

**Development and Performance of *Waqf* in Pakistan: Data  
Envelopment and Analytic Network Process Analysis**



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Analytic Network Process Analysis


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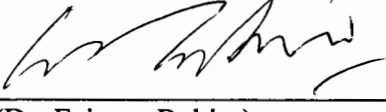
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
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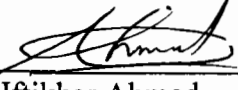
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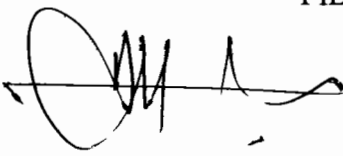
  
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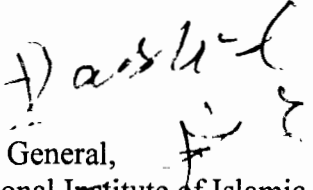
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May Allah reward all those who have supported and guided me in this journey abundantly, both in this world and in the hereafter.

# Dedication

To my beloved parents and my husband, Zulfiqar Ahmed Janjua, whose prayers, unwavering support, and encouragement have been the foundation of my strength and success.

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## ABSTRACT

In the quest for sustainable development, the global economy is increasingly exploring innovative financing mechanisms. The institution of Waqf, with its unique features of irrevocability, perpetuity, and inalienability, offers a powerful tool for financing the Sustainable Development Goals (SDGs). Despite its historical significance in supporting public welfare, the potential of Waqf in contributing to sustainable development remains underutilized, particularly in Pakistan. The scarcity of empirical data and research on Waqf institutions in Pakistan underscores the need for a comprehensive study to evaluate their current performance, identify challenges, and propose strategic directions for improvement. Given Pakistan's socioeconomic challenges, including poverty, inadequate healthcare, and limited access to quality education, revitalizing the Waqf institution could provide a sustainable solution to bridge funding gaps in essential public services. This study investigates the historical evolution and current state of Waqf participation in sustainable development globally. The findings disclose that key factors enabling successful Waqf development include a comprehensive legal framework, active government involvement, skilled and experienced Waqf staff, innovative Waqf models, and the embrace of technology. Secondly, the study analyzes the efficiency and performance of both public and private Waqf institutions using Data Envelope Analysis (DEA) with output orientation. Data from 100 Waqf organizations, categorized as large, medium, and small-scale, was utilized. The result shows that Waqf organizations in Pakistan, on average, remain technically efficient with an efficiency level of 74%. The pure technical efficiency scores of large, medium, and small organizations were 75%, 85%, and 88%, respectively. The third objective of this study is to use the Analytic Network Process (ANP) to identify the challenges hindering Waqf development in Pakistan. By highlighting these hurdles, the study aims to propose targeted solutions that can address the identified challenges and pave the way for a more efficient Waqf institution in the country. The study's findings reveal that management systems pose the most significant obstacle to Waqf development in Pakistan. This is followed by the need for modernized Waqf practices, a more robust legal and regulatory framework, and improved governance structures. In response to these challenges, the research proposes a novel approach: an SDG-Integrated Waqf Model specifically planned to achieve Sustainable Development Goals 3 ("Ensure healthy lives and promote well-being for all at all ages") and 4 ("Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all") in Pakistan. The study highlights the transformative potential of Waqf in addressing educational and health disparities through innovative model. It concludes by emphasizing the need for collaborative efforts among stakeholders to unlock the full potential of Waqf for sustainable development.

**Keywords:** *Waqf* Organizations, Efficiency Analysis, Analytic Network Process (ANP), Sustainable Development Goals (SDGs)

**JEL Codes:** I38, D64, C14

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## List of Abbreviations

AD	Anno Domini
AHP	Analytic Hierarchy Process
ANP	Analytic Network Process
BCC	Banker, Charnes, and Cooper
BWI	Badan Wakaf Indonesia
CAF	Charities Aid Foundation
CCR	Charnes, Cooper, and Rhodes
CE	Common Era
CRS	Constant Returns to Scale
CSM	Crowdfunding-Sadaqah Model
CWD	Cash <i>Waqf</i> Deposits
DEA	Data Envelopment Analysis
DMUs	Decision Making Units
DRS	Decreasing Returns to Scale
EVS	Education Voucher Scheme
GDP	Gross Domestic Product
HCE	High Council of Endowments
HDI	Human Development Index
IRS	Increasing Returns to Scale
IsDB	Islamic Development Bank
ISF	Islamic Social Finance

KAPF	Kuwait <i>Awqaf</i> Public Foundation
MDGs	Millennium Development Goals
MFIs	Micro Finance Institutions
NGOs	Non-Governmental Organizations
NWDA	National <i>Waqf</i> Development Authority
OIC	Organization of Islamic Countries
PBs	Participation Banks
PCP	Pakistan Center of Philanthropy
PEF	Punjab Education Foundation
PPP	Public Private Partnership
PTE	Pure Technical Efficiency
SAW	<i>Sallahhu Alaihi Wasalam</i>
SDGs	Sustainable Development Goals
SE	Scale Efficiency
SIRCs	State Islamic Religious Councils
TE	Technical Efficiency
UN	United Nation
UNDP	United Nation Development Program
WEF	World Economic Forum

# Chapter 1

## Introduction

### 1.1 Introduction and Rationale for Research

The global economy continues to seek measures that prioritize sustainability. The Sustainable Development Goals (SDGs), introduced in 2015 following the expiration of the Millennium Development Goals (MDGs), represent a transformative approach to global development. The SDGs encompass 17 comprehensive goals compared to the MDGs' 8, reflecting a broader vision for addressing human wellbeing, which remains a shared objective across societies (Chapra, 2008; Malhotra, 2003). Many of these goals are directly linked to human welfare, with some targeting developmental outcomes and others focusing on enabling conditions (Neve & Sachs, 2020). However, achieving the SDGs requires not only government involvement but also active participation from civil society and the philanthropic sector, which holds immense potential to finance developmental projects (Abdullah, 2018).

The noble vision of eradicating poverty and achieving sustainable development demands significant infrastructure investments. Mobilizing resources from public, private, and philanthropic sectors is crucial to meeting this challenge. Waqf, a prominent institution within Islamic philanthropy, has historically demonstrated its potential to contribute to societal welfare. Derived from the Arabic term "Habs," Waqf refers to the act of designating property for philanthropic or religious purposes while preserving its core use (Kahf, 1999). Historically, Awqaf provided vital services such as education, healthcare, clean water, and shelter, playing a transformative role in enhancing societal capabilities (Kuran, 2004). Yet, the question arises: how can Waqf revitalize its historical contributions to address contemporary challenges? This study endeavors to answer this question, focusing on Pakistan as a case study.

The selection of Pakistan as a case study is rooted in its unique historical and contemporary challenges. Since independence in 1947, Pakistan has faced persistent issues such as poverty,

limited healthcare access, educational inequities, and justice disparities. These challenges are reflected in its low ranking of 128 on the UNDP's 2023 SDG Index, compared to Bangladesh (101) and India (112). Despite this, Pakistan's philanthropic sector is notably active, with the nation recognized as one of the world's most generous, contributing 1% of GDP annually to charity (Amjad & Ali, 2018). By focusing on Waqf, an integral yet underutilized aspect of Islamic philanthropy, this research aims to explore its potential as a sustainable financing mechanism for the SDGs in Pakistan.

Awqaf has been a cornerstone of Muslim society in Pakistan since pre-colonial times. However, its administration shifted significantly during British colonial rule. Legal milestones, such as the Muslim Waqf Validating Act of 1913, sought to restore Waqf properties to rightful ownership (Malik, 1990). Post-independence, various legislative efforts, including the Waqf Properties Act of 1959 and subsequent provincial acts, aimed to regulate and manage Waqf properties more effectively. Despite these efforts, many Waqf estates suffered from mismanagement and diversion from their original purposes (Cizakca, 1998; Jabeen & Aziz, 2019). The 2020 Waqf Properties Act introduced significant amendments but faced criticism for inadequate stakeholder consultation (Madni, 2022).

A survey of Pakistan's Waqf properties reveals their considerable potential, with assets including cultivable land, mosques, shrines, houses, and markets. However, the institution remains largely underdeveloped, with its contribution to societal welfare falling short of expectations.

