. It is therefore, suggested that ethics especially, should be practically taken with intense interest in order to forestall the potential long run effect on the governance of the institution. Also, it is hoped that the findings would help the policy makers in waqf institutions and the Nigerian government to reformulate as well as rejuvenate corporate governance in their policies and strategies towards poverty alleviation programs for effective handling.

Key words: ethical theory, corporate governance, poverty alleviation, *waqf* institutions, multiple regression

Background of the Study

Nigeria, Africa's most populous nation with abundant resources, has the majority of its population living in abject poverty. This majority of the population is predominantly Muslims from both the northern and southern parts of the country. Poverty in Nigeria has been responsible for the poor people inadequate income, lack of permanent job, failure to own property or maintain healthy condition (Osinubi, 2003). Also, the effect of poverty in Nigeria characterizes lack of adequate level of education and inability of the poor to fully satisfy their daily basic needs from time to time. Further to the aforementioned effects, the 2008 statistics published by UNICEF shows that, 72% of rural populace did not have access to improved sanitation facilities (United Nations International Children's Emergency Fund, 2012).

Specifically, Statistics depicts that poverty incidence increased in Zamfara State, Nigeria being focused state the present study. For instance, unemployment rate increased from 19.1% in 2007 to 42.6% in 2011 National Bureau of Statistics (NBS, 2013). Similarly, report has it that the number of trained youths that were provided with tools and equipment after training in order to become self-reliant declined from 103 in 2009 to 36 in 2011 (NBS, 2013).

Furthermore, Zamfara State with a population size of 3,878,699 as at 2011 has only 697 healthcare services for the population of over 3 million citizens. The shortage of healthcare facilities would result to serious illness, decline in life expectancy and consequently untimely death of the masses. Additionally, the state only has 18 post-primary and 1 tertiary institutions as at 2011 for its students (NBS, 2013). This is considered insufficient for the state and could further contribute to education poverty in the future as well as high rate of illiteracy in the state if the situation remains unaddressed.

The reason for the prevalence of poverty in the state for the above mentioned periods are traced to the following: lack of ethics, efficiency and investment especially in human development (Oyemomi, 2003). Similarly, the poverty incidence in Zamfara State for the period of 2004 was still as high as 76.4% which marked the state as one of the 10 poorest states in Nigeria (Save the Children, 2012). Hence, Zamfara State experiences prevalent poverty due to the fact that previous poverty alleviation effort by the state government was not sustainable.

Despite the efforts of poverty alleviation the Nigerian government, poverty still remains rural phenomenon in the country. According to World Bank (2013) urban poverty declined from 38% in 2004 to 34% in 2010 while rural poverty dropped from 57% to 53% in the same periods. Notwithstanding the reduction of poverty incidence in the above mentioned periods, the absolute number of the poor in the country of focus has been on increase (Omonona, 2009). Indicating that, the poverty alleviation programs were not sustainable. This is due to lack of ethics and efficiency in the poverty alleviation programs as well as corruption by some officials who enriched themselves at the expense of the programs (Obadan, 2001; Ogboru & Abimiku, 2010).

The present study intends to investigate the relationship between independent variables (ethics, investment and efficiency) and governance towards poverty alleviation in Zamfara State, Nigeria.

Problem Statement

Nigeria despite the abundant blessing in terms of agricultural resources, crude oil and human development is still not completely free from poverty for long years now. Efforts of the government to ameliorate the problem failed to yield impressive result. Majority of the population are still lavishing in poverty against a common benchmark of $2 per day (World Bank, 2013). Also, majority of the poverty alleviation programs lack in all merits ethics, investment for income generation and efficiency (Obadan, 2001). Further, the high level of corruption is another significant factor that militates against the success of the poverty alleviation programs in the country (Ogboru and Abimiku, 2010).

