

New Financial Innovation Approaches to Support the Implementation of the Sustainable Development Goals: A Trust Concept for a Waqf-based Alternative Financing Model for Renewable Energy Investments

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Abstract

Purpose: The purpose of this study is to highlight Trust Concept for a Waqf-Based Alternative Financing Model through Green Financial Waqf Evaluation System (GFWESs) for Renewable Energy Investments may minimise wealth inequality dramatically.

Design/methodology/approach: Research Design based on two phases. First phase is concentrating on reviewing of research and articles starting from identifying the definitions,

findings and conclusions of the research papers covering funding renewable energy in Malaysia and international including the current statistics and status of renewable energy around the world including Malaysia. Second Phase is developing Green Financial Waqf Evaluation System (GFWESs) as trust instrument and financial management for renewables energy projects.

Research limitations/implications: Toward the implementation of waqf financing solutions, there is a need to redesign a waqf-based financing model and a financial monitoring system to analyse the changes in wealth inequality, capital pooling, and social prosperity for a future time frame. Green Waqf Financial System would help the Waqf Departments in providing the best practices which promising the accurate information especially when dealing with green projects.

Practical implications: This study will help industry participants such as project developers, technology and product innovators, financiers, and policy makers to have better understanding on the challenges faced and strategies to be adopted in financing RE projects. This study proves that waqf-based institutions have a noteworthy potential to contribute towards sustainable financing in line with sustainable development goals by taking account of long-run social implications, economic growth, and environment-friendly projects.

Paper type: Research paper

Keywords: Sustainable financing, Waqf-based financing, Trust, Wealth inequality, Green Waqf Financial System.

Introduction

A waqf (Arabic: وقف) also recognised as itinerant or real estate property, is an unchallengeable charitable endowment under Islamic law, which characteristically includes donating a building, plot of land or other assets for Muslim religious or charitable purposes with no intention of reclaiming the assets. A charity trust might hold the given assets. A person who makes such a commitment is known as waqif, or a donor. The waqf was described under Ottoman Turkish law, and subsequently under the British Mandate of Palestine, as usufruct State land (or property) from which State income are secured to religious foundations. Although it appears that the precise full-fledged Islamic legal form of endowment known as waqf originates from the 9th century CE, it is founded on several hadiths and presents rudiments linked to traditions from pre-Islamic societies.

Presently, there is a huge demand for economic capital to finance investments in order to achieve the Sustainable Development Goals (SDGs). In this context, this paper presents an option and sustainable Waqf-based financing model based on the waqf system that takes into account the aforementioned socioeconomic elements and obstacles.

Literature Review

Because of its economic strength, Waqf is helpful in assisting economic growth. Waqf is regarded in terms of the vast assets it controls, its social expenditure, the number of people it employs, and its considerable economic contribution (Sensoy, 2010). Waqf has the ability to affect consumption and investment, causing resources to be transferred from luxury consumption to necessary requirements consumption. Waqf produces higher marginal profit, total profit given by consuming in the national economy, and a sense of overall pleasure as a consequence of consumption transfer to necessary requirements consumption. According to Sensoy (2010), the Waqf system plays an important role in the economic growth of certain bases. First, the Waqf stimulated commercial activity in these marketplaces by enabling the leasing of low-cost stores in Waqf markets, which resulted in price decreases. To compete with

Waqf marketplaces and stay in business, markets that do not have Waqf must lower their prices. Second, the Waqf contributed to the decrease of unemployment and the creation of work possibilities.

Waqf as Economic Mechanism

Waqf requires the participation of the mutawalli, the person designated by the founder to oversee the Waqf assets. Waqf assets will create additional economic activity, which will necessitate the use of human resources. Pitchay (2015) shown that they may eliminate the negative economic, social, and political effects of unemployment. Furthermore, Waqf is critical in educating the individual, who will be strengthened as a person with skills and knowledge. As a result, the Waqf system may generate a large number of qualified and knowledgeable people while also providing employment possibilities to help society's economic growth.

Trust Issue in Waqf Organisations

Trust has been defined severally, such as Deutch's (1975) definition of trust as one's anticipation that a trustee will do a desired activity. Trust is characterised by Zand (1972) as a readiness to build one's weakness to an individual whose conduct is outside one's ability to control, though Dwyer et al. (1987) characterised trust as one's assumption that another party needs to be coordinated, will keep responsibilities and will pull weight in the relationship. Trust can also be defined as one's belief that his or her needs will be met in the future by activities performed by a third party (Anderson & Weitz, 1989), or, as Fukuyama (1992) pointed out, it is a component of shared qualities, social morals, and interpersonal organisations that reinforces both social union and monetary outcomes.

Only one research, by Ahmed et al. (2015), has addressed the issue of Waqif trust. Mismanagement and a breach of trust among Uganda's mutawalli prompted the research. Good governance, openness, and accountability, according to respondents, are critical to revitalising the Waqf institution in Uganda. 70% of those surveyed were ignorant of the many methods for holding their leaders responsible and transparent, and they lacked the ability to demand it. In general, academics have long done studies addressing trust in a variety of fields. Trust has been verified as one of the variables of good association with donating intention and donor commitment in the context of traditional charitable giving. However, there is still a vacuum in the body of information when it comes to the impact of trust on the intention to give to Waqf and the Waqif's commitment.

Methodology

This paper derives a financing mechanism from Islamic economics by designing a waqf based financial evaluation and the policy framework necessary to support that. It sets out a proof-of-concept study illustrating that this novel intermediary supported by the proposed policies outperforms conventional banking systems from both a social and economic perspective. In addition, this study used the triangulation method based on observation techniques, expert opinion, literature and existing knowledge in this area. The study was conducted in Jabatan Wakaf, Haji dan Zakat (JAWHAR) Malaysia.

The Existing Conceptual Model

Figure 1 demonstrates the proposed conceptual model for WOFI. This model raises funds for solar-farm (SF) projects using both debt- and equity-based financing to compare performance. The construction period for SFs is two years, and one new power plant is built each year. In other words, in the model, construction begins on a power plant each year, and the plant takes

two years to become operational. Each solar farm is a separate project and has its own special purpose vehicle (SPV).