While Pakistan's philanthropic contributions are substantial, the role of Islamic banks in enhancing Waqf's potential remains limited. To unlock the potential of *Waqf* many Muslim countries improved their administrative approaches, enable legislator framework, and



successfully use different *Waqf* models.<sup>1</sup> Successful models in other Muslim-majority countries such as Malaysia, Indonesia, and Turkey demonstrate the potential of *Waqf* to contribute significantly to societal welfare through innovative management and financing strategies. Islamic banks in Pakistan, such as Meezan Bank, have made limited strides by establishing charitable funds, yet their efforts remain insufficient in addressing the broader challenges of *Waqf* underdevelopment.

In this study, we employed the Analytic Network Process (ANP) methodology to identify and prioritize obstacles to the development of *Waqf* institutions in Pakistan. Unlike the Analytic Hierarchy Process (AHP), which assumes independence between clusters and elements, ANP accounts for interdependencies and feedback among factors, making it a more advanced decision-making framework (Saaty & Vargas, 2006). By combining individual ratios, ANP provides a comprehensive relative measurement of interconnected elements. Initially applied to Islamic economics by Rusydiana and Devi (2013), ANP enables a nuanced analysis of both physical and non-physical factors impacting *Waqf* development.

This study seeks to address these gaps by proposing an SDG-integrated *Waqf* model tailored to Pakistan's context. Building on the historical emphasis of *Waqf* on health and education, this research prioritizes SDGs 3 (Good Health and Well-being) and 4 (Quality Education). Utilizing the Analytic Network Process (ANP) methodology, the study identifies and prioritizes obstacles to *Waqf* development, offering actionable insights for revitalizing this institution as a key driver of sustainable development in Pakistan.

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<sup>1</sup> INCEIF and ISRA Report on Maximizing Social Impact through *Waqf* Solutions. The world Bank Report May 2019

## 1.2 Institution of *Waqf*: Definition, Types and Legal Principles

Islam is the religion that gives strong emphasize on redistribution of wealth. There are different forms of charity in Islam in which two are mandatory: *Zakat* and *Sadqa Fitr* and others are optional but highly recommended. *Waqf* is an optional form of charity, but it's the only one with the property of perpetuity. The Prophet Muhammad (Peace Be Upon Him) emphasized this form of charity and said: "*When a Son of Adam dies the rewards for their good deeds cease except for three things for which they continue to get the reward (even after his death) and these are: (1) Sadaqah Jariyah (Waqf or on-going Charity), or (2) Knowledge Which Benefits People, or (3) Pious Child Who Pray After his Death.*"<sup>2</sup>

*Waqf* (plural *Awqaf*), the Arabic word which means preventing or restricting. The root word of *Waqf* is '*Habs*' which means to hold, mentioned in a hadith in which Prophet Muhammad (PBUH) suggested *Hazrat Umar* (RTA) to *Habs* the land of Khyber and used its profit for welfare purpose. In Islamic lingo *Waqf* means dedicating a certain property and preserving this property for the specific objective that may be religious, philanthropic or any other pious work and preventing any use outside the specific objective. Once the founder established his property as *Waqf* he surrenders his power of disposition of property. The founder also has no right to disposal of usufruct on *Waqf* property but has the right to specify its uses to any Islamic legal good.

There are four main pillars in the organizational structure of *Waqf*. The founder called ***Waqif***, who dedicated his property in the favor of beneficiaries for any pious purpose. The property which denoted as *Waqf* is second pillar in the organization of *Waqf* called ***Mawquf*** (*Waqf* asset). Beneficiaries is the third stake holder called ***Mawquf alayh*** and last party is administrative of *Waqf* property nominated by the founder called ***Mutawalli*** (Abbasi, 2012).

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<sup>2</sup> Source: Sahih Muslim 1631

*Waqf* can be categorized in different types. In relation to beneficiaries there are three types of *Waqf*.<sup>3</sup>

- 1) **The charitable *Waqf* (*Waqf al-Khayri*)**, most common type of *Waqf* that supports the welfare of the needy and vulnerable people of the society.
- 2) **The family *Waqf* (*Waqf al-Ahli*)**, it supports the family members of the donors and property cannot transfer in the form of inheritance.
- 3) **The joint *Waqf* (*Waqf al-Mushtarak*)**, it supports the welfare of family members and general public.

In relation to nature of *Waqf* it can be classified into three categories.

- 1) **Property *Waqf***, this type involves in physical assets as *Waqf* such as, mosque, school, hospital, land and other properties donated for social welfare. In this type wakif surrenders his or her rights of reclaim back the *Waqf* asset.
- 2) **Corporate *Waqf***, this is a modern type of *Waqf* in which *Waqf* assets are in form of shares of a company. The shares are managed by Islamic banks, Islamic microfinance institutions and takaful companies.
- 3) **Cash *Waqf***, this type includes in movable assets. Majority of Muslim scholars have consensus on the validity of movable assets including cash as *Waqf* (Jahangir et al, 2020). There are certain legal characteristics of *Waqif* (Founder) and *Mawquf* (*Waqf* Assets) and *Mawquf alayh* (Beneficiaries). As far *Waqif* is concerns, he must meet these following conditions<sup>4</sup>.
  - 1) The founder must be sane and attained the age of puberty.
  - 2) He or she is the sole owner of the property that is declared as *Waqf*.

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<sup>3</sup>Kahf, M. (2016). *Waqf: a quick overview*. availabat: <http://monzer.kahf>

<sup>4</sup> Khalil Ahmad Aa'zini (2010). *Islamic system of Awqaf (Islam Ka Nizam-e-Awqah)*, Idara-e-Islamiat: Karachi

The conditions for the legitimacy of *Waqf* assets are

- 1) **Perpetuity:** This means *Waqf* is last forever so the original *Waqf* property is not used, but its profit or usufruct is used for the welfare or religious purpose.
- 2) **Irrevocability:** This means that once the property is declared as *Waqf*, the declaration cannot be changed or withdrawn.
- 3) **Inalienability:** This means that once the *Waqf* is set up, it cannot be used in any other way except for the welfare of the beneficiaries.
- 4) **Istibdal:** The *Waqf* property can be sale or purchase only in Islamic law, if it ensures better alternatives for the welfare of beneficiaries.

Similarly, there are different conditions for *Waqf* beneficiaries in fact *Waqf* revenue can be allocated for myriad of beneficiaries. The founder must consider the following points

- 1) The beneficiaries are clear and *Waqf* must be irrevocable.
- 2) The *Waqf* must be use for halal businesses, to generate the income.
- 3) The religious *Waqf* is use for the whole society, there is no discrimination regarding rich and poor or any class difference.
- 4) The family *Waqf* or Ahli *Waqf* can be use by only family members or other beneficiaries mentioned by founder.
- 5) The Khari *Waqf* or Philanthropic *Waqf* can be used only for poor and needy people and it is possible the other beneficiaries pay for this *Waqf* services and the revenue that is generated can again be use for welfare of the poor.

The management of consist of any numbers of employees which are responsible of *Waqf* management its proper functioning and maintenance. In case of private *Waqf* the founder may nominated a person as an administrator which is called Mutawalli, nazir, wakeel or amin. And

in case of public *Waqf* administrator is appointed by government. The administrator involves in following tasks.

- 1) Ensure that the original property is preserved and repaired when necessary.
- 2) Take care of beneficiaries and solve their issues.
- 3) Rent the property and collect the rent or use the property for any other business to generate the income.
- 4) Develop the property to get maximum output from it.
- 5) Deal with legal issues and disputes regarding *Waqf*.

If the Mutawalli performs its duty well he will take care of *Waqf* property as long as he wishes but in following reasons highlighted by jurists, he can be dismissed from his duty.<sup>5</sup>

- 1) The Mutawalli commit a major sin.
- 2) Involves in corrupt practices.
- 3) Do not follow the founder instructions.
- 4) Government feels that it's better for better utilization of *Waqf* property to change the Mutawalli.
- 5) Mutawalli is physically or mentally disable to fulfills his responsibilities.

While *Waqf* institutions have historically played a pivotal role in societal welfare, contemporary challenges such as administrative inefficiencies, outdated legal frameworks, and limited public awareness hinder their full potential. For example, the lack of standardized governance practices often results in mismanagement and underutilization of assets, reducing their effectiveness in addressing modern socio-economic needs.

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<sup>5</sup> Heyneman, S. P. (Ed.). (2004). *Islam and social policy*. Vanderbilt University Press.

Globally, hybrid Waqf models have demonstrated innovative solutions to contemporary challenges. In Malaysia, cash Waqf integrated with Islamic banking has mobilized significant resources for education and healthcare projects. Similarly, Turkey leverages Waqf properties for urban development initiatives, while Indonesia's partnerships between public and private entities showcase the potential for collaborative management. These practices provide valuable insights into adapting the traditional Waqf framework to meet current and future societal demands.