Literature Review

Poverty has been prevalent in the World for some years now. Several attempts have been made to alleviate poverty at different levels, notably through the public sector, the private sector, and a new addition the voluntary sector, which is increasingly becoming noticeable. The voluntary sector has been playing successful role in the developed economies. Such success may be attributed to sustainability factors, namely ethics, investment and efficiency. In Nigeria, most of the institutions in the voluntary sector apparently lack these ethical factors of ethics, investment and efficiency due to bad governance. This is notwithstanding the prospects that voluntary sector institution like *waqf* is ethical given its proven track records in Islamic history. The present study evolves from this major concern. The next sections shall discuss ethics, investment and efficiency in turn.

Ethics and Governance of *Waqf* Institution

Without prejudice to other determining factors of the governance of *waqf* institutions as mentioned in the extant literature, ethics plays a pivotal role. This is because donors may not want to part away with their gifted assets if the institution is not ethically sound. The importance of becoming ethical is based on the premise that donation to help the underprivileged is encourage in Islam.

Sequel to the foregoing, a study found has focused on the ethics in *waqf* institution. Kamri (2010) investigates the code of ethics in *waqf* management in Jawhar. The study focuses majorly on the areas of ethical staff, provision of better services, quality work and friendly environment.

Empirically tested study on *waqf* ethics was done in Malaysia (Kamri, 2010). Nevertheless, such study has not been discovered in Nigeria. Contrary to the present study, the study by Kamri, does not consider investment and efficiency. Not only that, the study did not apply mediating variable.

Investment and *waqf* institution

There are numerous studies that have focused on the investment of *waqf* resources. For instance studies on investment of *waqf* institutions mostly focus on income generating through *waqf* assets (Candra and Ab Rahman, 2010; Lahsasna, 2010). For example, the study by Candra and Ab Rahman focuses on investment in the banking sector and on small and medium enterprises (SMEs) employing *mudarabah* and *musharakah* financing mode for generating income on *waqf* funds. Empirical study on *waqf* investment was carried out in Indonesia (Candra and Ab Rahman, 2010). However, similar study has not been conducted in Nigeria. Additionally, the study by Lahsasna (2010) though focuses on investment it is however, limited in scope. It only focuses on micro and medium sized enterprises (MMEs) applying *mudarabah* and *musharakah* Islamic financing contract to generate returns. The limited scope is in addition to the fact that the findings from the research are yet to be subjected to empirical tests like the present study.

Efficiency and *Waqf* institution

The above is to ensure efficient investment as well as guiding against waste of *waqf* resources. Also, it will enhance further resources to the organisation through efficient investment of *waqf* funds. For instance, efficiency determines how well an organization is using its resources to meet its specific objectives (Farrell, 1957). In this circumstance, revenue accruable to the organization is not diverted for private use (Nunnenkamp and Öhler, 2010). In addition, the returns generated should not undermine the charitable purpose for benefits of the target audience that the revenue proceeds are supposed to address. Furthermore, *waqf* sector status should be considered as means of commitment towards protecting the stakeholders such as donors, beneficiaries and employees from ex-post expropriation of profits by board exercising control over the institution (Glaeser and Shleifer, 2001). Further to this, expenditure of this sector's on workers and funds manager (*mutawalli*) must not be capable of negating the charitable objective of the institution (Nunnenkamp and Öhler, 2010).

In the context of *waqf* institution, efficiency could be referred to as a justifiable manner in which the Islamic institution uses its resources on overhead expenses without jeopardising the institution's objectives of socio-economic justice (e.g. poverty reduction). Accordingly, efficiency means the ability of organisation to deliver services efficiently to the target group (OECD, 2006). However, there is dearth of general study and empirical study on *waqf* especially, on efficiency of the institutions in governing the institution's endowed assets.

Governance

Governance is all about decision and oversight structure established by institution (Ezra, 2012). However, the objective of governance according to Siqueira and Neto (2012) is to predict and to consistently deliver portfolios, programs and projects in accordance with their contributions to the corporate strategy and expectations of the donors and other stakeholders. Furthermore, the purpose of corporate governance is majorly to persuade motivate corporate managers to keep the promises they made with their valued investors (Macey, 2008). Hence, it is to ensure the commitment of directors and management in an institution towards ethical conduct of the institution's business and in accordance with high standards of corporate governance (Slater & Gidion Limited, 2007).

