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Article

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A qualitative inquiry into cash *waqf* model as a source of financing for micro enterprises

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Inquiry into
cash *waqf*
model

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Abstract

Purpose – This paper aims to explore the opinions and recommendations of various experts on the integrated cash *waqf* micro enterprise investment (ICWME-I) model, particularly in terms of its suitability, applicability and prospects in the market.

Design/methodology/approach – The research involves primary data which are collected from semi-structured interviews conducted with experts from various backgrounds. Thematic analysis was used to examine the data.

Findings – The experts support the suitability of the ICWME-I model in providing financial services to micro enterprises. They highlight the importance of establishing, managing and operating ICWME-I model under the aegis of the State Islamic Religious Council in Malaysia or the corporate sector. They further emphasize that the characteristics of micro enterprises, the element of sustainable funding, the importance of proper management and administration, legal matters and public awareness are key factors that influence the sustainability of the ICWME-I model.

Originality/value – This paper adds to the literature on *waqf* and micro enterprises especially from the Malaysian context. The paper validates the ICWME-I model in terms of its suitability, applicability and prospects in the market by interviewing experts from various backgrounds.

Keywords Sustainability, Financing, Thematic analysis, Micro enterprises, Cash *waqf*, ICWME-I model

Paper type Research paper

Introduction

The role and importance of micro enterprises have been acknowledged in both developed and developing economies. Hailey (1991) classified the roles of micro enterprises in terms of economic benefits (e.g. income generation, wealth creation and mobilization of local resources), social contribution (e.g. poverty reduction, balanced development and provision of a seed bed for new initiatives) and political influence (e.g. wealth redistribution, creating opportunity and community empowerment). Furthermore, the contributions of micro enterprises cover a wide range of sectors such as services, manufacturing, construction, agriculture, quarrying and mining. The number of total establishments varies from one country to another. However, micro enterprises represent more than 70 per cent of total



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small and medium enterprises (SMEs) in most world economies, and these enterprises contribute around 60 per cent of total employment (OECD, 2013).

Despite their importance and contribution, a considerable number of empirical studies have investigated the problem micro enterprises have in accessing external finance (Stephanou and Rodriguez, 2008; Ganbold, 2008; Punyasvatsut, 2011; Ung and Hay, 2011; Machmud and Huda, 2011). The Malaysian case is no exception, and many empirical studies have highlighted this funding problem (Hashim, 1999; Saleh and Ndubisi, 2006; Aris, 2006; Abdullah and Manan, 2010; SME Annual Report, 2011/2012; SME Masterplan, 2012/2020; Thaker *et al.*, 2013; Duasa *et al.*, 2014; Thaker *et al.*, 2014; Duasa and Thaker, 2015, 2016; Thaker 2015). These studies empirically found the following to be prominent factors that hinder micro enterprises from accessing external finance:

- inadequate collateral;
- insufficient legal status;
- high transaction costs;
- insufficient information and documentation;
- lack of financial track record;
- nature and quality of business;
- rigidity of the financing procedure; and
- lack of awareness on financial facilities.

Furthermore, traditional financial institutions do not serve micro enterprises because the latter are perceived as entailing high risk of default and relatively low profitability.

To meet micro enterprises' need for financial accessibility, alternative approaches have been offered by using conventional microfinance institutions (Husain *et al.*, 2005; Ngehnevu and Nembo, 2010; Nawai and Shariff, 2011; Suryana and Komaladewi, 2012; Akorsu and Agyapong, 2012; Mondal, 2012) and Islamic microfinance institutions (Muhammad, 2012). However, the use of conventional microfinance institutions do not solve the problems, particularly because of the high interest rate (Anyanwu, 2004; Weiss and Montgomery, 2004; Parveen, 2009). Islamic microfinance institutions face their own issues in that their existing practices tend to converge with conventional practices (Muhammad, 2012). For example, the financing modes used by Islamic microfinance institutions are mostly debt-based, which are similar to the interest-based conventional modes (Muhammad, 2012). The operations of Islamic microfinance institutions in some Muslim countries tend to be costly because of the dominance of *murābahah* (cost plus mark-up) practices and administrative charges that are tantamount to *ribā* (interest) (Hassan, 2010; Muhammad, 2012). Moreover, most of the suggested models focus on SMEs in general rather than sub-components of SMEs, particularly micro enterprises. There is a lack of well-developed and tested models specifically for micro enterprises.