### 1.3 Literature Gap

After studying the literature on *Waqf*, we observe that most of the literature before 2010 highlighted the importance of *Waqf* in poverty alleviation, in provision of public goods and its achievement in history (Kahf, 2003; Cizakca, 1998; Ahmed 2004; Khan, 2009; Hassan, 2010; Dogarawa, 2009). Similarly, there are many studies which pointed out the reasons of demise of this institution (Cizakca, 2016; Chowduary et al, 2011). Sukmana (2020) reviewed the literature on *Waqf* from 2010 to 2020 and concluded that mostly literature cover the topic regarding finance, law, accountability, and norms of *Waqf*. According to Sukmana's study, 35% literature is on finance of *Waqf*, and theme related to economic development covers 25% of literature. Although these studies highlighted different *Waqf* models implemented by different countries but there is no study which indicates the overall development in *Waqf* institution across the world in recent past and find factors that make this institution useful in achieving SDGs. This study will fill this gap and will be helpful for Pakistan and other countries which are interested in the revival of their *Waqf* institution.

Second notable gap in literature that we observe are very few studies regarding *Waqf* in Pakistan. The most famous and comprehensive paper on *Waqf* in Pakistan was of Malik in 1990. In his paper he discussed the details of *Awqaf* in Pakistan, law and its history and provided the data of *Awqaf* department Punjab that includes *Waqf* land details, source of

income, expenditure, and revenue details. He also indicated that corruption is one of the important factors of *Awqaf* department's malpractices. After that Ahmed (2004) provided the updated data of *Awqaf* department Punjab. Then Sherazi (2015) provided the updated data of *Awqaf* department Punjab and Sindh and surveyed about awareness of *Waqf* in Pakistan. According to Rusdiana and Farisi, 2017 there were only five publications on *Waqf* in Pakistan in last five years while the number is 67 in Indonesia and Malaysia. This study will not only be contributed to a literature but also unique in a sense that it will highlight the importance of *Waqf* in financing the SDGs in Pakistan.

Similarly, there are few studies that measure efficiency of *Waqf* institutions. Like Misbharudin (2019), Arshad and Zain (2017) measure the efficiency of Malaysian *Waqf* institutions by applying Data Envelopment Analysis (DEA) approach. Saad (2019) analyze the performance of corporate *Waqf* institution of Turkey, Pakistan, India, Bangladesh, and Malaysia but not using the (DEA) approach. Ozbek (2015) measures the efficiency of non-government institutions of Turkey by using the approach of DEA. There are seldom studies that measures the efficiency of zakat institution of Malaysia and Indonesia by using Data Envelopment Analysis (Hamzah, 2016; Firdous 2019; Rusydiana, 2016). In Pakistan there is no research has been conducted to analyze the efficiency of *Waqf* institutions of both government and non-government this study will fill this gap.

To find the factors that creates hurdle in development of *Waqf* in Pakistan a new approach which is 'Analytic Network Process' will be used. Which indicates the priority wise problem and suggest some solutions for the progress of *Waqf* in Pakistan. Rusydiana and Devi (2018) used ANP to find problems in development of *Waqf* in Indonesia. There are other studies that used this approach to find the problems in the development of other institutions like Islamic banks, insurance companies (Suryanto, 2015; Peykarjou, 2016; Rusydiana & Hasib, 2019).

The selection of the Analytic Network Process (ANP) and Data Envelopment Analysis (DEA) methodologies is grounded in their unique capabilities to address the study's objectives. ANP is particularly suited for analyzing complex systems with interdependent and feedback relationships among variables, making it ideal for evaluating the multifaceted challenges faced by Waqf institutions. Unlike traditional decision-making tools, ANP accounts for both tangible and intangible factors, providing a holistic assessment. DEA, on the other hand, is a robust non-parametric technique used to measure the relative efficiency of decision-making units, such as Waqf institutions, by comparing their input-output ratios. This dual approach allows for a comprehensive analysis, where ANP identifies and prioritizes key factors, and DEA evaluates operational efficiency. Together, these methods offer a synergistic framework for understanding and improving the performance of Waqf institutions in achieving their socio-economic objectives.

The last vacuum that will fill is the normative *Waqf* model that is a public private partnership (PPP) *Waqf* model. The uniqueness in this model is that the other proposed model (Khan, 2004; Hassan, 2010; Aplay&Haneef, 2015; Maysita et al, 2005; Tohitin, 2010; Aziz et al, 2013) focus on Islamic microfinance and providing microcredits for poverty alleviation. For poverty alleviation Islamic microfinance plays a significant role. Islamic *Waqf* system solely based on the welfare of the society so merging it with microfinance is against the true nature of *Waqf* which is the prosperity of the society. This model specifically focusses two main SDGs that are health and education goals. So, in this study we presented a *Waqf* model especially considering the present situation of *Waqf* in Pakistan.



## 1.4 Research Objectives

Following are the research objectives of the study:

1. To assess the current state of *Waqf* development and identify key determinants of effective Waqf institution performance in selected Islamic countries.
2. To evaluate the efficiency and performance of *Waqf* institutions in Pakistan using Data Envelopment Analysis (DEA).
3. To identify and prioritize the critical factors hindering the development of *Waqf* in Pakistan through the application of the Analytic Network Process (ANP) methodology.
4. To develop potential solutions for the critical factors hindering *Waqf* development in Pakistan, as identified through the ANP process.
5. Design a model to maximize the positive impact of *Waqf* on sustainable development goals for the betterment of society.

## 1.5 Research Questions

- 1) What are the key factors contributing to the effectiveness of Waqf institutions in addressing contemporary challenges in selected Islamic countries?
- 2) To what extent are *Waqf* institutions in Pakistan utilizing their resources efficiently to achieve their objectives?
- 3) What are the priority factors hindering the development of *Waqf* in Pakistan?
- 4) What potential solutions can be derived from the ANP analysis to address the prioritized obstacles hindering *Waqf* development in Pakistan?
- 5) How can *Waqf* institutions contribute to achieving the Sustainable Development Goals (SDGs) in Pakistan?

## 1.6 Significance and Contribution of the Study

*Waqf* is a strong instrument of Islamic financing and there is strong historic evidence that this institution plays important role in the sustainable development of Muslim societies (Latif et al, 2018). Most of the Muslim countries deal with the problem of poverty, hunger, lack of education and health facilities and absence of clean drinking water. These countries experience the scarcity of financial resources for essential public services, the institution of *Waqf* can fill this gap of resources. Some Muslim countries head start in accessing and mobilizing Islamic finance, while many other countries don't pay much attention to this institution. One of the substantial tools of Islamic finance is *Waqf*. To draw up the best technique to use *Waqf* as a source of financing the SDGs, UNDP with the collaboration of SDG's department of Padjadjaran University Indonesia conducted a workshop and in focus group conversation the main outcome from group discussion at UNDP's was "Leveraging Innovative Financing" to ponder *Waqf* as an influential financing tool, It is necessary to generate a rotating investment method through which the assets pooled under *Waqf* mechanism would be invested to support SMEs to create revenues. After the realization of the importance of *Waqf* institution, countries like Indonesia, Malaysia, Turkey, Bangladesh, and others realize the immense potential of *Waqf* and make serious efforts in revitalization of their *Waqf* institution<sup>6</sup>. In this study we will examine the key features of their *Waqf* institution, achievements and different *Waqf* model they use for their development. These countries also contribute to *Waqf* research, like in Pakistan there are only five research publication on *Waqf* in past 5 years while in Malaysia and Indonesia the number is 68 in past five years (Rusdiana and Farisi, 2017). The aim of this study is to indicate the development and importance of *Waqf* across the world and fill the gap in the *Waqf*

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<sup>6</sup> UNDP. (2017, December 11). *Waqf for financing the Sustainable Development Goals (SDGs)*. Retrieved July 8, 2019, from <http://www.id.undp.org/content/indonesia/en/home/presscenter/articles/2017/12/11/untappedgreat-potential-of-waqf-for-sustainable-development-in-indonesia-.html>

literature that there is no publication which highlight over all development in *Waqf* institution of the Islamic world.