Furthermore, the study by Siqueira and Neto (2012) relates governance to investment and the study focuses on mining industry in Brazil. Also, the study by Ienciu (2012) associates governance to ethical behavior of board of directors towards the stakeholders. The study concludes that ethical behavior and efficiency influences each other in an institution. The aforementioned would ensure good management of *waqf* institutions hence the good handling of the institution for better result.

Ethical Theory

The researcher chooses to discuss ethical theory as is considered most relevant to explain the role of ethical theory in corporate governance of *waqf* institution in the present study. Though there are several ethical theories that could be linked to governance. However, the one that is most relevant to this present study is the deontological ethical theory (Eid, 2012). The theory is duty based hence; it maintains that actions are morally good or bad independent of their consequences (Eid, 2012).

Deontological ethics is about following universal norms that prescribe what people ought to do, how they should behave, and what is right or wrong (Staveren, 2007). Hence, it is a morality of principles, not of consequences. The deontological ethical theory propounded by Immanuel Kant (1724-1807) relates ethics to economic, social and environmental factor (Eid, 2012). However, ethics relating to economic is considered most appropriate for poverty alleviation in the present study. This is due to the consideration giving to the efficient and effective use of resources and eradication of poverty among the vulnerable in the society (Eid, 2012). Thereby, relating ethical theory to ethics, investment and efficiency

By extension to the above, funds must be invested in order to get it multiplied and use it efficiently for the ultimate benefit of the vulnerable in the society thereby portraying good governance in the institution.

Nonetheless, the Divine Command Theory (DCT) provides the moral and religious context for ethics conceptual models. This theory is one of the approaches to deontological principles as earlier explained. Moreover, deontology is fundamentally based on individual reasoning (Staveren, 2007). Its application to the context of ethics was made by Kant (White, 2011; Eid, 2012). The DCT is based on the idea that an act of rightness or wrongness is based on the truthful pronouncements of supreme authority known as God rather than mere authority (White, 2011). Essentially, Divine command theorists argue that moral rules are universal just like (deontological ethical theory) because all human beings were created by the same God.

Additionally, divine command theory sometimes relies on teleological considerations. More specifically, it approaches morality and ethics from the standpoint of the actual meaning of the moral rule from the religious perspective. For instance, any action carried out which is against the principle of Islamic religion is simply wrong. Against this background, the failure of the rich to donate to *waqf* as well as institution failure to generate income from the endowed funds through investment is wrong because is a violation of generosity or charity in Islam and bad governance of public funds. Based on the supreme authority, the well-to-do should be ready to donate to help those in need in the spirit of brotherhood as prescribed in the Noble *Qur'an* chapters 34 verse 39 and 92 verses 5-7 (Ali, 2013). This will promote peace, harmony, social security and prevent social vices in the society. Also, those managing the *waqf* funds or assets must do it consciously and ethically by ensuring that the assets are appropriately used for the deserving people.

Methodology

The study used multiple regression technique through SPSS version 20 statistical tool. It examined the relationship between independent variables and dependent variable on one hand, and on the other hand the study examined the effect of independent variables on governance. Data was collected from 370 officials of *waqf* institution in Zamfara State, Nigeria spread through the fourteen local government areas of the state.

Result of Analysis

Table 1 Correlation Matrix

	GOV	ETH	INVMT	EFF
GOV	1.000	.009	.390	.397
ETH		1.000	.070	.030
INVMT			1.000	.538
EFF				1.000

Based on the above table 1, two of the variables {investment (INVMT) and efficiency (EFF)} have strong positive correlation with governance. Except for ethics (ETH) that has very weak correlation with governance and weak correlation with other variables such as investment and efficiency as displayed above. Next to this is the model summary, followed by ANOVA and regression coefficient respectively in tables 1.1, 1.2 and 1.3 below.