In response to the above, an alternative model that can improve the access of micro enterprises to financial services has been proposed by using *waqf* (Islamic endowment). This study describes the integrated cash *waqf* micro enterprise investment (ICWME-I) model that has been proposed in the literature. Realizing that this model has so far remained at best a conceptual framework, this study attempts to fill in this gap by exploring the opinions and recommendations of various experts regarding the ICWME-I model. It carries out empirical research to determine the range of factors that will impact its suitability, applicability and prospects in the market that might aid the development of micro

enterprises. Semi-structured interviews were conducted for this purpose with a range of experts from various backgrounds and the data were analyzed using thematic analysis.

This paper is organized as follows: the following section provides a brief review of the literature on the use of *waqf* as a financing mode. It then describes the *modus operandi* of the ICWME-I model and the research methodology utilized in conducting this research. The next section then presents the research findings and analyzes the results. The last section concludes the paper and provides some recommendations.

Waqf and financing

There are several studies that have discussed the usage of cash *waqf* for enterprise financing (Elgari, 2004; Cizakca, 2004; Dusuki 2008; Hassan, 2010). To provide a source of financing for the poor who are restricted from accessing external finance, Elgari (2004) proposed an idea to incorporate *waqf* into the concept of *qardḥasan* (interest-free loan). In this context, he recommended establishing a non-profit financial intermediary in the form of a *qardḥasan* bank. The capital injection of the bank would come from the monetary (cash) *waqf* donated by Muslims while the bank would provide *qardḥasan* as a form of financing for the poor.

Cizakca (2004) also suggested a model where the use of cash *waqf* can be extended to entrepreneur financing through the concept of *muḍārabah* (partnership). He further proposed that cash *waqf* be used as a microfinance tool for the poor and entrepreneurs. Meanwhile, Lahsasna (2010) proposed that cash *waqf* be used to enhance the financial access of SMEs in Malaysia. It is expected to improve domestic economic growth and play a vital role in socioeconomic development. The investment of cash *waqf* would be made with debt and equity financing contracts such as *murābahah*, *ijārah*, *istiṣnā'*, *bay' bithaman ājil*, *muḍārabah* and *mushārah* for SMEs in Malaysia.

Tohirin (2010) found that cash *waqf* can become a solution to Indonesian SMEs' lack of access to formal banking institutions. Through proper use and investment of cash *waqf* assets, SMEs would be able to expand their business venture through partnership with cash *waqf* institutions (CWIs).

The various cash *waqf* models that have been proposed by various authors have shown the possibility of integrating cash *waqf* and micro enterprises to effectively address the issue of financing for micro entrepreneurs. Although the proposed models by various studies have similarities with the present study, there is a difference. This study focuses on the ICWME-I model, which is a participatory form of contract between *waqf* institutions and micro enterprises. This model incorporates a *mushārah mutanāqishah* (diminishing partnership) financing arrangement between *waqf* institutions and micro enterprises. This study adds value to the proposed ICWME-I model by empirically exploring its suitability, applicability and prospects in the market.

The integrated cash *waqf* micro enterprise investment model

The studies by Thaker *et al.* (2013, 2014); Thaker and Mohammed (2013) and Duasa and Thaker (2015a, 2015b, 2016) have suggested an ICWME-I model for improving the financial accessibility of micro enterprises in Malaysia. The ICWME-I model basically provides financial facility through the use of a cash *waqf* fund. It also involves a participatory contract between Islamic voluntary organizations particularly *waqf* institutions and micro enterprises. The model is illustrated in Figure 1.

The *modus operandi* of the ICWME-I model is as follows:

- Arrow[1] indicates the flow of funds from donors (both public and corporate sectors) that contribute cash *waqf* to the CWI with the intention of creating a perpetual *waqf*.

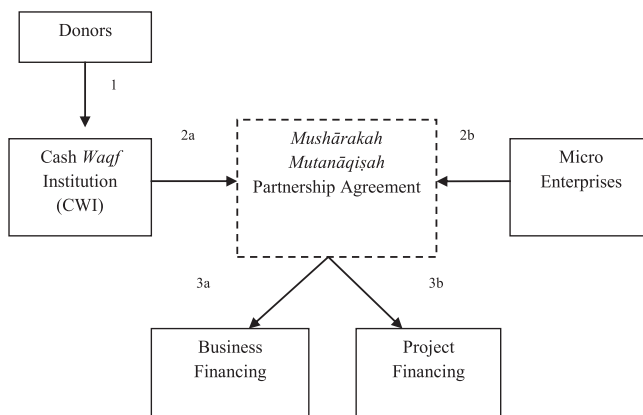


Figure 1.
Conceptual
framework of
ICWME-I model

Sources: Thaker *et al.* (2013, 2014); Thaker and Mohammed (2013); Duasa and Thaker (2015a, 2015b, 2016)

The public contributes cash *waqf* by donating cash or purchasing *waqf* certificates offered by the CWI. The corporate sector can contribute cash *waqf* as part of their corporate social responsibility initiatives. The CWI becomes a *mutawallī* (manager) of the fund and is responsible for making the necessary investment decisions of the fund. The CWI can be treated as a separate entity or represent a non-profit organization under the purview of the Malaysian State Islamic Religious Council (SIRC) or the corporate sector.