Pakistan's economy is struggling to cope with poverty and many forms of deprivation mainly in health and education sector. Pakistan was the first country that adopt the SDGs agenda of 2030 and prioritized SDGs into three parts that will enable Pakistan to include in the list of upper middle-class countries. Priority one includes the SDGs 2,3,4 and 6 which are no hunger, good quality of health and safety, good standard of education and clean water and sanitation. The abovementioned SDGs are essential public services which historically finance through *Awqaf* in Muslim communities (cizakca,2016).

In Pakistan *Awqaf* exist since before colonial era. Currently *Awqaf* in Pakistan is in the process of rebirth, public *Awqaf* are working under the strict rule of government while there is no proper legislation for private *Awqaf* in Pakistan so most philanthropic activities take place in the form of English laws like trust and non-profit organization (Abbasi, 2019). Many *Waqf* properties in all four provinces of Pakistan use as a symbol of past practices like masjids', shrines, and graveyards.

As there is no significant role of government *Awqaf* department in welfare of society, so this department is not qualified for philanthropic foundation (Rabi and Maryam, 2018). Although some privately established *Waqf* contribute to the welfare of the society like Hamdard *Waqf* Pakistan is a famous *Waqf* working since the time of independence. The data on *Waqf* properties in Pakistan were only found in papers of Malik (1990) and Sherazi (2014), this data is very limited. In this study we will try to gather updated data about *Awqaf* department Punjab and analyze this department efficiency through data envelopment analysis. And analyze the efficiency of two trust of private sector Indus hospital and Al Ghazali trust working in health and education sector, respectively. The few studies on efficiency of non-government

organization and *Waqf* institutions are available in literature, but there is no study in Pakistan to evaluate the performance of *Waqf* institutions. This analysis will contribute to literature and help to compare the efficiency of public and private institutions.

To develop the *Waqf* institution in Pakistan it is necessary to know the factors that are hurdle in the development of this institution. The factors are related to *Waqf* legislation and sharia aspects, *Waqf* management issues, awareness about importance of *Waqf* in Islam and for society, limited use of cash *Waqf* products from Islamic banks and lack of government attention to this institution. This study employed the Analytic Network Process (ANP) as a mathematical framework to identify and prioritize challenges hindering *Waqf* development. By applying ANP to the judgments of *Waqf* experts, we established a hierarchy of development problems. This research offers a novel and valuable contribution to policymakers and practitioners working towards the achievement of SDGs in Pakistan.

## **1.7 Plan of the Proposed Study**

The study is structured as follows: Chapter two delves into the economic significance of Waqf, examining its role as a financial tool for achieving sustainable development and its impact on poverty alleviation, education, and healthcare. It provides a comprehensive review of existing literature on Waqf, highlighting its evolution, challenges, and contributions to socio-economic development, and critically analyzes the various research methodologies employed in this study. This chapter also lays the foundation for understanding the theoretical framework within which Waqf operates.

Chapter three offers a historical overview and development of Waqf in selected Islamic countries, tracing its origins, legal foundations, and the role it has played in Islamic societies over the centuries. This chapter includes the evolution of Waqf institutions in countries such as Saudi Arabia, Turkey, Malaysia, and Egypt, focusing on their successes, challenges, and the

adaptations made to modernize Waqf systems. Special emphasis is placed on understanding how these countries have harnessed Waqf to address contemporary challenges, and how these lessons can be applied to Pakistan.

Chapter four undertakes an in-depth analysis of the efficiency and performance of Waqf organizations within Pakistan. Utilizing Data Envelope Analysis (DEA) with output orientation, this chapter examines data from 100 Waqf institutions categorized by size—large, medium, and small-scale. It evaluates the technical and scale efficiencies of these organizations, explores the reasons behind varying efficiency levels, and identifies key factors that contribute to the optimal functioning of Waqf institutions. The chapter also provides recommendations for improving operational efficiency across different Waqf categories in Pakistan.

Chapter five employs Analytic Network Process (ANP) analysis to identify and prioritize the key challenges hindering Waqf development in Pakistan. Through a detailed multi-criteria decision-making process, this chapter uncovers the most significant obstacles, such as weak management systems, lack of modernized practices, regulatory issues, and governance challenges. By analyzing the interdependencies among these barriers, the chapter offers a structured approach to addressing them and improving Waqf administration.

In Chapter six, a novel SDG-Integrated Waqf Model is proposed specifically designed to achieve Sustainable Development Goals 3 (Good Health and Well-being) and 4 (Quality Education) in Pakistan. This chapter outlines how Waqf institutions can be strategically aligned with these SDGs, incorporating innovative operational models, technology integration, and effective partnerships. The proposed model aims to leverage Waqf resources to tackle health and education disparities in Pakistan, providing a practical framework for future interventions and policy formulations.

Finally, Chapter seven presents the study's conclusions, policy implications, and recommendations. Based on the findings from the previous chapters, this chapter summarizes key insights and provides actionable recommendations for policymakers, Waqf administrators, and other stakeholders to improve the performance and impact of Waqf institutions in Pakistan. It also emphasizes the importance of collaborative efforts to unlock the full potential of Waqf in achieving sustainable development and highlights areas for further research in this field.

## Chapter 2

### Economic Significance of *Waqf* and the Review of Literature

#### 2.1 Theoretical background

While researchers and scholars have devoted considerable attention to the religious and legal facets of the *Waqf* institution, the literature exploring its economic role in Muslim societies remains scarce. A comprehensive theoretical framework that explicates the inner workings of *Waqf* and interprets its economic performance is yet to be fully established. However, the glorious history of *Waqf*, particularly during the Ottoman era, serves as a testament to its profound impact on both economic and cultural development. During this period, *Waqf* functioned as a well-organized and administrative entity, demonstrably contributing to the improvement of both micro and macro-economic indicators (Elasrag, 2017).

The institution of *Waqf* can preserve and create assets and will use its resources to provide all essential social services like, education, health, clean drinking water and infrastructure. It also provides technical and financial assistance to poor and develop microenterprises. Historically, it reduces poverty, provides public goods, lowers tax burden, reduces government's non development budget, reduces interest rate, increases saving and investment and improves the distribution of income. We can relate the institution of *Waqf* with microeconomics, macroeconomics, welfare economics and behavioral economics. In following section there is a detail discussion on all these economic prospective of *Waqf*.

##### 2.1.1 Behavioral economics, intrinsic motivation and *Waqf*

Behavioral approaches to economics believe that the societies cannot develop without the contribution of voluntary, intrinsically motivated private sector in public goods (Ostrom, 2000). Behavioral economics criticized the standard economic theories which completely ignore the psychological factors of consumer behavior. The Homo economicus model portray that

individual is rational, welfare maximizer, selfish and self-interested and don't have any prosocial preferences (Toomer, 2007). These assumptions were challenged by behavioral economists and according to them individuals are dumber, nicer and have prosocial preferences than homo economicus model assumed. Intrinsic motivation directed individual to do something for the wellbeing of the others as a prosocial preference.

The most pervasive finding of behavioral economics is that prosocial preferences is much more appear in individual behavior than the standard economic theory assumes (Meier, 2006). It's a fact that individuals cannot show only self-interested and extrinsically motivations. There are number of studies shows that individuals voluntarily contribute large amounts in public goods. Similarly, there are substantial number of services provided by volunteer worker for the societies (weibel & wiemann, 2014). It is a reality that people want to donate both time and money. Hence, professionals mostly from health and education sector voluntary donate their time in different philanthropic institutions. Such non-monetary donation will enable them to contribute to society without having to become a permanent part of the institution.

This altruistic behavior can also observe in different experiments.<sup>7</sup> Like, ultimatum game, prisoner dilemma and dictator game mostly participant shows cooperative behavior rather than selfish behavior. In the series of ultimatum games in different societies Henrich et al. (2001) concluded that the motive of self-interest was simply violated.

The *Waqf* is a strong intrinsic motivation for a Muslim to participate in the welfare of the society. Prophet Muhammad (SAW) hadith about *Waqf* as narrated by Al-Bukhari and Muslim which means: When the son of the Adam (AS) passed away his good deeds will be cut off unless three things. The first thing is the endless charity (Sadaqah Jariah, *WAQF*), Second thing is knowledge which benefit for the people, and the last thing is the good son who always pray

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<sup>7</sup> Zaman, A. (2005). Islamic Economics and The Normative/Positive Distinction.



for his parents. So, these saying intrinsically motivated Muslims to make a large area as a *Waqf* in past and in present. The individual behavior of altruism is further explained in next section.