Table1.1 Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.450[a]	.203	.196	1.81999

a. Predictors: (Constant), EFF, ETH, INVMT

b. Dependent Variable: GOV

The regression model summary in table 1.1 above, explains a limited proportion of the dependent (GOV) variable's total variation. That is how much of the variance in governance is explained in the model by the three independent variables in this research. As it can be seen from the table above, the value of R square is .203 which indicates that 20.3% of the total variance in the level of governance of *waqf* in Zamfara State, Nigeria has been explained by its ethics (ETH), investment (INVMT) and efficiency (EFF). The R^2 figure of 0.203 is not too impressive perhaps due to the fact that the institution does not adhere strictly to the institution's code of conduct. Further to this is the management strategy employed in projects investment. Consultation was not made with the project experts. The institution only relied on the opinions and suggestions by the board members who are mostly not investment analysts.

Similarly, the management technique of allocating endowed resources to the beneficiaries in the 17 emirates in Zamfara State, Nigeria could contribute to this unimpressive R square figure in the model. However, it should be stated clearly here that ethics as a variable factually contributed nothing to the model. Therefore, the insignificant contribution of ethics as individual independent variable has grossly affected the model summary largely.

Table 1.2 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	308.077	3	102.692	31.003	.000[b]
1	Residual	1212.326	366	3.312		
	Total	1520.403	369			

a. Dependent Variable: TGOV

b. Predictors: (Constant), TEFF, TETH, TINVMT

Table 1.2 of ANOVA explains that there is no violation of any assumptions of regression as the value of R square as shown in table 1.2 above shows statistical significance at ($p <.001$, $F = 31.003$). This is a statistically significant contribution, as explained by the significant F change value for the figure line of (.000) based on combined result. Further, table 1.2 indicates that the overall model is significant at [$F (3, 366) =84.561$, $p<.001$)].

Table 1.3 Regression Coefficients

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	.175	.781		.225	.822
ETH	.029	.040	.034	.728	.467
EFF	.401	.085	.262	4.738	.000
INVMT	.266	.059	.252	4.535	.000

a. Dependent Variable: GOV

The regression equation based on an unstandardized result was formulated in the table above as follows:

$$Y = b_0 + b_1 + b_2 + b_3$$

$$GOV = -.175 + .029 * ETH + .401 * EFF + .266 * INVMT$$

The unstandardized equation indicates that, holding other variables constant, ethics as individual independent variable prediction showed .029 at p=0.05 indicating non-significant relationship with governance. The result further indicates that 1% increase in the unit of ethics would only increase governance by 3%. The result could be due to the institutional ethics relating to employee and employer used in the present study. Also, the individual independent variable of investment showed .266 at p=0.05 indicating its significant relationship with governance. This result further showed that 1% increase in the units of investment would lead to 27% increase in governance of *waqf* in Zamfara State.

Additionally and the more impressive result of the individual independent variable prediction by efficiency showed .401 at p=0.05 revealing its significant relationship with governance. The most impressive result further indicates that 1% increase in the units of efficiency would ultimately leads to 40% increase in governance. The significant level as reported could be associated with the way the institution handles its projects. Also, the opinions of the board in respect of the institution's project have really paid off hence the impressive statistical result as depicted above. The overall result however; indicate difference between theory and what is obtained in practice in the present study and in the context of *waqf* institution in Zamfara State, Nigeria.

Conclusion

Waqf institution in Zamfara State, Nigeria or elsewhere should intensify management strategy to improve on the investment so that more income will be generated for the purpose of alleviating poverty among the poor ummah. The efforts of the *waqf* institution in the area of investment are recognized but there is still room for improvement. For instance, the board of *waqf* institution in Zamfara should as a matter of fact employ the services of investment analyst instead of relying too much on the opinions of the board members for the investment of public funds. Also, ethical conduct must be imbibed in the institution in order to ensure good governance of *waqf* in the institution either in Nigeria or elsewhere.

Further, though efficiency proved good however, there is still room for improvement especially, through management strategy in ensuring that feasibility studies are embarked on before any investment is carried in the institution. This will ensure efficient investment as well as more income to accomplish the institution's objective of poverty alleviation among the poor Ummah. The study suggests that for future research on ethics, business ethics should be considered as against institutional ethics used in the present study.

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