- Arrows [2a] and [2b] show that the CWI would offer financial services by entering into *musharakah mutanāqishah* (diminishing partnership) arrangements with micro entrepreneurs. Both the CWI and micro enterprises would jointly engage in business activities or purchase property/commercial enterprises. The share of ownership of the financier/CWI and the micro enterprises is in turn divided into parts, with the understanding that the micro enterprises would gradually purchase their share in the property via periodic payments and CWI would gain a part of profit from the arrangement. By the end of the contract, the micro enterprises would have gradually become the sole owner of the property/commercial enterprise. This arrangement is suitable for business financing [3a] and project financing [3b]. Business financing would include the financing of machinery, land, electric installation, equipment and other fixed assets. Project financing would involve the financing for construction of shop lots and business premises.
- Under this model, the CWI requires no collateral and there is no imposition of any interest in the transaction. However, the CWI is required to conduct thorough screening on the potential micro enterprises related to their business.

Among the lacunae of the ICWME-I model is that it is still a conceptual framework and reliance thereon fails to further its understanding and appreciate its suitability, applicability and prospects in the market. The present study thus seeks to fill in this gap.

Research methodology

The present study used the qualitative (interview) approach to achieve its objective. Interviews were conducted with experts from various fields across different related institutions such as Sharī'ah scholars, practitioners and academicians. The purpose was to develop greater understanding of the ICWME-I model and appraise its suitability, applicability and prospects in the market.

The steps in qualitative analysis include:

- preliminary exploration of the data by reading through the transcripts and writing memos;
- coding the data by segmenting and labeling the text;
- using codes to develop themes by aggregating similar codes together;
- connecting and interrelating themes; and
- constructing a narrative (Creswell, 2003).

The selection of experts was based on purposive sampling. Purposive sampling is one of the most common sampling strategies whereby the group of participants is pre-selected based on a particular research question. Purposive sample sizes are often determined on the basis of theoretical saturation (the point in data collection when new data no longer brings additional insight to the research questions). This study focuses on expert sampling, which is a subset of purposive sampling. The experts were from the different institutions shown in Table I. The selection criteria for experts were based on their qualification, area of specialization and working experience.

In terms of the number of participants chosen for the study, it follows the suggestion provided by Morse (1994), who recommends six participants for qualitative studies. Furthermore, the selection of number of respondents also typically relies on the concept of “saturation” or the point at which no new information or themes are observed in the data from the respondents. That number of respondents (six) has also been used by other researchers such as Muhammad (2012) and Ahmed (2013). According to their view, researchers work with a small sample size to study their subject matter in-depth, and it is sufficient to achieve the objectives of the study.

Data collected during the interviews were transcribed into field notes and analyzed by using thematic analysis. According to Braun and Clarke (2006), thematic analysis is “a

No.	Institutions	Position	Code
1	Waqaf An-Nur Corporation Berhad	Deputy Manager	E1
2	Perbadanan Wakaf Selangor (PWS)	Chief Executive Officer	E2
3	Jabatan Wakaf, Zakat & Haji (JAWHAR)	Director, Department of Wakaf	E3
4	Koperasi Syariah Angkasa (KOPSYA)	Chief Executive Officer	E4
5	Centre for Islamic Development Management Studies (ISDEV)	Director	E5
6	Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank)	Manager, training and development	E6

Table I.
Profile of the
interviewees

method for identifying, analyzing and reporting patterns (theme) within data”. Thematic analysis was used in this study because of the following advantages:

- ability to summarize key features of large data;
- highlighting the similarities and differences of data; and
- usefulness in making analysis suited to policy development (Braun and Clarke, 2006).

The process of thematic analysis involved selecting, simplifying and coding the data collected into common themes (Miles and Huberman, 1994).

Research findings

The present study identified eight major themes from the data analysis, as presented in Table II.