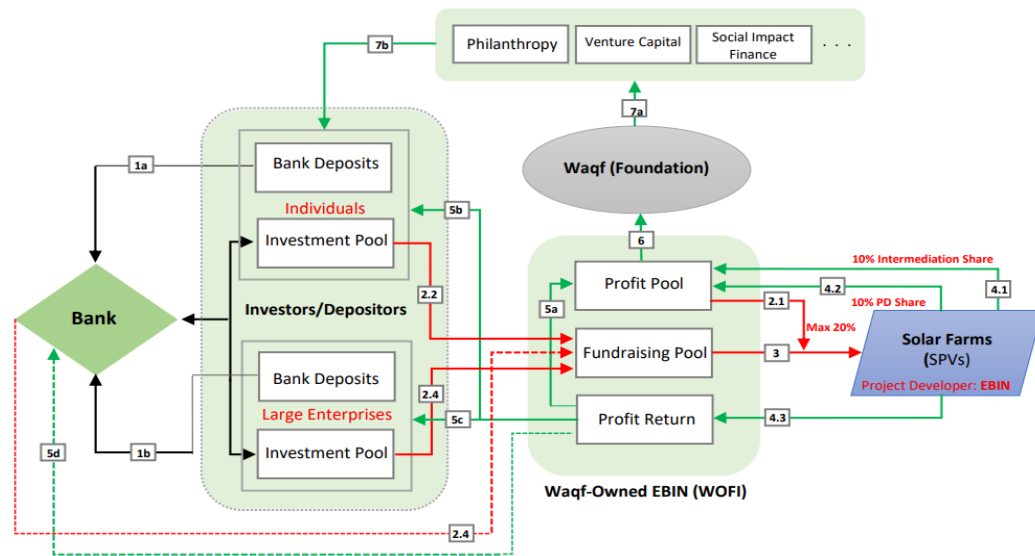


Figure 1: The First Phase Current Waqf Conceptual Model.

Proposed Conceptual Model

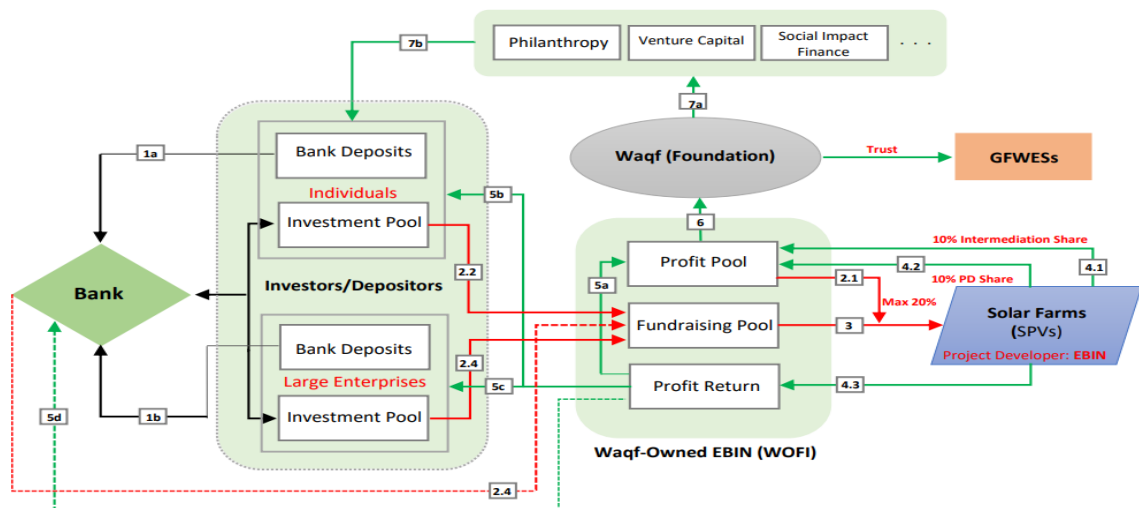


Figure 2: The Proposed Waqf Conceptual Model

The proposed concept is replicate the same processes what have been used on the current model. In the proposed waqf conceptual model highlights the trust issue which can be solved by utilising online Green Waqf Financial Evaluation System (GFWESs).

Finding and Discussion***Development of GFWESS in Verifying Giving Behavior and Trust Issue***

Green Waqf Financing Evaluation System (GFWESS) is an integrated system designed to improve the organisation's governance integrity and efficiency while adhering to Islamic standards. GFWESS would give confidence and improved pleasure to Muslim and non-Muslim Waqf Endowers, as well as accurate statistics for total waqf and contribution fund collections. This approach, in conjunction with existing green efforts, is linked with the government's push to encourage renewable energy projects. As a result, GFWESS is a recommended method for financing renewable projects such as solar, biomass, biogas, and others. The peculiarity of this method is that it allows Waqf endowers to make endowments in any project that meets their criteria.

Furthermore, it is highly handy and offers consumers access mobility with the motto "Anytime & Anywhere." Thus, GFWESS would help the Waqf Department in providing the best practices which promising the accurate information. The purpose of this study is to scrutinise the level of acceptance towards the "GFWESS" as Waqf Evaluation System for Waqf Departments in Malaysia.



Figure 3: GFWESS's Logo

Novelty

The application of **GFWESS** may create the confidence level among Waqf Endowers and may avoid the fraudulence in preparing financial reports. The traditional method involves the use of manual forms and interpersonal will create the incorrect data and information and may lead to unsystematic data management. **GFWESS** system will categorise the Muslim and Non-Muslim Endower and the department will manage to see the total endowment from Muslim and non-Muslim at the end of financial period. This function will lead to another future analysis on the behavior and background of endowers in terms of ethnicity and demographic profiles.