### 2.1.2 *Waqf* and Microeconomics

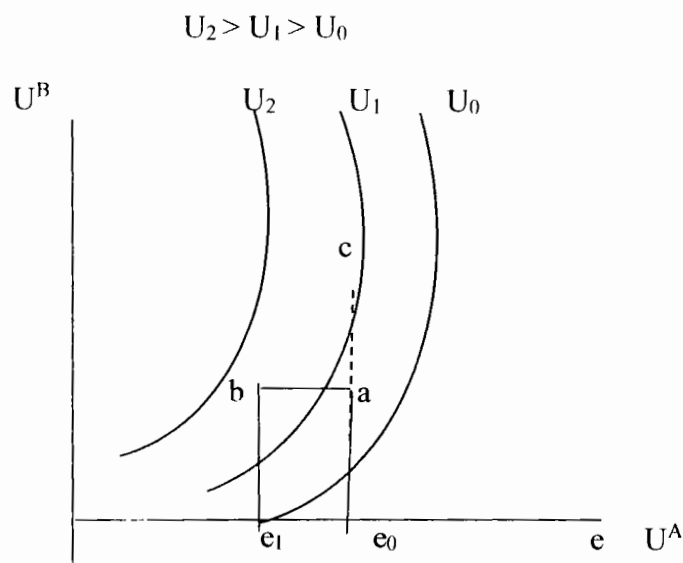
The institution of *Waqf* can be considered as a subsector of nonprofit sector. So *Waqf* is considered a firm whose aim is not to maximize its profit but to provide development assistance and relief to the society. The institution of *Waqf* as a firm has a comparative advantage on for profit firm because of the two distinguished features. First, it has lower supply price of effective labor because of theory of altruism *Waqf* institution attracts altruists. Second, it develops efficient technologies for their output for the better interest of their beneficiaries.

The *Waqf* firm attracts the altruists because the utility function of altruist not only depend on its own welfare but also on the welfare of the beneficiaries. The utility function of an altruist is

$$U^A= U^A(w, e, U^B) \ ; \qquad U^Aw, U^A_{UB} > 0$$

The marginal utility of altruist effort will not be negative. Following figure shows the utility functions of an altruist:

**Figure 2.1: Utility Function of an Altruist**



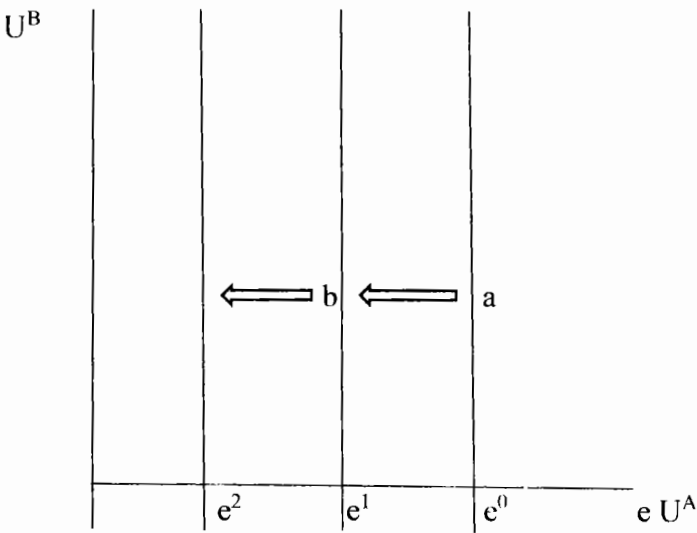
Source: (Simon, 2016)

Above figure shows that when there is fall in the effort level from point a to b an altruist can achieve higher utility that is from point a to c from the welfare of the beneficiaries.

The utility function of an egoist who only cares his own welfare is

$$U^S = U^S(w, e) \quad ; \quad U^S_w > 0 \quad ; \quad U^S_e < 0$$

**Figure 2.2: Utility Function of an Egoist**



Source: (Simon, 2016)

Utility functions of an egoist shows that a reduction in the effort level increases his welfare, and he is indifferent of the welfare of beneficiaries. The *Waqf* institution has potential advantage on public agencies or for-profit organization because it attracts altruists to join *Waqf* firm. So, in this scenario *Waqf* institution gets low-cost supply of effective labor, and there is possibility that volunteers also join the organization.

The second superiority of *Waqf* organization is that they provide efficient technologies to their staff to produce the product that cares the interest of beneficiaries. The *Waqf* institution has the close interaction with beneficiaries and knows there needs and preferences.

### **2.1.3 Macroeconomics and *Waqf***

The spirit behind the *Waqf* is very useful in making prosperous societies. The donation from well off Muslims can be used for the betterment of the society. The characteristics of *Waqf* like its perpetuality made *Waqf* as a lasting productive asset because of diverting fund from consumption to saving and then to productive investment. So, we can say that *Waqf* is a capital accumulation in the economy, it's a sacrifice of present consumption for the welfare of future generation (Kahf, 1998). The perpetuality of *Waqf* made it not only an investment but a cumulative asset and an increasing investment. The history of *Waqf* supported it and there is a large area of land of cultivable land and real estate that still exist in Muslim countries. From the above discussion as *Waqf* is a capital accumulation, its first macro impact is reduction in government expenditure. In following section, we will discuss macro impact of *Waqf* in detail.

#### **I. Reduction in government expenditure**

In early twentieth century a large proportion of real estate in town and rural areas were actually a *Waqf* property. These properties were designated for welfare services like, schools, hospitals, religious services and construction of clean drinking water system. Hoexter (2000) concluded in her research that nearly all public goods in ottoman societies were provided by *Awqaf*. This volunteer contribution of philanthropic sector reduces the government expenditure and its responsibilities and has a strong positive impact on the economy.

In current situation of global economy, the success of SDGs depends on active participation of philanthropic sector. Efficiency-driven economy normally can be spearheaded by the private sector. If the economy too much depend on government sector there is problem arise that is related to the bureaucracy efficiency. Mostly in underdeveloped economies inefficient bureaucracy was big hurdle in achieving development goals. If *Waqf* institution properly organized it will reduce the government participation in the economy and provide welfare services more efficiently.

## II. Decrease in government borrowing and interest rate

Deficit financing is the critical problem for underdeveloped and developing economies, government borrowing has negative impact on government performance. *Waqf* can prevent this borrowing by reducing government expenditure through providing social economic needs. This decline in deficit financing reduces the government budget deficit. Due to reduction in government spending and borrowing lead to reduction in interest rate as a result of “crowding-out effect”.<sup>8</sup> According to Cizakca (1998) the role of *Waqf* in lowering the interest has a positive contribution of gradual elimination of *Riba* (Interest).

Islamic Economists should consider this role of *Waqf* seriously as this is unattainable utopia to eliminate *Riba* immediately. In case of proper *Waqf* institution there is possibility that privately accumulated capital will voluntary endowed in provision of public goods.

## III. Reducing Income Inequality

One of the cores economic goals for any government is to ensure better distribution of income in the economy. *Waqf* can play significant role in redistribution of income. The redistribution of wealth through charity and voluntary measures like *Waqf* has far better results than government measures of imposing tax and other liabilities. Most of underdeveloped countries don't have proper tax collection system and sometimes cost of tax collection put extra burden on government.

Hochman and Rodgers (1969) explained two types of redistribution mechanism. The redistribution carried out by government institution and redistribution by private institution. According to them first one is legalized Robin Hood version and other one reflects the irrationality of individuals. So according to “Redistribution Theories” there are two redistributive agents individual and government. These theories conclude that the

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<sup>8</sup> Ismail, A. G., Wahyu, I., & Pratomo, A. (2019). Crowding Out and Waqf Crowdfunding: Do They Create Macroeconomic Imbalances.

redistribution level attain in case of individual involvement was suboptimal and there is need of state action. Similarly, in the absence of any significance role of individuals in redistribution of wealth it is difficult to measure the exact role of *Waqf* in reducing income inequality. But thanks to Ottoman Era as they provided a vast range of public need to general public. A person lived in *Waqf* house, eat and drink from *Waqf* properties, read *Waqf* books, get treatment from *Waqf* hospitals, and died put in *Waqf* coffin and buried in *Waqf* graveyard (Buckman, 2002). Therefore, all researchers working on *Waqf* agreed that *Waqf* has great impact on social and economic life of societies. This feature of *Waqf* consequently reduce the effect of income inequality. If the taxation from government and *Waqf* institution both works than it definitely better the distribution of income in society (Cizakca, 2000).