Importance of micro enterprises

The participants in the interviews were asked their views on the importance of micro enterprises for the development of the national economy. In general, the participants (*n* = 6) strongly agreed on the economic and social significance of micro enterprises. Below are some of their responses:

[...] very important to the country’s economic development [...] help to alleviate poverty by creating business opportunities for all [...] as a source of income to all and can improve standard of living. (E1)

Micro enterprises exist on a small scale, but they have a big impact on the economy [...] they create business opportunities for all [...] reduce unemployment [...] are able to generate income for themselves. (E2)

Table II.
Categorical themes
and interview
questions

No.	Categorical themes	Interview questions
1	Importance of micro enterprises	Why do you think micro enterprises are important for the development of the national economy of a country like Malaysia?
2	Financial challenges	Why do you think access to finance is a major problem for micro enterprises?
3	Importance of ICWME-I model	What is your view on the importance of the proposed ICWME-I model for micro enterprises?
4	Suitability of ICWME-I model	How can <i>waqf</i> fund be utilized to resolve the problem of access to finance by micro enterprises?
5	Institutional platform: SIRC or corporate sector	This model incorporates MMP. What is your view on this arrangement? To operate this model, should this model involve SIRC, SIRC’s entity or corporate entity? Why?
6	Sustainability of ICWME-I model	From your point of view, what are the factors that contribute to the sustainability of the ICWME-I model?
7	Challenges of ICWME-I model	What are the likely challenges in implementing the ICWME-I model?
8	Awareness cultivation	Since the cash <i>waqf</i> fund is collected from the public and corporate sector to assist micro enterprises, how can the attitude of ‘giving’ and ‘helping others’ among the public and corporate sector be promoted?

Micro enterprises contribute to economic development [...] Even though a micro enterprise is small sized, its impact is enormous [...] provide jobs for many and can increase people's standard of living. (E3)

Micro enterprises help people to get out from poverty [...] provide employment opportunities [...] help to generate income and improve standard of living and lifestyle. (E4)

They support the national economy and contribute to the economy [...] help to alleviate poverty, generate income to people, and provide job opportunities. (E5)

Micro enterprises contribute to the national economy [...] offer employment opportunities [...] generate income and improve standard of living. (E6)

According to the interviewees, micro enterprises contribute in the reduction of poverty, generate employment, create wealth and improve the standard of living. The importance of micro enterprises as highlighted by the interviewees is consistent with past studies such as [Hailey \(1991\)](#); [Harvie \(2004\)](#) and [Nasrullah \(2012\)](#).

Financial challenges

The participants conveyed their views on the issue of financial accessibility for micro enterprises. They all ($n = 6$) mentioned that micro enterprises face financial problems particularly in terms of accessing external finance. The following views were collected:

Micro enterprises have trouble in accessing financial resources. Most of the time their applications for loans are rejected. This is because of their nature and characteristics. Also, they do not have the necessary financial statements, collateral and so on to support the loan application [...] We can also see that the interest rates charged by banks are somehow burdensome for micro enterprises. (E1)

[...] financial problem is a main issue for micro enterprises [...] Most banks require a stable financial position, collateral and various documents from micro enterprises [...] Sometimes they get funding from the banks, but they have to pay high interest rates [...] (E2)

[...] agree that micro enterprises have trouble in getting financial resources from banks [...] Due to no collateral, their business is still at the beginning stage [...] quality of the business and interest rate is quite burdensome. (E3)

[...] quite clear that micro enterprises have problem in accessing financial resources from banks [...] banks will look at the nature of the business and require a business plan. If they see positive business prospects, they will approve the loan [...] banks also put various requirements such as collateral, documentation and interest rates. (E4)

[...] as a result of banks requiring micro enterprises to provide collateral, pay interest rate and provide necessary documentation to obtain loan. (E5)

[...] lack of information is a major obstacle [...] many small businesses do not know about the availability of financial resources [...] micro enterprises are a risky group when it comes to loan repayment due to their nature [...] not able to provide a good business plan, no financial records, no related documents, no collateral to get a loan [...] interest rates charged by banks prevent small enterprises from accessing loans. (E6)

The above findings reveal that all the participants agreed that micro enterprises face the problem of accessing finance. The interviewees cited the following factors leading to this problem: no collateral, high interest rate, no documentation and characteristics of micro enterprises. This finding is supported by earlier studies by Hashim (1999); Saleh and Ndubisi (2006), Aris (2006) and Economic Census: Profile of SMEs (2011).

Importance of ICWME-I model

The participants in the interviews were asked to provide their opinions on the importance of the ICWME-I model. The participants ($n = 6$) agreed that this model is important and relevant to the needs of micro enterprises as a source of financing. The following views were collected:

The proposed model is relatively new and unique [...] this model involves collaboration between CWI and micro enterprises [...] It is seen as a means where micro enterprises at the end become the owner of the asset or project. (E1)

The proposed model seems to be attractive [...] this model can be applied and implemented [...] assign Perbadanan Wakaf Selangor as CWI and become a *mutawalli* [...] this model includes the *fi sabillillah* (in the cause of Allah) programmes where CWI would provide financial assistance to micro enterprises. (E2)

This model is a good suggestion to help micro enterprises [...] CWI and micro enterprises are involved together as a joint venture arrangement [...] this model can be implemented as it is needed at this time to help micro enterprises. (E3)