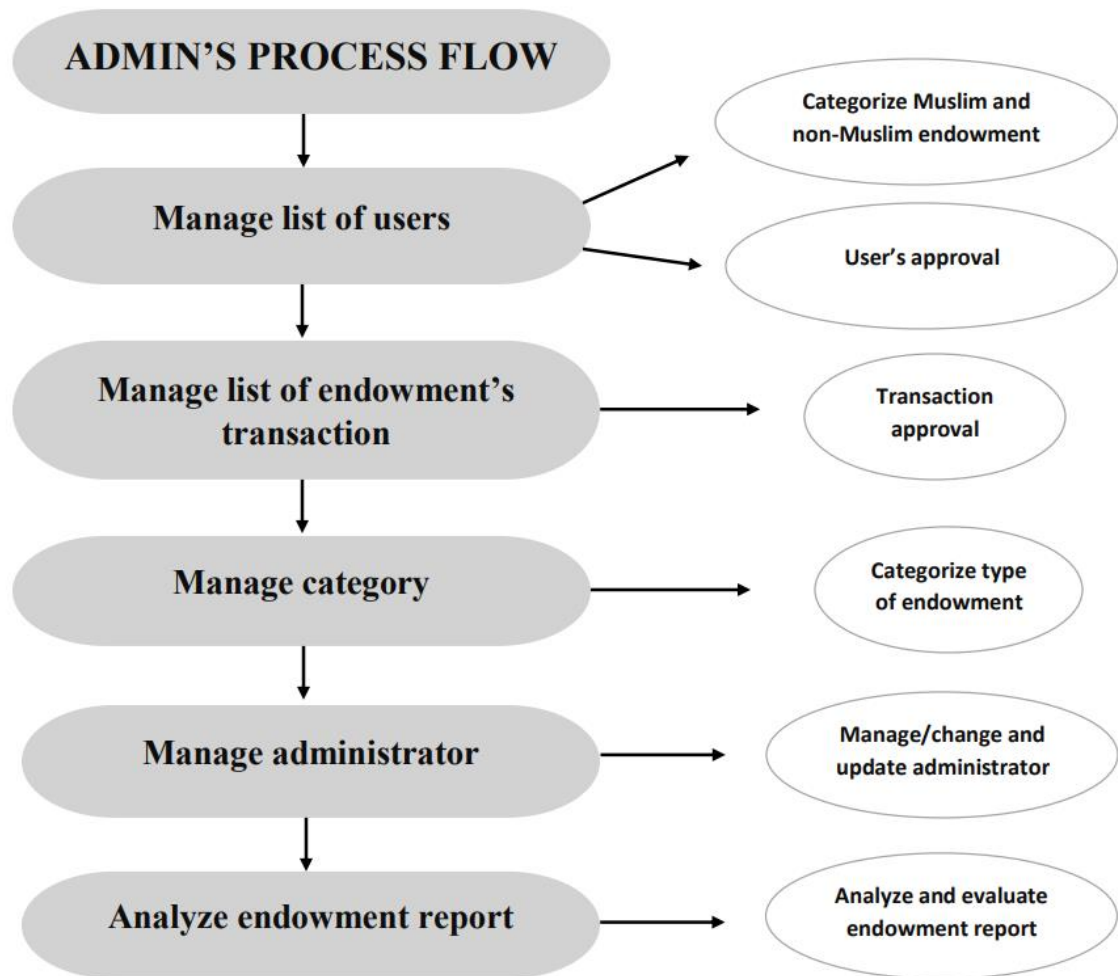
GFWESS Administrative Interface

Figure 4: Administrative Interface

In this system, the administrator will have five main functions which start with manage user. In this function the administrator may need to uphold the integrity values as they may need to approve the application which is genuine and with correct information. The second functions is to approve the transaction which is valid and with genuine payment proof where the administrator need to check thoroughly on the attachment and the details wisely. Third function is the administrator need to add and update the category based on the current scenarios with latest data and information's. Fourth function is to manage the administrator function where the department may add up and tighten the security initiatives from this functions. In this stage, there is a function where the Waqf/Endowment Department can add up new or change the officer in charge for audit purposes. Fifth function is the analysis and evaluating the report based on current percentage of endowment funds. This will benefit the department for further action plans and developments purposes.

In this function, the **GFWESS** system will illustrate:

- i) Total Waqf and Endowment collection for each period.
- ii) Total Waqf versus Total Endowment Collections
- iii) Total Waqf and Total Endowment Collections based on each Renewable Projects.

iv) Total Cash Waqf versus Total Non-Cash Waqf Collection

Additionally, the system also enhance the validity of the report based on first approval and second approval to validate the report. This is to support the conscientious and anti-corruptions procedures in dealing with charitable funds where the integrity play main important role. Ultimately the objective of this thesis will be carried out since through the development of Waqf Sytem (GFWESs) the issue of Giving Behaviour and Trust Issue will be solved .The transparency of information through report generation will boost the confidence level among waqf endowers to make more endowment and the sustainability development will be achieved.

