

Accounting for Endowment: A Review of the Literature

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ABSTRACT

Endowment (*WAQF*) institutions are the third sector in the economy and the need for waqf accounting for *WAQF* institutions are becoming increasingly important among academic scholars, practitioners and *Sharia* scholars. *WAQF* accounting in Islamic finance industry raised in previous studies in several countries and discussed by *Sharia* scholars. The purpose of this paper is to examine the need of accounting for waqf and endowment. This paper reviewed articles in accounting for waqf by using Google scholar and using this term “Accounting for endowment” and “Accounting for *WAQF*” to collect the data. However, the main results showed, for testing this term “Accounting for endowment” we found “27” articles and for “Accounting for *WAQF*” we found “24” articles in April 2018. Only 19 articles qualified for inclusion in this study. The authors have read the abstract and included only papers published in English. Therefore, this study relevant to *Sharia* scholars in Islamic finance industry for strategizing and encouraging to introduce accounting for *WAQF* in education system.

Keywords: Waqf Accounting, Accounting standards, Islamic financial institutions, Waqf (endowment) Institutions.

RESEARCH BACKGROUND: HISTORICAL TRACKING

The word “Waqf” originally derives from the Arabic root verb „waqafa” which means to hold, to keep or to detain (Amuda, 2013). Legally, waqf refers to the detention of a specific thing by the owner or appropriator or instructing that all profits or gains be solely awarded to the charity foundation in order to cater for the poor (Amuda, 2013). However, the first religious waqf was believed to be the Mosque of Quba in Medina created during the Prophet’s lifetime for religious purposes (Stibbard, P., Russell, D. and Bromleyz, B., 2012). The charitable waqf was created of seven orchards in Medina for the benefit of the Prophet. The Prophet settled these orchards on a charitable waqf for the benefit of the poor and needy (Stibbard et la, 2012). In addition to that, during the first 300 years of Islam, Muslim scholars developed jurisprudence with respect to the creation, management, and administration of awqaf progressively (Stibbard et la, 2012).

At present, waqf institutions are spread locally and globally in Muslim and none-Muslim countries. The emergence of Waqf institutions is due to the demand from Muslims communities worldwide. However, waqf institutions are evolving and growing globally at a rapid rate with an impressive

record of a number of Waqf institutions operating in different countries. The History has shown that waqf has benefited various education institutions, i.e. mosques, universities, Islamic schools/centres/colleges, libraries, hostels, etc. (Mahamood and Rahman, 2015).

The past ten years shows high growth in the number of Islamic financial institutions (IFIs) around the world with reported managing funds of US\$200 billion in 2004 and which saw further rising to US\$500 billion in 2008 (Sarea and Hanefah, 2013). Furthermore, the industry has attracted major western institutions such as Citibank, HSBC, BNP-Paribas and Deutsche Bank, which operate Islamic windows within conventional banks (Maali and Napier, 2010).

The innovation of waqf in Islamic finance industry became one of the strategies developed by the Muslims to fulfil many crucial needs in various sectors that are today financed by the state/the government. For examples of such needs are; education, health care, national security, commercial and business activities, transportation facilities, shelter and food for the poor and needy, creating jobs for many people, besides supporting the agricultural and industrial sectors without inflicting any cost on the government (Mohsin, 2013).

Furthermore, the beauty of the innovation of waqf in Islamic finance industry is part of one of the redistribution of wealth. The waqf have played a significant role throughout Islamic history, from the time of the prophet (pbuh) to the beginning of the nineteenth century (Mohsin, 2013). However, the geopolitical events in the Islamic world after the eighteenth century and the administration of Islamic trusts by the state had certainly dented their utility (Sabit Haji, 2015).

LITERATURE REVIEW: NEED FOR THE STUDY

Most studies confirmed that the endowment (waqf) institutions could play an important role in sustainable development of Muslim and Non-Muslim societies. Sustainable development is a multidimensional concept which includes social, financial, environmental, political and global elements. It is about managing society's resources to create a balance between the needs of current and future generations.

The GCC region has a rich history of banking, going back to 1918 when the British first opened a bank in Bahrain (Olson and Zoubi, 2008). However, Islamic banking began in Bahrain in (1979) with the establishment of the Bahrain Islamic bank (Hussein, 2004) as well as *waqf* Fund was established in 2006 under the control of the Central Bank of Bahrain (CBB) in partnership with (IFIs) in Bahrain. Member institutions made one-time contribution to the Waqf Fund's corpus which is then invested in Islamic money market instruments and the return is used to finance the Fund's initiatives (CBB Website, 2017).