[...] quite creative and innovative in helping micro enterprises [...] new product in using cash *waqf* with different instruments [...] CWI can use cash *waqf* as source of financing for micro enterprises [...] model is good and needs to be tested in the market. (E4)

[...] model is good since it involves an Islamic institution to help micro enterprises [...] cash *waqf* is used for commercial purposes [...] innovative model and [...] expands the role of cash *waqf* [...] This model is needed at this moment to help micro enterprises. (E5)

The model is needed for micro enterprises [...] an alternative model, so that we are not relying on banks [...] This model involves a joint venture between the two parties [...] one party is from the supply side and another party is from the demand side. (E6)

Based on the above findings, the participants opined that the proposed model in this study is new, unique and important. According to the experts' views, there is a need for an alternative model that can replace existing financing models. The model, as opined by the respondents, would channel resources appropriately according to the needs of micro enterprises.

Suitability of ICWME-I model

The views of participants in the interviews were sought on the suitability of the ICWME-I model in assisting micro enterprises to obtain financial services. This theme emerged by answering two main questions, as mentioned earlier in Table II:

Q1. How can cash *waqf* fund be used to resolve the problem of access to finance by micro enterprises?

Q2. What is your view on the *musharakah mutanāqishah* partnership (MMP) arrangement involved in this model?

All the participants ($n = 6$) affirmed the suitability of the ICWME-I model in assisting micro enterprises. Below are excerpts of their views:

The cash *waqf* fund could provide financing facility to micro enterprises particularly without any restrictions such as interest rates and collateral [...] Micro enterprises can benefit from this cash *waqf* fund [...] they can use it for various purposes such as starting a business or business expansion. They can also buy business equipment using the cash *waqf* fund [...] about the potential of MMP in the model [...] MMP involves a joint venture between CWI and micro enterprises. MMP is quite nice where after the end of the contract, the asset will belong to the micro enterprises [...] interesting in your model is that you are using the cash *waqf* fund for MMP. MMP can replace another product such as *qardḥ ḥasan* [...] both parties are involved in profit and loss sharing. (E1)

There is potential for the cash *waqf* fund to help micro enterprises [...] it would provide financial assistance to micro enterprises for business purposes [...] In terms of MMP [...] it is not a burden for micro enterprises to engage in such a contract. Although MMP is used most often for housing financing, I see the potential and appropriateness of MMP to help micro enterprises [...] The joint venture entailed in the MMP will be able to help micro enterprises in terms of ownership of assets or projects at the end of the contract. Micro enterprises will redeem the share of CWI periodically [...] It helps CWI to retain back its principal with profit. (E2)

I can see the potential of the cash *waqf* fund to help micro enterprises in the provision of financial resources. When we collect cash *waqf*, we can use it in various forms of productive activities that can deliver positive results [...] I can see that financial assistance is provided to micro enterprises to assist them in running their businesses, start up a business or expand their businesses [...] so productive. As it involves *waqf*, I can assure that there is no interest-based contract involved [...] The MMP contract complies with Shari'ah and there are no Shari'ah issues [...] CWI and micro enterprises are engaged in a joint venture. CWI may allow micro enterprises to conduct business in farming, retail and other sectors [...] micro enterprises will get ownership of the asset and CWI gets its principal. Once, CWI collects back the principal, CWI can use it to help other micro enterprises. (E3)

Cash *waqf* fund has the capacity to help micro enterprises in terms of financing [...] when we provide financial facilities using the cash *waqf* fund, micro enterprises can use it for their business operations. They can expand their business without any restrictions such as interest rates, collateral requirement, strict documentation requirement [...] I can see the potential of MMP to help micro enterprises using the cash *waqf* fund. It is good to use MMP with micro enterprises. It is because MMP involves joint venture between CWI and micro enterprises [...] at the end, micro enterprises eventually become the owner of the asset. (E4)

Cash *waqf* fund can be used to help micro enterprises by providing financial facilities. CWI can provide this fund as a source of financing for micro enterprises to start up and expand their businesses. Through cash *waqf*, I see surely there will be no interest-based mechanism in the model [...] MMP is an innovative equity financing product [...] CWI and micro enterprises will jointly involve into the arrangement [...] micro enterprises become the owner of the asset and CWI gets back its principal plus certain profit [...] MMP can replace existing *qardḥ ḥasan*, *murābahah* and *tawarruq* models [...] Although MMP is usually used for house financing, I believe it is still possible to use it for micro enterprises. (E5)

Cash *waqf* fund can help micro enterprises to get financial facilities [...] through cash *waqf* fund, micro enterprises can get benefits such as no interest charged, no collateral requirements, no strict regulation [...] Micro enterprises can use *waqf* fund to expand their businesses [...] interesting

point that I see is the potential of MMP [...] there are no financial institutions that offer financing services to micro enterprises through MMP. So it is one advantage of your model. (E6)

The participants agreed on the suitability of the ICWME-I model to help micro enterprises in terms of providing financial services using cash *waqf*. The agreement to use cash *waqf* particularly for financing is consistent with earlier scholars' views such as Ahmed (2002), Elgari (2004), Cizakca (2004), Dusuki (2008) and Hassan (2010).