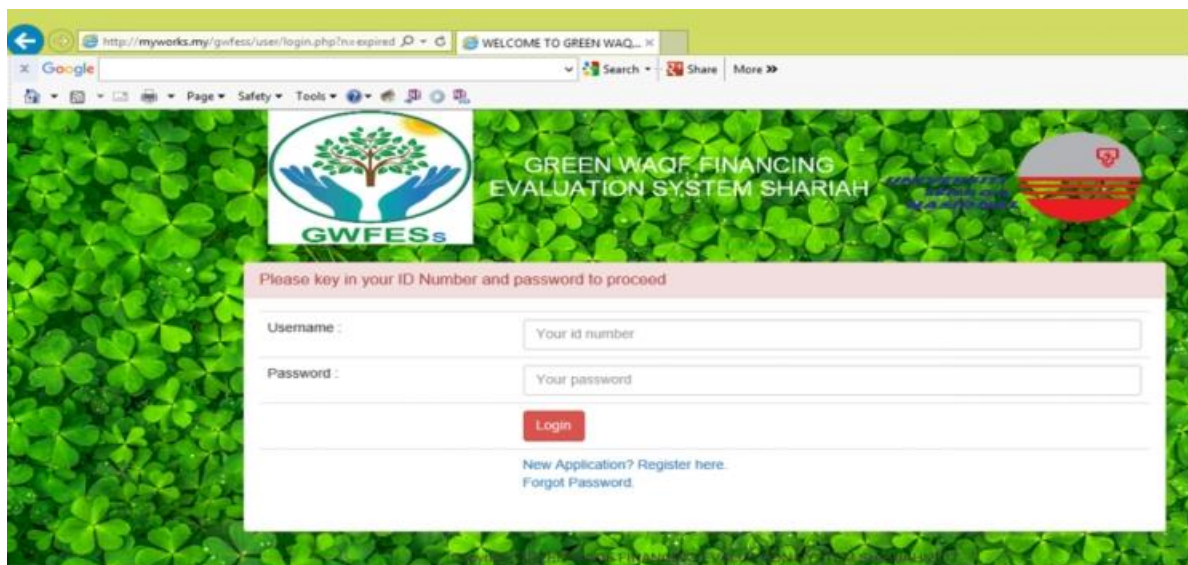
Main Page

Figure 5: Main Page

Registration

Figure 6: Registration

Administration Panel

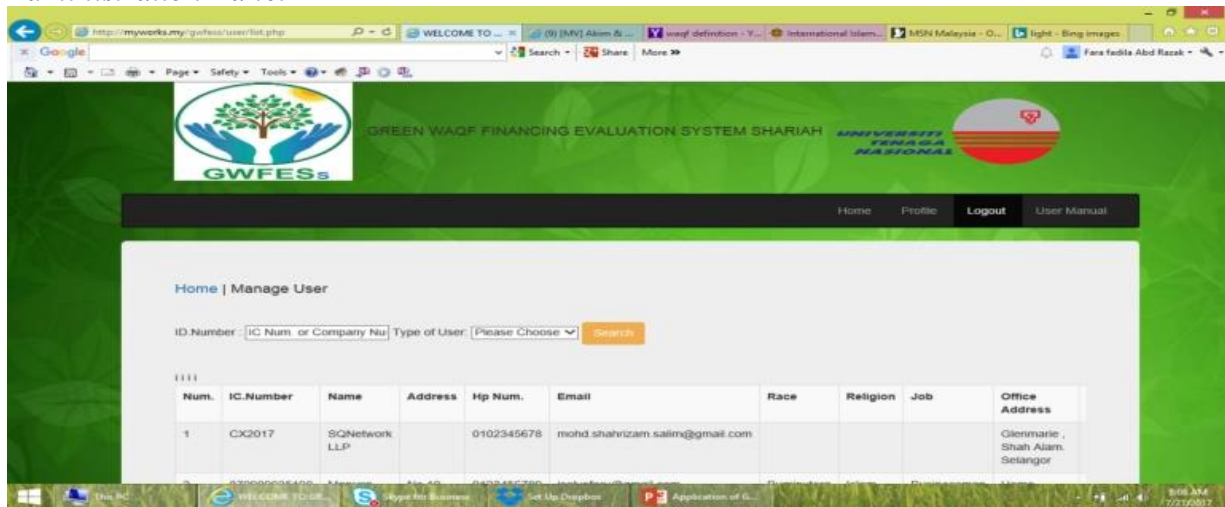


Figure 7: Administration Panel

Approval by Administrator

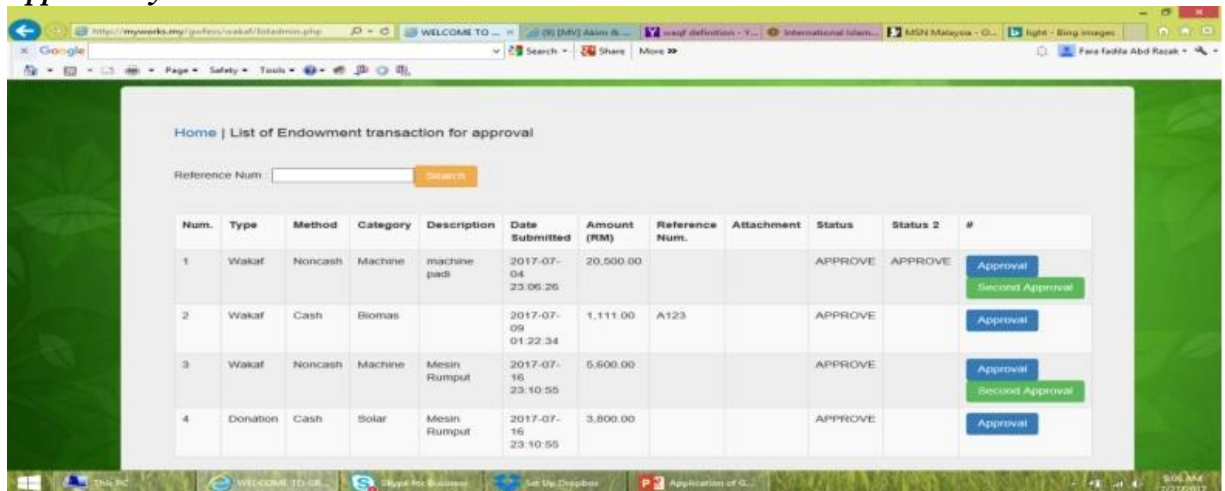


Figure 8: Approval by Administrator

Successful Registration by Administration

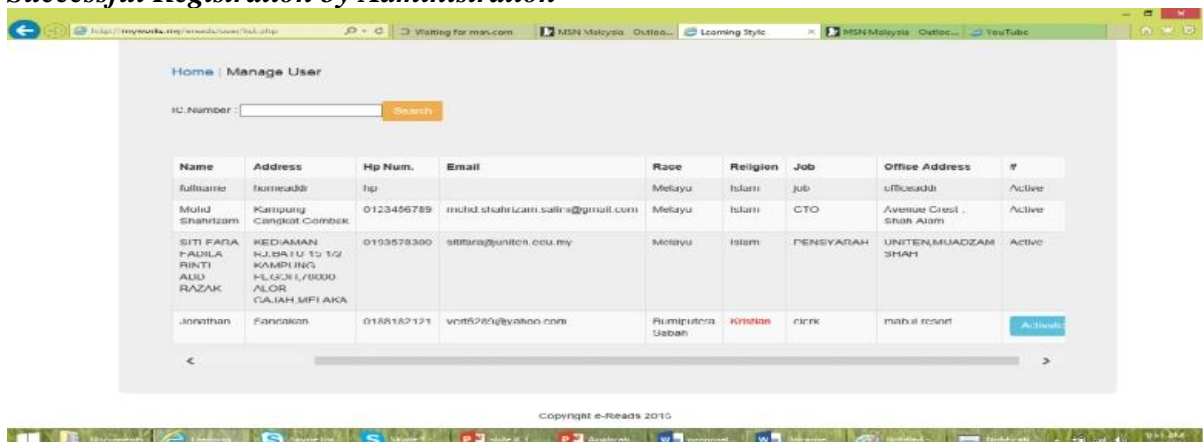


Figure 9: Successful Registration by Administration

Approval for Waqf Transaction

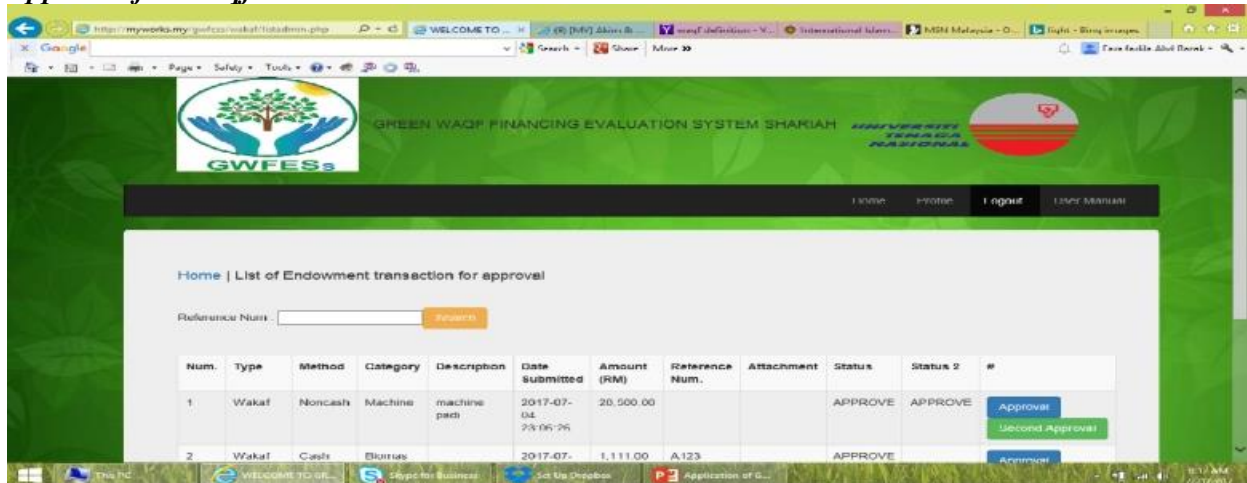


Figure 10: Approval for Waqf Transaction

Approval for Endowment Transaction

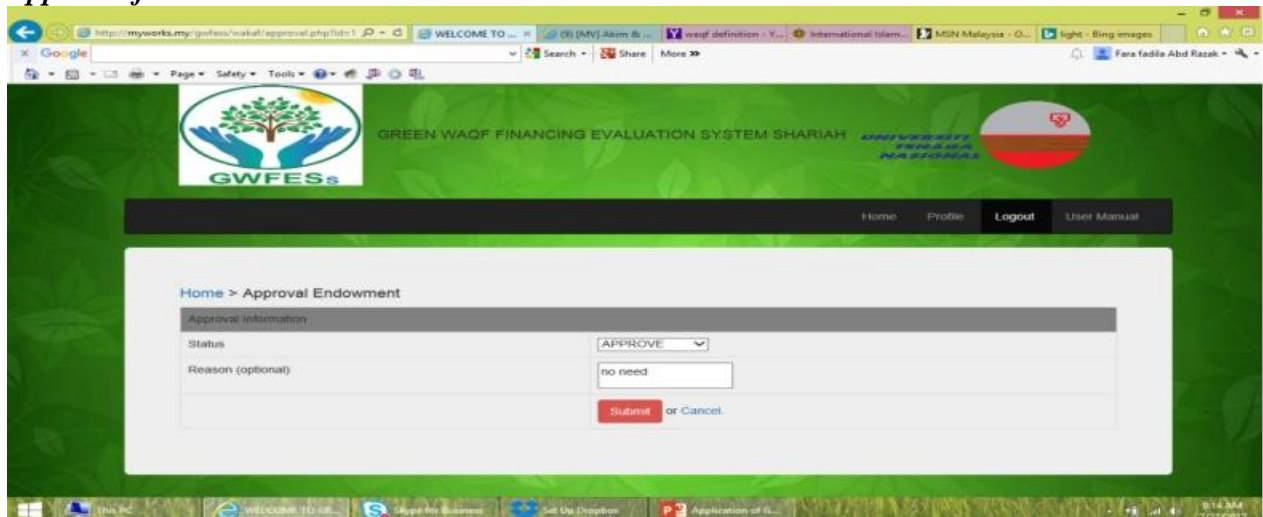


Figure 11: Approval for Endowment Transaction

Manage Category

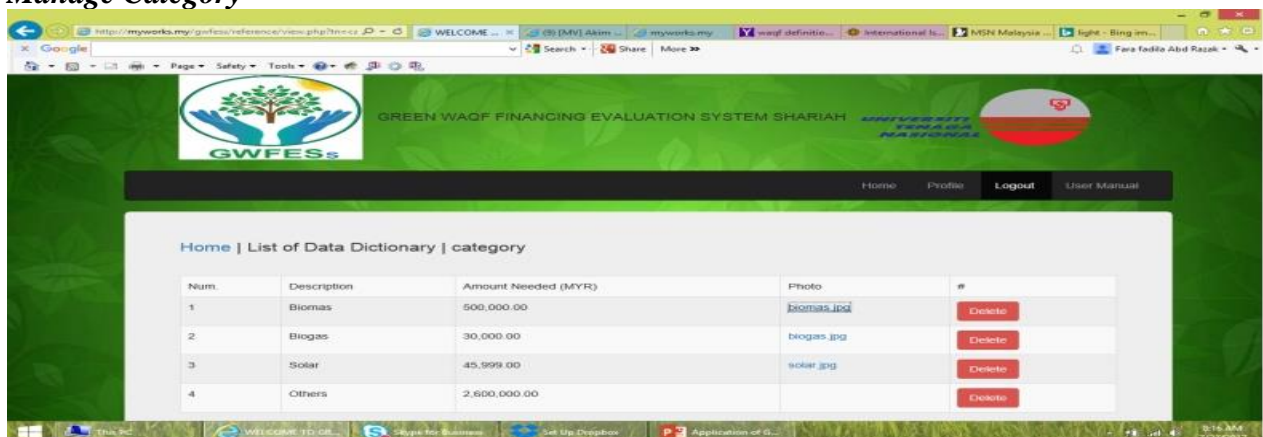


Figure 12: Manage Category

Manage Report for Disbursement



Figure 14: Manage Report for Disbursement

GFWESs User Interface

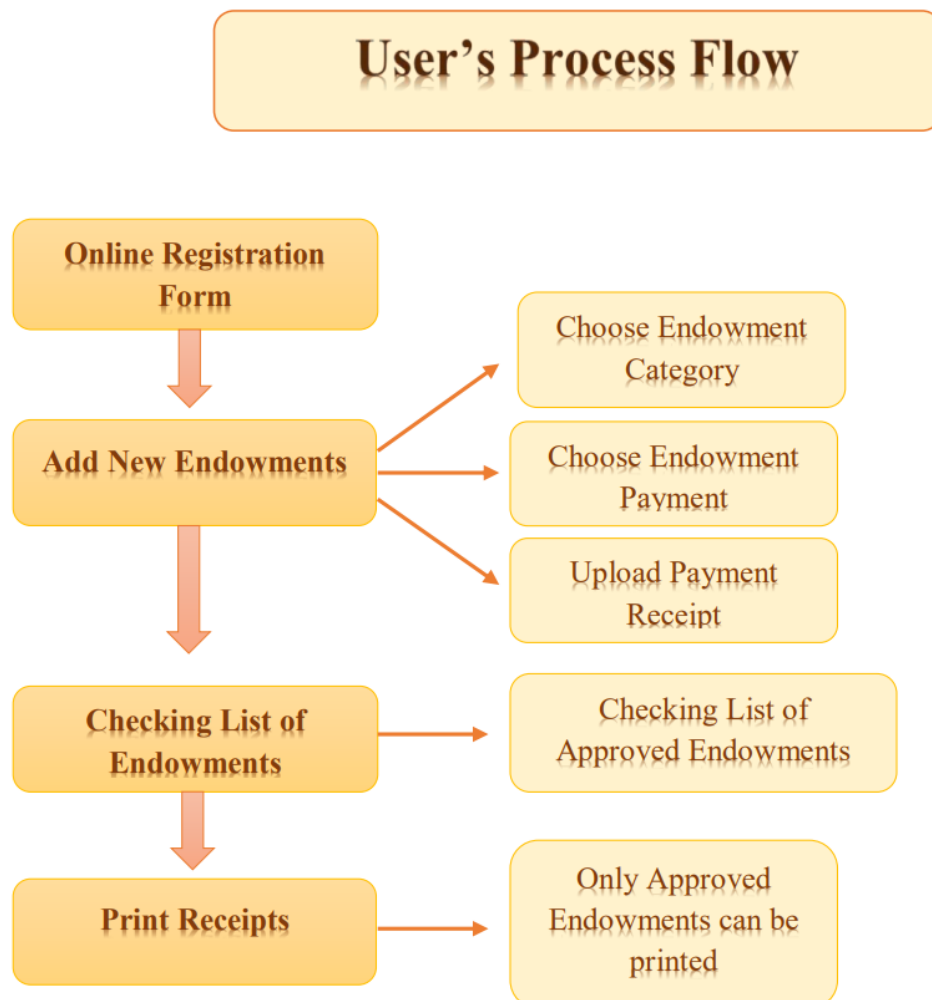


Figure 15: GFWESs User Interface

In this system, users will have 3 main functions. The users need to register in online registration. **Once done with registration**, the users need to wait the administrator to approve the