#### **IV. Role in poverty alleviation**

Poverty has always remained persistent problem that almost every society face. Different direct and indirect strategies have been used to combat with poverty. In direct measures macroeconomic indicators are used to eradicate poverty like targeting, GDP growth rate, high employment rate, high per capita. Although many governments used these tools for poverty reduction but the economies having sustainable high GDP growth still face the problem of poverty. Berlin (2008) tried to answer the question that why didn't economic growth reduce poverty in Unites States? On the basis of 35 years data on poverty and economic growth poverty remained virtually unchanged in United States. According to him widening income inequality as result of economic growth, single parenthood, low earning of unskilled worker underemployment are principal drivers of poverty. In his point of view this problem are well targeted by philanthropic sector. The role of philanthropic sector and charity in poverty alleviation are recognized by economist.

Islamic system of *Awqaf* historically proven its role in eradicating poverty. If this institution organized well, it will play important role in poverty problem (Sadeq, 2002). Khan (n.d) quoted from literature that poverty is an abhorrent situation where people are deprived from basic necessities of life like, nutrition, education, health facilities, water and sanitation, and economic opportunities. Islamic institution of zakat and *Awqaf* has played positive supportive role in poverty reduction. From widely researched literature on *Waqf* almost all major public services were provided by *Waqf* in Ottoman Empire. Education and health sector owned major share *Awqaf*. Clean drinking water, shelter for travelers, worship places for different religion and free food also given from *Waqf*. These facilities definitely helped poor people and removed their deprivations. Although *Waqf* has different types and not all types are specific for poor but mostly for general public. But there is possibility to create *Waqf* that targeted the poor segment of the society.

#### **2.1.4 Welfare Economics and *Waqf***

Adam smith's 'invisible hand theory' says free market economy is efficient. The efficiency of the economy deals with the well-being of all stake holders in the economy. The economic efficiency includes three types of efficiencies: 1) Exchange efficiency means that goods are traded so efficiently that no other beneficial trade is possible. 2) Product efficiency means that factor of production used so efficiently that no waste of resources is possible. 3) Product mix efficiency means efficient combination of goods were produced in an economy. In theory of general equilibrium if equilibrium exist than it is Pareto efficient. In normative theory there is a question arise that there is any possibility of redistribution of resources so that we can achieve Pareto efficient allocation. But Pareto efficiency and equity are different concept in Edgeworth Box the corner solution are Pareto efficient but these solutions are unfair. So, there is a need of redistribution of endowment in form of Pareto improvement in which government plays its role. Economists gives the concept of Pareto Improvement that is define below.

### 2.1.5 Pareto Improvement and Second Fundamental Theorem of Welfare

An allocation of resources is called Pareto Improvement if it makes one person better off without making other worse off. And this allocation is feasible and there is no other feasible solution is possible.

Suppose  $x$  is weakly Pareto efficient and there is a feasible allocation  $x'$  such that  $x'_i \geq x_i$  for all  $i$  and  $x'_k > x_k$  for some  $k$ . Here  $x'$  is Pareto Improvement. The second fundamental theorem of welfare economics highlighted this situation. When desired Pareto optimal outcome can be achieved by government redistribution of endowment through transfer payments. This theorem is very important theorem in modern economics according to this theorem in presence of competitive equilibrium any pareto optimal allocation achieve through redistribution of endowment without any need of other economic institution. But this Pareto efficiency does not have any concern with social welfare. That's why concept of social welfare function given by economists explains as follows.

### 2.1.6 Social Welfare Functions

There are two common welfare function one is Utilitarian Social Welfare Function and second is Rawlsian Social Welfare Function given by economist Rawls in 1971.

Utilitarian Function is a linear sum of all people utility and social welfare are ranked according to this linear sum. The utilitarian social welfare function is given by

$$W(u_1, \dots, u_n) = \sum_{i=1}^n a_i u_i(x_i) \text{ with } \sum a_i = 1, a_i \geq 0 \quad \text{————— (2.1)}$$

In Rawlsian Social Welfare Function Rawls gives priority to worst off people and utility function is not monotonic increasing. Rawlsian function is defined by

$$W(\cdot) = \min \{ u_1(x_1), u_2(x_2), \dots, u_n(x_n) \} \quad \text{————— (2.2)}$$

According to general equilibrium theory with the assumptions of strict monotonicity, no externalities, no increasing return to scale, perfect competition, no public goods and complete information than any efficient allocation is Pareto optimal. But if these assumptions violated than market failure arises and there is possibility that certain allocation with transfer payment may not be Pareto optimal.

### **2.1.7 *Waqf* and efficient provision of public goods**

In case of public goods with the assumption of continuity and strict monotonicity a weakly pareto efficient allocation may or may not be Pareto optimal. In case of public goods problem of free rider arises. This situation is named Prisoner's Dilemma where the dominant strategy of players is (don't cooperate, don't cooperate). In public goods no one wants to buy the public good, so in this case voluntary contribution does not results in the efficient provision of public good. To address the free rider problem the economist Paul Samuelson and Lindahl gives well known Lindahl-Samuelson condition for the efficient provision of public good. The condition of pareto efficiency is assuming only one public good and one private good with n consumer is read as:

$$\sum_{i=1}^n MRS_{yx}^i = MRTS_{yx}$$

Which is the marginal rate of substitution between public good and private good is equal to marginal rate of transformation.

But there are many problems with this condition first of all consumer MRS must be known, we could aware of the preferences of each individual and then determine its willingness to pay. Here again problem of free rider comes as each individual is self-interested and not want to pay public goods. And there is a possibility of cheating that no report its original MRS and report smaller MRS so that they can pay less amount. These factors create major difficulties in public



economies. Lindahl equilibrium is not achieved in this situation the low level of public good is produced that is not a Pareto optimal level.

To solve the problem of free rider institution of *Waqf* can play a significant role. As in history of Ottoman Empire almost all public goods, education, health, clean drinking water, roads, public library, parks and religious places were provided by *Waqf* (Hoexter, 2002). The strengths of *Waqf* in providing public goods and enhancing social welfare, but there are critical limitations that may affect its effectiveness in modern contexts. For instance, navigating the complex legal and regulatory frameworks in contemporary societies poses significant challenges to the implementation of *Waqf*-based initiatives. In many regions, outdated or fragmented laws governing *Waqf* properties impede their optimal utilization and management. Furthermore, adapting *Waqf* institutions to technological advancements, such as digital platforms for crowdfunding and resource management, remains an underexplored area. Bureaucratic inefficiencies and potential mismanagement within *Waqf* institutions, especially in regions with limited administrative capacity, further hinder their operational efficiency and effectiveness. Addressing these issues through legal reforms, capacity-building programs, and the integration of technology would ensure that *Waqf* institutions can meet the demands of the modern era while maintaining their traditional essence.

By offering a faith-based, sustainable framework, *Waqf* has the potential to reduce individual hesitancy and foster collective responsibility. This has the capability to overcome collective action barriers, such as the Prisoner's Dilemma, thereby encouraging community participation in public goods provision. However, practical measures to ensure accountability and effectiveness within *Waqf* institutions, such as transparent governance structures, regular audits, and community oversight, are not sufficiently addressed. Implementing these measures *Waqf* institutions can maintain trust, ensure efficient resource allocation, and deliver measurable societal benefits.

## 2.2 Literature Review

### 2.2.1 Introduction

In past three decades the study of *Waqf* attracting the interest of a big number of students and scholars. Hoexter (2002) discern the development of *Waqf* studies in three stages. In first stage the scholar of early twentieth century laid the foundation of *Waqf* studies. In this stage scholars concentrated the legal issues of *Waqf* and elaborated its jurisprudence. In second stage the scholars discussed the implication of *Waqf* and highlighted its historical achievements. Mostly Turkish scholars contributed in development of *Waqf* studies by addressing the significance of *Waqf* in providing public services, economic implications of the *Waqf*, the impact of *Waqf* on the social welfare of society and the relations between the *Waqf* and the government. Based on the research conducted in the first two stages, the third stage consists of studies that incorporated the *Waqf* in general prevailing social and cultural ideologies. For example, studies consist on comparison of *Waqf* institution with similar institutions in other societies, and discussed the public and private *Waqf*. Sukmana (2020) divided the *Waqf* literature into four main categories 1) Finance 2) Law and Norms 3) Economic development 4) History. The data shows that finance and law constitute the major coverage in the literature almost 35% and at second dominant category is economic development and then history. For better understanding of the current state of the art we divide our literature review in several subsection. Our first step is to explore studies offering a comprehensive lens on *Waqf*, tracing its historical origins and charting its journey through time. Next, we shift focus to delve into the literature surrounding *Waqf* institutions within the unique context of Pakistan. Finally, we turn to the research techniques underpinning our current study: Analytic Network Process (ANP) and Data Envelopment Analysis (DEA).