In addition, the idea of using MMP as a financial arrangement was preferred by most of the interviewees. This is perhaps because of the uniqueness of MMP, as it involves a joint venture between two parties and the structure of MMP consists of two separate contracts (Meera and Razak, 2005). First, there is a *mushārah* where the client and the financier become partners, and second, there is an *ijārah*, which involves the leasing of the property where the equity of the financier follows a diminishing balance method. At the end of the contract, MMP allows the customer to own the property, whereas CWI as the *waqf* institution gets back its principal amount plus profit. The interviewees argued in favor of MMP being applied for all types of financing, including micro enterprises, although in practice it is more used for house financing. This follows the view of Usmani (2002), who stated that the concept of MMP is not confined to home ownership only. It can also be applied to other forms of acquiring assets and projects.

Institutional platform: SIRC, SIRC's entity and corporate entity

Participants were asked on the appropriate institutional platform to establish the ICWME-I model. Among the options given to the interviewees were operation of the ICWME-I model under the SIRC, as a separate entity of the SIRC, or as a private entity under the corporate sector. The majority of the participants mentioned that the ICWME-I should be operated as a separate entity of the SIRC ($n = 6$) or under the corporate sector ($n = 4$). Below are excerpts of the respondents' views:

I think this model can operate under the SIRC or under the corporate sector [...] The SIRC will be the body that monitors and controls the CWI [...] Waqf An Nur Corporation Berhad is an entity of the corporate sector, namely JCorp Berhad [...] but still SIRC constantly monitors its progress [...] the ICWME-I model can also follow the Perbadanan Wakaf Selangor (PWS) model where it is an entity created under the SIRC. (E1)

I suggest to establish it as a separate entity under the SIRC. For example, PWS was established by SIRC as a separate entity and we at PWS have our own organizational structure and management. It is similar to an entity under the corporate sector having its own organizational structure and management. But, it is still under the control of SIRC, which monitors its progress. (E2)

I would suggest a separate entity to manage it. An entity does not matter whether it is under the SIRC or corporate sector. As a separate entity, its management will be organized well and more efficient. For example, we can see how PWS and Waqf An Nur Corporation Berhad are being managed so well. (E3)

I can see that both SIRC and a separate entity under SIRC can do it [...] SIRC as we all know is in charge of any matters pertaining to Islam. It is its duty to play an important role in the matters of Islam [...] and *waqf* is one of them [...] PWS is an entity under the SIRC. It is very efficient in terms of management of *waqf* [...] I see CWI can be a separate entity like PWS. You have to know that there is a provision under SIRC that SIRC may establish its own subsidiaries. (E4)

For operating this model, it is not a matter whether it is through SIRC or under the corporate sector. But we expect those who want to operate it must be efficient in terms of management. For me it is still possible to be through SIRC, if SIRC has the capability to do it. It must have all experts in investment area and so on [...] You could do like PWS where PWS was created as a separate entity under SIRC. (E5)

We can use concepts like PWS or JCorp. Like PWS, CWI can become an entity under the SIRC which will manage it. This is because if the entity is under SIRC, it will have its own organizational structure and expertise [...] it is also similar to JCorp. CWI can become an entity under a corporate sector. (E6)

Based on the findings, the respondents preferred to have a separate entity such as Perbadanan Wakaf Selangor (PWS) and Waqf An Nur Corporation Berhad to manage the ICWME-I model. PWS and Waqf An Nur Corporation Berhad are subsidiaries of SIRC and JCorp Berhad, respectively. Thus, the ICWME-I model can be operated as a separate entity under the SIRC or the corporate sector. A separate entity can act as the coordinating and implementing agency that represents the parent organization or company. This setup is preferred over a government agency as the institutional platform. According to Hassan (2010), government agencies are inefficient in managing *waqf*-related matters, which leads to a decrease of public participation in development initiatives.

Sustainability of the ICWME-I model

As the ICWME-I model was deemed to be implementable, the participants were further asked to share their views on its sustainability. Several aspects of sustainability were raised by the interviewees. Among them were:

- the characteristics of micro enterprises;
- the aspect of funding; and
- the issue of management and administration.