registration from the email successful activation. This step is very crucial stage since the system will highlight red colors on the application of Non –Muslim Endowers. This initiative is to protect the value of Waqf itself and the sources of the endowment. Since Islam very particular on halal money, thus the idea in segregating Muslim Endowers as Waqf Fund Collections and Non- Muslim Endowers as Endowment /Donation Collections. Once the registration is successful. The user may add new endowment by choosing the category was appeared in the system. The system will lead the Muslim Endowers to Waqf Category and Non-Muslim to Endowment/Donation Category. Under the Add New Waqf/Endowment, the user can choose to make Cash Endowment or Non Cash Endowment. This is the foremost uniqueness about this system where the system will also accept Non Cash Endowment especially machine which going to be used for Renewable Projects. How the system will estimate the value of Non Cash Endowment, it will be based on the amount of the tangible assets. It will not base on quantity or other units measurements. Additionally, the users may also need to make their own choice own on which renewable projects. The system will present the current total collection and total amount needed for every Renewable Projects which managed by the Waqf and Endowment Department. The system will also show the actual Project Progress and the layout together with Project Description in detail. This will give the user an option to choose based on their own preferences. Furthermore, this will enhance the transparency between the Waqf/Endowment Department with the endowers. In directly, will increase the confidence level towards the departments in managing fund amicably. Users may add new endowment based on their preferences as minimum as RM 1.00 (this is based on the minimum amount which set up by the Waqf or Endowments departments) and upload the receipts. The **GWFESs** system will provide a function to upload the receipts to those Waqf departments which still haven't yet got MOU or any cooperation with any financial institutions for Direct Debit Transaction. The admin of each Waqf Departments need to verify the uploaded receipts to avoid the invalid transactions. Users may need to wait for confirmation and approval from administrator since the administrator have to check thoroughly the genuineness of the receipt. Once the Waqf and Endowment transaction have been approved, the Endower may print the receipt as a payment proof and to be used to claim taxable from Inland Revenue Board of Malaysia.