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### 2.2.2 A Comprehensive Overview of *Waqf*: History and Development

In past two decades Islamic finance continues to grow about more than 10% per annum. Zakat and *Waqf* are two most important component of Islamic social finance. According to Hanafi school of thought, in *Waqf* certain property of a person called Waqif can be restricted and donating its profits to help the needy and deprived people of a society or other religious purposes (H. Ibrahim et al., 2013). Kahf (1998) also defined *Waqf* as a deed in which certain property is preserved for some philanthropic activity and prohibits any other use of it. In study of Tuncsiper, & Yilmaz (2007) they explained *Waqf* as relates to immovable property, the income generated from this property will used without consuming the property itself. The major distinguishing features of *Waqf* are irrevocability, perpetuity, and inalienability. The principle of perpetuity is one of the strong points that make *Waqf* a suitable tool for financing the SDGs.

There are number of studies which addressed *Waqf* meaning, types, purpose and its legal details. At the time of Prophet Muhammad (PBUH) three types of *Waqf* were practicing that are Religious *Waqf*, Family *Waqf* and philanthropic *Waqf*. Mohammad and Iman, (2006) discussed the new types of *Waqf* in their study. They wrote that by the efforts of Imam Zufar the cash *Waqf* was approved for the first time in the Islamic world during the 16th century. He proposed that the investment of cash *Waqf* should be through Modaraba and the profits should be consumed for charity purposes. As a result, at the end of 16th century the cash *Waqf* became famous and popular particularly among the Ottomans.

Several researchers have explored the historical achievements of *Waqf*. Baqutayan et al. (2018) highlighted the achievements of *Waqf* in past they stated that the viewer of Islamic history surprised to see the great effect of *Waqf* which started from simple family *Waqf* to end up with comprehensive role in religious, social, scientific, and cultural life of Muslim Ummah. Sadman

and Aysun, (2009) examined the social and economic role of *Waqf* in the Ottoman Empire. During that era, most of the *Waqf* facilities were established. As it was found that only in Istanbul 24 madrasah schools, 12 roadhouses, 32 hamams, 10 covered bazars, and 207 mosques were established under *Waqf*.

Kahf (2016) discussed the situation of *Waqf* in Muslim's countries in late ninetieth and twentieth century at the time when most of the countries were under colonial rule. Like general atmosphere of deterioration and backwardness institution of *Awqaf* was also deteriorate and underdeveloped. After the independence Muslim countries took different stand about *Awqaf* properties. In countries like, Kuwait, Syria, Egypt, Turkey, Algeria and Tunis government took control over *Waqf* properties and provided facilities to religious education institutions and mosques. Later on, some countries like Turkey, Lebanon, Kuwait, Malaysia and Indonesia revived and developed their *Waqf* and now *Waqf* not only provide religious services but many other social services.

Khan (2015) discussed in detail the historical role played by *Waqf* in poverty reduction. He elaborated the role of *Waqf* in seven major problems of poverty. In the case of hunger and malnutrition historical evidence showed that food was provided in travelers *Waqf* wrote by Ibn Battuta in his book. Similarly in case of providing health facilities most of the hospitals and health care units were financed by *Waqf*. The first *Waqf* hospital were reported at the time of Islam caliph Al-Walid ibn Abd al-Malik in 88 AH. In Ottoman era the women of rulers interested in endowment of hospitals. There were many examples that sultan mothers and wives endowed hospitals. Similarly Syrian rulers also built hospitals (Bimaristan) at endowed land. The lack of education facilities one of the major problems of poverty was also focused by *Waqf* in history. Education sector is major recipient of *Waqf* almost all education facilities was financed by *Waqf* in Muslim societies. AL- AZHAR University in Egypt is a glorious example of *Waqf* established in 972 AC. Clean drinking water is a major sector that attracted the

attention of *Waqf*. The first drinking water *Waqf* was at the time of Prophet (PBUH) when Hazrat Uthman endowed well for the people of Madinah. Similarly providing Shelter, building social relation and cultural life *Waqf* played its role in community development. Cizakca (1998) explored the economic history of the Ottoman Empire, highlighting its unique approach to wealth redistribution rather than capital accumulation. The Ottoman system actively intervened in markets, regulating factor prices and imposing restrictions on free market operations, which has been described as the "proto-pseudo-socialist Ottoman system." Despite its notable achievements, the history of *Waqf* in the Ottoman era experienced fluctuations. Its development and prosperity were closely tied to state policies—when the state prioritized *Waqf* institutions, they thrived; otherwise, they faced stagnation or decline.

Baqutayan et al. (2018) examined the pivotal role of *Waqf* in advancing Islamic civilization, emphasizing its contributions to scientific, social, moral, and religious development. *Waqf* institutions established schools, libraries, laboratories, religious centers, and healthcare facilities, significantly improving living standards, supporting the needy, creating employment opportunities, and fostering scientific and cultural growth within the Ummah.

Similarly, Khan et al. (2018) categorically mentioned the role of *Waqf* in development of human capital, particularly invested in education sector. In their study they listed the different education institution like Madarassa ‘Nizamiyya’ in Baghdad Iraq founded by Nizam al-Mulk in 459 H, Jamia Al-Azhar Cairo in 927 H, Al Zahiriyya school in 1279 AD in Damascus and this had been continued till the end of Ottoman empire in 20<sup>th</sup> century. Later on, Kasdi (2022) discussed the historical development of *Waqf* in Middle Eastern countries. The study briefly highlighted the development of *Waqf* in the countries. Saudi Arabia, Jordan, Sudan, Kuwait, Syria, Egypt and Turkey from the past to present. The *Waqf* institution played various beneficial roles like provided the religious facilities, infrastructures, health and educational facilities.

Similarly, Hasnain (2016) studied the framework of Multilateral Development Banks (MDB's) and International Development Association (IDA) in the establishment of global *Waqf* fund. They found that in allocation of fund they used previous process and specific formulas. The study suggested that the good governance system will be effective for better raising of global *Waqf* fund.

In Indonesia, *Waqf* institution is expanding rapidly. The data published by *Waqf* Information System from the Ministry of Religious Affairs Indonesia, shows that in 2017 there are 47,806.11 hectares of land *Waqf* scattered in 318,769 sites in Indonesia. Mostly they were in use of religious and welfare motives such as 73 % for mosques and prayer sites, 10.5% for schools and 4.5% for graveyards (SIWAK Kemenag, 2017).

Moreover Ozdmir (2017) also stated that during the Ottoman Empire the authenticity of the cash *Waqf* was discussed widely. Ibn Kamal (d. 1533 CE) was the first person who advocated and stood for the legitimacy of cash *Waqf*. He also wrote the first book on the topic of the legitimacy of cash *Waqf*. Contrary to this, some of the famous scholars of that time like Birgivi (d. 1573 CE) was against the legitimacy of the cash *Waqf*.

Kamaruddin and Masruki (2018) provided empirical evidence of socio-economic impact of *Waqf* in Malaysia. Malaysian *Waqf* institution is managed by two departments these departments are, zakat and Hajj (JAWHAR) and the other is Yaysan wakaf Malaysia (YWM). In ninth Malaysian plan (2006-2010) government has allocated RM 250 million for these department to develop *Waqf* land all over Malaysia. The funds were used in projects of orphanage, education, health, welfare, hotel, bazaars, and gift kiosk. He also investigated the socio-economic impact disclosure for *Waqf* institution. In case study of two *Waqf* institution they found that there is still room for improvement in *Waqf* disclosure practices the *Waqf* institution only disclose limited information regarding activities, programs and projects mainly focus on financial disclosure. Moreover, Suhaimi (2020) examined the hotel project launched by

Yayasan *Waqf* Malaysia (YWM) for the effective used of *Waqf* land. That project was a large-scale commercial activity in which hotels were constructed in the city center and tourists' areas. The study found that this project was very effective in income generation and increased job opportunities.

Cizakca (2016) provided details of *Waqf* institution of Turkey and Malaysia that how from the destruction in 19th and 20th century both countries are trying to restore the *Waqf* institution in 21st century. He provided the detailed history of *Waqf* of both countries and made comparison of their *Waqf* system. He concluded that Turkey has a much older and sophisticated *Waqf* system while Malaysia is more dynamic and experimental. But both countries system is excessive centralized for this policy the Muslims in these countries refuse to endow their properties as *Waqf*. After the popularity of cash *Waqf* mostly people were interested in that form of *Waqf*.