The majority of participants ($n = 5$) mentioned that the issue of funding is important for the sustainability of the ICWME-I model, followed by characteristics of micro enterprises ($n = 4$) and management and administration ($n = 1$). Based on the interviews, the following views were collected:

There is a need for the CWI to choose capable micro enterprises. Micro enterprises that are selected in this model should at least have the intention to change their position from micro status to small and medium enterprises over time [...] CWI has to monitor micro enterprises to prevent them from misusing the funds given [...] to ensure the continuation of *waqf* funds. This is very important because if there are not enough funds available then the model will not function. (E1)

Funding is an important aspect. It must be sufficient to ensure the sustainability of the model [...] Micro enterprises that are selected should be suitable and capable. (E2)

The projects that micro enterprises are involved in must be appropriate and necessary for the long term. We need to see the potential of their business to expand [...] The management of this model is also important. If the management is weak and not able to perform, then the model will fail [...] I also want to emphasize that the source of funds is very important in this matter. Funding is needed for any model. (E3)

I can see that the funding aspect is very important. Without funds, any model will not be successful. CWI then needs to know how to generate funds and spend it. CWI must ensure that it has sufficient funds. (E4)

I will say that CWI must choose the right micro enterprises [...] must be defined and capable in running their businesses. (E5)

For me, if any agency wants to provide financial assistance to whoever it wants, then the funding side is very important [...] There is need for CWI to ensure it has sufficient funds to carry out its responsibilities. (E6)

Based on the findings, the participants highlighted that funding is a main element for the sustainability of the ICWME-I model. If CWI wants to maintain the sustainability of its services and programs, it is necessary to ensure the continuation of its source of funding. Thus, donors' contributions, either in cash or through purchase of *waqf* certificates, are a sign of commitment to this model.

On the other hand, the characteristics of micro enterprises are also important in ensuring the ICWME-I model's sustainability. Micro enterprises that are going to participate in business activities must be capable and able to sustain their operations and revenue generation.

Challenges of the ICWME-I model

The participants were asked to share their views on the potential challenges that will arise in materializing the ICWME-I model. The participants ($n = 6$) anticipated that the ICWME-I model will face legal and public awareness challenges. Below are excerpts of the respondents' views:

In terms of the challenges, funding should be made available at most of the times. CWI should be active in seeking funding [...] Second, public awareness on cash *waqf* is also important. Most of the public still have a low level of awareness about cash *waqf*. CWI needs to cultivate public awareness through education and promotion [...] Sometimes politics can also be a challenge for your model. We do not know whether your model is preferred by politicians or not. (E1)

Among the challenges that your model will face is mostly of legal nature. Since in Malaysia matters related to Islam, including *waqf*, are managed by SIRC [...] But, I think if your model operates like PWS, there will be no legal problem [...] The next challenge is in terms of the ability of your model to operate. Since this model is not available in the market yet, so I feel that this model should have comprehensive capabilities to succeed [...] I see that gaining public confidence is also one of the challenges. Thus awareness should be enhanced for the people to understand *waqf* and this model. (E2)

The most important challenge is public awareness. The public still does not realize or understand about *waqf* including cash *waqf* [...] so, the awareness of relevant parties is also important [...] The next hurdle is legal in nature. Since the matter of *waqf* in Malaysia is governed by SIRC, it could become a legal obstacle. For example, we need to ask permission from SIRC on any development that we are going to do by using *waqf* fund or assets. (E3)

Your model will face legal and ownership challenges. I see that in the Malaysian case, SIRC plays a role in all matters relating to Islam [...] For ownership issues, if CWI operates under the SIRC like PWS, then there will be no legal problem [...] The challenge in terms of funding also needs to be addressed. Your model needs to know how to generate funds [...] I see awareness is also very important [...] need to make people aware of your model and the usage of cash *waqf* [...] The

other challenge is that of micro enterprises themselves. CWI should identify only prospective projects to make an investment. (E4)

The legal challenge is the main challenge. But if you establish and operate your model like PWS, then there will be no legal problem. It is because you know that in Malaysia, SIRC plays a role in all matters relating to Islam. So, if you want to operate separately, then you will face a legal challenge [...] The next challenge is about micro enterprises [...] CWI must identify potential micro enterprises through screening and monitoring. Another challenge would be awareness among the people. (E5)

In terms of the challenges, awareness is very important to ensure that the model is successful. Nowadays there is lack of awareness among the public on *waqf* itself. Another challenge pertains to funding. CWI needs to find a source of funding to run its operations. Another issue relates to the law [...] whether the law allows you to carry out your model. Even in Malaysia, we know that we have *Majlis* to engage with matters related to Islam. (E6)

Based on the feedback received from experts, legal issues and public awareness are iterated as the main blockages in materializing the ICWME-I model. For instance, in Malaysia, all Islamic matters including *waqf* are governed and enacted by the SIRC of each Malaysian state. Each SIRC would issue its respective *fatwa* (legal opinion) regarding the way the cash *waqf* fund can be spent or invested. Thus, to avoid hassles, it is preferable for the ICWME-I model to be operated as a separate entity of the SIRC or the corporate sector. However, SIRC would monitor and evaluate CWI's performance.