User Main Interface



Figure 16: User Main Interface

Add New Endowment

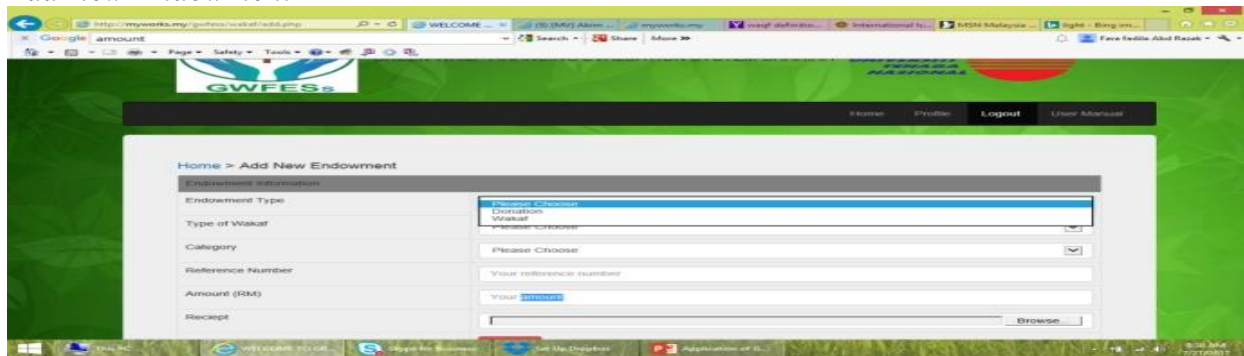
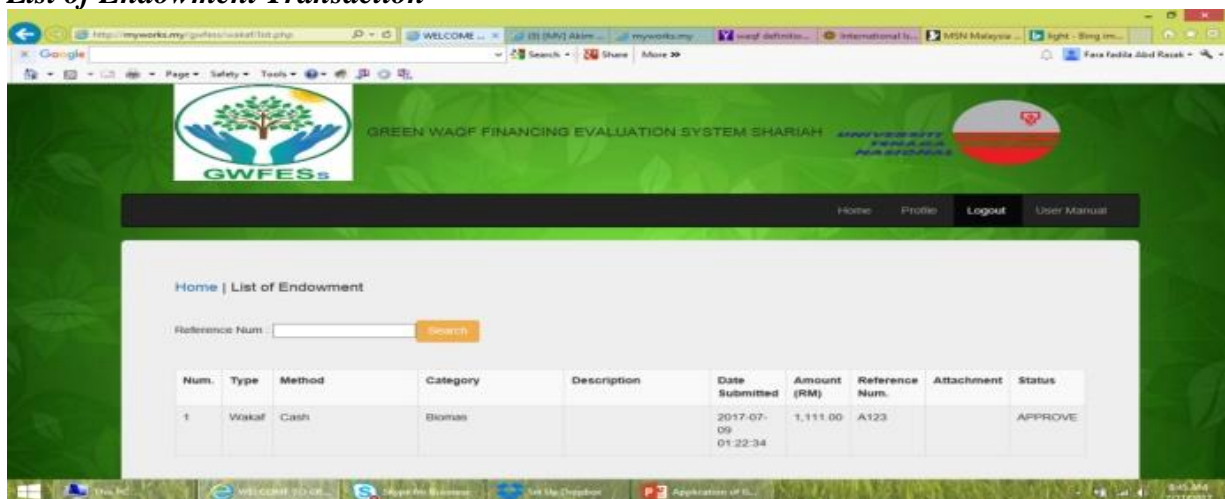


Figure 17: Add New Endowment

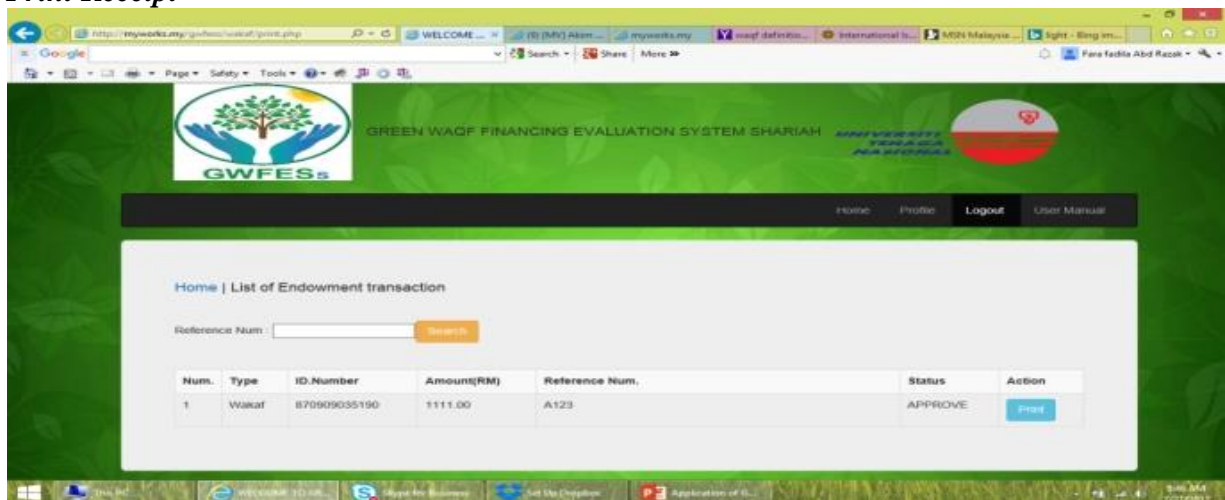
List of Endowment Transaction



Num.	Type	Method	Category	Description	Date Submitted	Amount (RM)	Reference Num.	Attachment	Status
1	Wakaf	Cash	Blomas		2017-07-09 01:22:34	1,111.00	A123		APPROVE

Figure 18: List of Endowment Transaction

Print Receipt



Num.	Type	ID Number	Amount(RM)	Reference Num.	Status	Action
1	Wakaf	870909035190	1111.00	A123	APPROVE	Print

Figure 19: Print Receipt

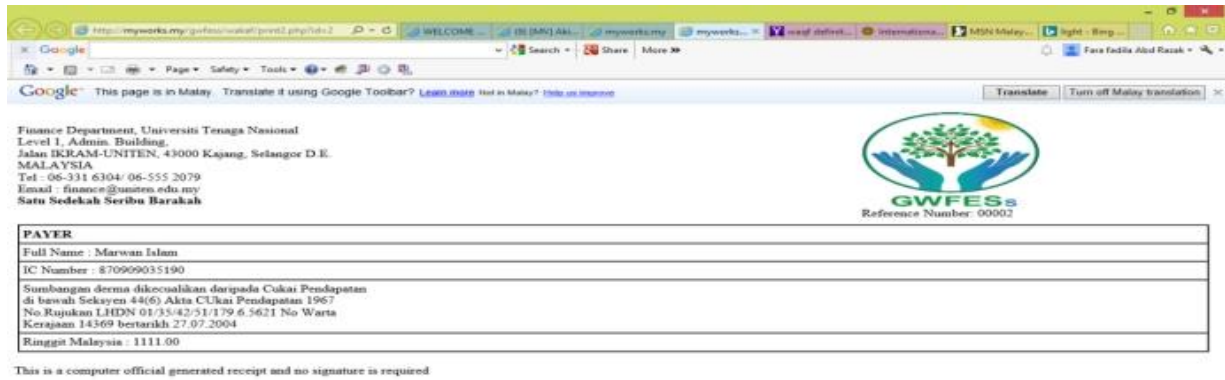


Figure 20: Actual Receipt

List of Achievements of GFWESs

Though GFWESs is still new and just implemented but it managed to get a recognition from Islamic Industry Experts through the one of Islamic Innovation Competition. GFWESs steadily secured a Gold Medal and Special Awards (Best Booth Award) at Islamic Invention & Innovation 2017. The competition was organised by Center of Islamic Philanthropy and Social Finance (CIPSF).