In Malaysia, the waqf institutions are different in term of roles between the States and Federal Government under the constitutional principles of differentiates the power, the innovation of a waqf bank will be blessed. The bank can easily be approached by all waqf institutions, regardless of whether or not they own it. Jurisdictional limitations will not prevent such dealing with the bank (Mohammad, 2011). Haji Mohammad (2015) present an alternative to current banking systems. The study finds that the concept of cash waqf could be used for the operation of a waqf bank. There was propensity among the given group of practitioners towards a corporate international social bank, capitalized by the waqf and non-waqf assets, sought after from the public and private sectors, as well as the Muslims and non-Muslims

In Indonesia, waqf funds are able to fully finance the universities such as in Pondok Modern Gontor Darussalam (PMGD) and Islamic University of Indonesia (UII). PMGD is

developing more than 20 branches with 21,892 students. Thus, alumni of PMGD have widespread around the world where by the PMGD's family association 80 branches and 179 have. The Islamic boarding school established by the alumni. Gontor generates waqf from the society where it is managed by the community aim to have better civilization for the ummah. PMGD has sustainability management whereby the student graduated from this school will teach in PMGD as well as a cadre to empower the Ummah. Moreover, at least the student has to contribute to the society after graduation. Not only in the PMGD but also in the grass root society as an Islamic teacher, social activist and so on (Razak, D. A., Azizan, N., EMBI, C. & MOHD, M. C , 2016).

In Turkey also has practice in managing waqf in universities. Turkey's state university is mainly funded by the government budget where the private universities mainly finance the educational operation from their own sources.

Babacan (2011) analyzes the role of waqf which has historically been more than a charitable organization: also discussed the similarities and differences between the awqaf and Western charitable organizations, particularly in terms of organizational structures, definition of property rights, and their evolution under different governance-related structures such as rule of law and contract enforcement (Babacan, 2011).

In Bangladesh, waqf institutions in Bangladesh are lacking appropriate governance mechanisms that are resulting in information asymmetry. Future research on the governance mechanisms applied by Waqf institutions and their impact on the extent and quality of information disclosure will provide further insight for the need of reform in this voluntary sector to ensure their sustainable future and contribution towards economic development in Bangladesh (Hasan and Siraj, 2016).

In Sudan, Onour (2014) investigates formation of a charity bank based on the notion of Waqf The basic idea here is to manage and invest these endowments, and use its net earnings for zero interest loans and for food and shelter donation to the destitute in the society. To make the idea operational the paper illustrates a process of securitization of the financial assets endowments (Onour, 2014).

RESEARCH METHODOLOGY

This study is based on an analysis of the literature review that examine the need of accounting for waqf and endowment. This study reviewed articles in accounting for waqf/ endowment by using google scholar dated June 11, 2018 and using this term "Accounting for endowment" and "Accounting for WAQF". we found "27" and "24" respectively. below is the analysis:

Only 19 articles qualified for inclusion in this study. The authors have read the abstract and included only papers published in English.

No. Of Author(S)	Title	Journal	Year	Country	Count Words Method
1	The Development Of Waqf Accounting In Enhancing Accountability	Middle-East Journal Of Scientific Research 13 (Research In Contemporary Islamic Finance And Wealth Management)	2013	Malaysia	126 Words
2	Waqf Accounting And Management In Indonesian Waqf Institutions: The Cases Of Two Waqf Foundations	Humanomics	2013	Malaysia	Na
3	Accounting For Waqf Institutions: A Review On The Adaptation Of Fund Accounting In Developing The Shariah-Compliant Financial Reports For Mosque	Presented At World Universities' Islamic Philanthropy Conference 2013 (Wipcon 2013), "Transforming Islamic Philanthropy For Ummah Excellence", Organized By Ikaz And Uitm, 4 & 5 December 2013, Menara Bank Islam	2013	Malaysia	32
2	Waqf Accounting And The Construction Of Accountability	International Conference In Waqf Laws	2009	Malaysia	286
3	Trust Me! A Case Study Of The International Islamic University Malaysia's Waqf Fund	Review Of Islamic Economics	2009	Malaysia	122