With respect to the awareness level among the public, the interviewees highlighted that the low level of public awareness about cash *waqf* could affect the ICWME-I model. Most programs organized by SIRC are mainly focused on religious activities and the traditional charitable avenues of orphanage and relief to the poor (Osman *et al.*, 2012). Thus, lack of promotion of cash *waqf* by SIRC is seen to be a cause of the low level of public awareness. Furthermore, the Malaysian public's understanding of *waqf* is quite narrow. They associate it only with the construction of mosques and *waqf* lands for cemeteries, despite *waqf*'s wider function and role.

Awareness cultivation

The participants shared their opinions on how to cultivate the attitude of "giving" and "helping others" among the public and corporate sectors. The majority of respondents ($n = 5$) believed that extensive promotion is needed to cultivate the attitude of "giving" and "helping others", followed by providing education about *waqf* including cash *waqf* ($n = 4$), practicing accountability and transparency ($n = 3$), campaigning ($n = 2$) and providing incentives ($n = 1$). Below are excerpts of the respondents' views:

If you want to create public awareness on cash *waqf*, we need to give some education and information for the public to understand the concept of cash *waqf* and its benefits. Promotions are also very important. Promotion may be made through TV, radio, mosques, public, corporate and others. So far, I find there is lack of promotion. (E1)

Awareness of the public should be enhanced in order to make them understand about cash *waqf* [...] can do it through promotion and campaign. (E2)

Our people must be given education about the importance of cash *waqf* [...] promotion to related parties is also important. This will expose them to information about it. (E3)

If we want to create awareness among the public, campaigning about *waqf* and cash *waqf* is very important. I feel that various incentives should be given such as tax exemption, coupon and so on. It is to attract the public to donate cash *waqf*. There is also the importance of education. Through education, the public can get exposure on cash *waqf*. (E4)

If you want to create public awareness, you must practice accountability and transparency. It is very important for the people, particularly the donors. The benefits derived from the *waqf* funds will convince them of the usefulness of the model. Promotion is also important to attract donors. (E5)

If you want to make the people aware of cash *waqf* contribution, we need to make large-scale promotion. It is to ensure that the information is received by the public. In addition, CWI must be transparent and accountable on anything that they are doing with the *waqf* fund. We have to show to the public what we are doing with the funds collected [...] Another aspect is education. We should give early education on the importance of cash *waqf* on socio-economic development. (E6)

Based on the findings, most of the interviewees are in consensus that promotion is needed to cultivate the culture of “giving” and “helping others” among the public and corporate sectors. With extensive promotion, the public and corporate sectors will be able to get more information about cash *waqf* and its roles. This will help to close the “information gap” between the service provider – in this case, CWI – and the donors. Promotion can be made through various sources such as the media, internet, magazines, newspapers and mosques.

Meanwhile, the interviewees also highlighted the importance of education to make the public and corporate sectors aware of cash *waqf* and cultivate the culture of “giving” and “helping others”. Education on *waqf* including cash *waqf* can take place at the secondary school level or the tertiary level. Through different programs, people will be better exposed to the concept of *waqf* and its role in socio-economic development.

The interviewees also emphasized the importance of practicing accountability and transparency by *waqf* institutions. The presence of a credible, transparent and accountable institution will enhance people’s confidence in the role of *waqf* institutions, and people will then continue to support these institutions by contributing funds.

Conclusion and recommendation

The main objective of this study is to gather experts’ opinions and recommendations on the suitability, applicability and prospects of the ICWME-I model. This study has presented the analysis of the in-depth interviews conducted with six experts from various institutions. The findings from the interviewees support the suitability of the ICWME-I model in providing financial services.

The findings also highlighted the importance of operating the ICWME-I model as a separate entity of either the SIRC or the corporate sector. Meanwhile, in terms of the model’s sustainability, the main drivers, as highlighted by the interviewees, are the characteristics of micro enterprises, including their management and the funding aspect. Furthermore, legal challenges and public awareness are considered as the potential challenges that might arise in materializing the ICWME-I model.

From the viewpoint of the experts, the model is considered to be very useful in providing micro enterprises with financial facilities. It provides an alternative to traditional financial institutions in that regard. This model can help the government to reduce expenses on micro enterprises’ development; therefore, the government should consider it carefully. Besides, the ICWME-I model can be proposed for adoption by other Muslim countries.

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