Gold Medal – INNIC 2016 (First Generation Waqf System –Ereads)



Figure 21: Gold Medal InIIC 2016

Silver Medal – PERINTIS 2016 (Second Generation Waqf System –Ereads)



Figure 22: Silver Medal – PERINTIS 2016

Silver Medal – ITEX 2017 (Second Generation Waqf System –Ereads)



Figure 23: Silver Medal – ITEX 2017

Newspaper Cutting – Utusan Malaysia Dec 2015 (Second Generation Waqf System –Ereads)

Figure 24: Newspaper Cutting – Utusan Malaysia Dec 2015

These recognitions shown the validity of this invention in giving the solution for managing Waqf funds effectively especially in dealing with giving behaviour and trust issues among waqf endowers.

External Recognitions

The uniqueness of GWFESSs is the system will allow the Waqf Endowers to choose their own preferences to donate the money in which project based on their own preferences. Later on, the Waqf and Endowment departments may analyse the priority of tendency of choices among the endowers. The findings of the analysis may lead to the actual experience which may help the department to improve from time to time. The **GWFESSs** is successful get the recognition from the external parties where it was formally introduced during Astana World Expo 2017 at Kazakhstan on July 2017. The innovation managed to attract the interest from some delegates from different countries.

The interested parties were Kazakhstan Waqf Foundation, Egypt Delegations, Astana Banki, Eurasian University and AIFC. **GWFESSs** is one new innovation which could be first waqf evaluation system could be implemented in Kazakhstan. Since Kazakhstan has only one organization which manage on Waqf matters, it would be much easier for them to implement the **GWFESSs** system compared to what have been practice in Malaysia.

Feedback from the respondents from JAWHAR, Malaysia

By applying a consolidated subjective and qualitative methodology including focus groups, it is believed that trust is supported by shared qualities and is identified with certainty at the degree of organisations and trust fortifies public altruism.

Respondent from **JAWHAR, Representative 1** articulated that:

“The trend in responses from the Malay society when it comes to issues of untrustworthy person can be categorised into three, namely positive, negative and indifference. For the positive, they do not trust the whole story they read. Commonly, they will take the initiatives to visit the homes of the poor. This is to ensure that the information communicated through social media is checked and verified.”

Respondent from **JAWHAR, Representative 2** articulated that:

“Malays also have one unique characteristic, which is forgiving. Nevertheless, if the Malays are petulant and offended, then it takes a long time for a reconciliation. They tend to forgive but not forget the people who made them feel ashamed. Thus, as conclusions, Malays is quite sensitive to the information they received and may not cooperate with the untrustworthy person, but they tend to forgive them if the person repents.”

Both respondents provided feedback that may be used to represent the Malays' attitude toward those who cannot be trusted in the past. However, some incidents may provide insight into how Malays respond when confronted with an untrustworthy individual. Yayasan Pembangunan Ekonomi Islam Malaysia (YaPEIM) lost 3000 charity donations or donors (salary deduction plan) who stopped donating to the foundation in 2015. The impact is significant, despite the fact that the exposure is disseminated through social media. In the same year, word spread on social media that zakat recipients do not receive the proper assistance from the zakat institution. People shared photos and videos with the title "Where is Baitulmal?" that reveal impoverished and needy people who are ignored. Many zakat payers believe that it is preferable to contribute zakat directly to Asnaf rather than through Baitulmal as a result of the rumor. The decision resulted in a drop in zakat collection in Baitulmal, prompting the authorities to issue a fatwa declaring that paying zakat straight to asnaf is permissible but sinful. All of this occurred as a result of the public's loss of faith in Baitulmal's administration. Based on these two examples, it is possible to infer that today's Muslim community in Malaysia is sensitive to and wary of people who cannot be trusted.

Thus, authors proposed that the Waqf departments implement the trust value as indicated below to bring back public confidence in contributing to waqf money.

Table 1: Trust Value

	Trust Value
1	How Waqf institutions will act as anticipated
2	How Waqf institution will realise its obligations
3	How Waqf institutions shall always act in the best interest in the cause of Waqf
4	How Waqf institution will use Waqf funds appropriately
5	How Waqf institution will not exploit their donors

By capturing those trust value in Waqf Management it is believed will increase the trustworthiness among current and potential waqf endowers and will lead to sustainable development goals.

Conclusion and Recommendation

Summary of New Financial Innovation Approaches to Support the Implementation of the Sustainable Development Goals

This section summarises, the development of GWFESs system as new Financial Innovation Approaches in supporting the implementation of Sustainable Development Goals. This indirectly will highlight the urgency of need on the system in dealing with trust issues and monitoring processes as well as analysing the total collection for every year ended period. The Waqf departments play very important role as a service provider with main mission to pledge a system that is always free from errors. GWFESs is particularly created for Waqf and Endowment Departments of Malaysia and abroad. GWFESs is created based on four major functions which are for Record, Evaluate, Authorise and Disburse processes with Shariah Practices. Finally, GWFESs would provide the assurance and enhance gratification among

Muslim and Non-Muslim Waqf Endower especially in dealing with giving behavior and trust issues. By having this online financial evaluation system will minimise the errors and gain the confidence in a way to build trust value among the waqf endowers.

Further GWFESs Experiment

It is proposed that the GWFESs system conduct a large-scale experiment in the future. This is done to assess the system's efficacy and efficiency. Currently, it has been tested on a small-scale transaction scenario, and the results show that GWFESs clients are happy.

This invention will positively contribute to the abolition of poverty and will align the community with the sustainable economic development outlined in Malaysia's 12th Malaysia Plan.

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