2	Efficiency And Effectiveness Of Waqf Institutions In Malaysia: Toward Financial Sustainability	Developing Inclusive And Sustainable Economic And Financial Systems-	2015	Malaysia	Na
1	Contemporary Shari'ah Structuring For The Development And Management Of Waqf Assets In Singapore	Durham University E-Theses	2010	Singapore	2934
4	Issues And Economic Role Of Waqf In Higher Education Institution: Malaysian Experience	Journal Of Islamic Economics	2015	Malaysia	Na
4	The Waqf Governance Framework In Malaysia	International Conference On Development Of Social Enterprise And Social Business For Eradication Of Extreme Poverty And Street Begging	2014	Malaysia	186
2	Exploring The Contemporary Issues Of Corporate Share Waqf Model In Malaysia With The Reference To The Waqaf An-Nur Corporation Berhad	Jurnal Pengurusan	2014	Malaysia	170
5	Critical Success Factors, Benefit, And Auditing Of Waqf Accounting	International Journal Of Academic Research In Business And Social Sciences	2017	Malaysia	145
1	Jurisprudential Analysis Of Maqasid Al-Shariah In Managing Mosques Funds:	The First International Conference On Islamic Finance: Innovation	2014	Malaysia	11

	A Case Study Of Tabung Masjid (Tm) In Malaysia	Instruments- Issues Of Implementation And Future Challenges			
2	Complexities Of Waqf Development In Bangladesh	Journal Of Emerging Economies And Islamic Research	2016	Bangladesh	206
1	Taking Stock Of The Waqf-Based Islamic Microfinance Model	International Journal Of Social Economics	2017	Brunei Darussalam	Na
2	Financial Disclosure Pattern Of State Waqf Boards In India: An Exploratory Study	Islamic Bank Training And Research Academy	2016	Malaysia	240
2	Conceptual Paper On Qualitative Characteristics: Waqf Accounting In Malaysia	International Conference On Postgraduate Research 2014 (Icpr 2014)	2014	Malaysia	106
3	Accountability Mechanisms For Awqaf Institutions: Lessons Learned From The History	Journal Of King Abdulaziz University: Islamic Economics	2016	Oic	159
	The Relationship Marketing Strategy To Establish Waqaf In Higher Education Institutions: Turkey's Experiences	International Symposium On Waqf And Higher Education	2016	Turkey	1499
2	Zakat Refund Program: A Preliminary Study Of Its Implementation In Ppz Maiwp	World Universities Islamic Philanthropy Conference 2013	2013	Malaysia	Na
2	Waqf Literatures From Malaysia: 60 Years After Independence	Global Waqf Conference At Premiere Hotel, Pekanbaru, Riau, Indonesia On 17 Th October 2017	2017	Malaysia	702

The need of *waqf* accounting standards in Islamic finance industry has become an emerging source to be studied for prospects as shown in previous studies. The analysis as shown above is based on previous studies. The main observations as follows:

1. The studies highlighted the importance of *waqf*
2. Most of previous studies conducted in Malaysia
3. Most of the studies discussed the historical tracking of *waqf*.
4. The majority of the previous studies raised the accounting issues of *waqf*
5. This humble work could help others to conduct more research about the need of accounting standards for *waqf* in the future.

CONCLUSION AND AREA OF FUTURE RESEARCH

The objective of this paper is to review “Accounting for endowment” and “Accounting for WAQF” to collect the data. The authors used Google scholar to review articles in accounting for *waqf* and endowment. The authors have read the abstract and included only papers published in English. However, the studies highlighted the importance of *waqf* as well as the majority of the previous studies raised the accounting issues of *waqf* and categorizing the structure of *waqf*. According to Sabit Haji (2015), the five categorize such as; Ownership, capital of the bank, Sources of Capital, the structure of the bank, the modes of transactions used by *waqf* bank and Types of Charitable funds can be beneficial to the Islamic finance industry to innovate and introduce the new product to the market such as the diffusing of innovation of *Waqf*. However, with regard to the literature review, most of the previous studies confirmed the need of social Islamic banks such as *waqf* bank and the *waqf* funds can eliminate poverty and achieve the desired justice in the distribution of income and wealth (Abdelbaki, 2013).

Area of future research should combine quantitative and qualitative methods and this can enrich the outcomes of cash *waqf* in *waqf* management institutions globally. Interviews and focus groups could provide additional sources of rich data. In addition, an investigation of the perceptions of the regulatory bodies in Muslim countries could provide further insights regarding accounting for *waqf* in Islamic finance industry.

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