Bangladesh is the pioneer of Islamic social (*Waqf*) bank, and they used cash *Waqf* deposit products in their banking system. The main function of this bank is only collected and manage cash *Waqf* for beneficiaries (Haji Muhammad, 2011). Moreover, Rehman and Sohel (2019) discussed the role of Islamic Banks in development of cash *Waqf* in Bangladesh. Professor Mannan in 1997 has introduced cash *Waqf* in Bangladesh through Social Islamic Bank Limited. This bank was to introduce cash *Waqf* certificates from these certificates the fund generates which was use in sharia compliance businesses. Then the profit earn from the businesses were used in different welfare projects for needy people. After this successful projects more Islamic banks used *Waqf* products and involve in welfare projects. The reason of the increasing popularity of cash *Waqf* in Bangladesh is the elasticity of cash *Waqf* that enables Islamic banks to distribute the benefit of *Waqf* fund to the deprived community. In addition, Ahmed (2015) explores the status of *Waqf* institution in Bangladesh and highlighted the areas that needs fresh look for optimal utilization of *Waqf* institution. The study discussed both classic and

contemporary mode of financing and suggested different measures for the development of *Awqaf* like, need of new *Waqf* act, conducting census of *Waqf* properties, increase public awareness and construction of *Waqf* based Islamic microfinance.

Saad (2019) discussed another new type of *Waqf* introduced by, Turkey, India, Pakistan, Malaysia and Bangladesh in the middle of 20<sup>th</sup> century which is the corporate *Waqf*. This type is created by hybridizing the Islamic *Waqf* and Western Corporation that established a charitable trust whose assets consists of share in a company. After the realization of *Waqf* potential and its role in poverty reduction many economists of Muslim countries proposed different *Waqf* models for the development of idle *Waqf* land and poverty reduction projects.

Sadeq, (2002) emphasized the role of *Waqf* in poverty reduction particularly for the countries facing scarcity in resources. He proposed a model for financing the poverty reduction projects. According to this model a *Waqf* administrative body would establish that issued the *Waqf* certificates. In this case public would invite to donate for the poverty reduction projects. Similarly, Cizacka, (2004) and Muhammad (2011) suggested that for poverty reduction there is a need to establish Islamic Financial Institution (IFI) or Islamic social bank can be called *Waqf* bank. The donors would invite to deposit cash *Waqf* in Bank and from these projects of poverty alleviation would be financed

For the development of *Waqf* Sukuk issuance was suggested by Ahmed (2004), Hassan (2010) and Jalil (2008). In their model's cash *Waqf* fund would generate to financing the construction projects on *Waqf* land. Hassan (2010) integrated the two Islamic institution *Waqf* and zakat in his model for accumulation of funds. Similarly, one of the important *Waqf* model is integrated *Waqf* with Islamic microfinance (IWIM). Shirazi et al. (2015) emphasized on the role of *Waqf* and microfinance in poverty alleviation. The study introduced the IWIM model whose main components are 1) *Waqf*, 2) microfinance 3) Takaful and 4) human resource development. For human resource development the combination of all three component would be very useful.



Aplay and Haneef (2015) test this model in their study of three countries Indonesia, Malaysia and Bangladesh. They used Structured Equation Modelling (SEM) to find the relationship between all components of IWIM. The results suggested the significant relationship between Islamic microfinance and human resource, *Waqf* and project financing, Islamic microfinance and Takaful and human resource and Takaful.

Pitchay et al. (2018) proposed a hybrid model of corporate *Waqf* for the development of *Waqf* land. The CWM (Corporate *Waqf* Model) mainly tries to settle the two issues to motivate the cash *Waqf* donor to be consistent and addressed the liquidity problem faced by *Waqf* institutions. In this model donor become a part of *Waqf* project and he must aware of all development of the *Waqf* project, it is different from other cash *Waqf* models in which donors don't have any knowledge about the *Waqf* project. Then *Waqf* institution issued a membership card that donor will pay annually and also benefitted from the *Waqf* project.

Abdullah (2018) introduced a framework for *Awqaf* to retain its convergence with few goals of SDGs that are also consistent with the Maqasid al sharia (the main objectives of sharia). In his study he highlighted the basic and key question of 'how' *Waqf* would play its successful historical role in contemporary time that question is ignored part of modern *Waqf* studies. He suggested that for achieving SDGs we also set the other goals regarding *Waqf* that are *Waqf* development goals and *Waqf*-based development goals. In addition, Sheikh et al. (2017) emphasize on the role of *Waqf* as a development and social financial institution. As mostly Muslim majority countries faces the problems of poverty, weak tax collection system and governance there is need of flexibility in *Waqf* laws and *Waqf* will severe beneficiaries directly.

Similarly, Khan (2019) suggested a new role of *Waqf* in sustainable development which is venture *Waqf*, the purpose of venture *Waqf* is the reallocation of businesses to the zero circular economy from the waste oriented linear economy is the major goal of venture *Waqf*. These are the expertise of the European venture philanthropy organizations (VPOs) on which this model

is primarily based. According to him *Waqf* is used to eliminate root cause of poverty through promoting those businesses that maximize the positive externalities and accountable towards the ecology, species, and society.

Moreover, Thaker et al. (2020) proposed the integrated cash *Waqf* micro enterprises investment (ICWME-I) model for the human capital development. The model designed in a way that cash *Waqf* fund would properly utilize for the establishment of training center and providing state of art facilities at subsidized costs. This would help in enhancing human capital skills. In a similar study of Tohirin (2010) focused that cash *Waqf* would be used for empowering small business enterprises. According to this model fund generated from cash *Waqf* and portfolio investment would be used to solve the problem of capital for SMEs.

### **2.2.3 *Awqaf* in Pakistan**

Despite its long-standing presence and potential for socio-economic impact, the landscape of *Waqf* research in Pakistan is surprisingly scarce. While a handful of valuable studies shed light on various aspects, a comprehensive understanding of *Waqf*'s intricacies and complexities in the Pakistani context remains elusive. This scarcity presents both a challenge and an opportunity. The challenge lies in navigating the limited pool of existing resources, potentially hindering a nuanced understanding of *Waqf*'s dynamics and effectiveness. However, this scarcity also presents a vast, fertile ground for groundbreaking research.

In Pakistan *Awqaf* exist since before colonial era. Currently *Awqaf* in Pakistan is in the process of rebirth, public *Awqaf* are working under the strict rule of government while there is no proper legislation for private *Awqaf* in Pakistan so most philanthropic activities take place in the form of English laws like trust and non-profit organization (Abbasi, 2019). Many *Waqf* properties in all four provinces of Pakistan use as a symbol of past practices like masjids, shrines, and graveyards. As there is no significant role of government *Awqaf* department in welfare of

society, so this department is not qualified for philanthropic foundation (Rabi and Maryam, 2018). Although some privately established *Waqf* contribute to the welfare of the society like Hamdard *Waqf* Pakistan is a famous *Waqf* working since the time of independence. The data on *Waqf* properties in Pakistan were only found in papers of Malik (1990) and Sherazi (2014), this data is very limited.

Literature also found the function and role of the *Waqf* institution in IDB member and non-member countries. For example, Ahmed (2004) studied the facts and figures of *Awqaf* department in Pakistan, findings revealed that in 2002 to 2003, there were about 1269 properties in Punjab that were administrated by *Awqaf* department. The total area covered by these properties was approximately 76,130 acres, and the earnings from these were about 365.665 million rupees. Moreover, it was found that the mosques and shrines in the capital territory of Islamabad we're mainly managed by the *Awqaf* department. He further added that it was difficult to find the potentials of *Awqaf* departments as no macro-level data was available for that purpose. In addition to this, another research study investigated the *Waqf* and the zakat potential and the resource gap for reducing poverty in the ten IDB member countries. Pakistan was also the part of the study. The findings of the study revealed that resource shortfall, under U.S. \$ 2.0 a day, and U.S. \$ 1.25 a day, on average is 4.1% and 1.07% of the GDP for all the countries under study. The correspondent zakat amount collected was estimated to be 1.53% of their total GDP, respectively. These resources are not just good enough to eradicate the extreme poverty but can also produce surplus and decrease pro poor expenditure of government (Shirazi, 2014).

In one of the research studies on *Waqf* in Pakistan highlighted the one important type of *Waqf* which is the corporate *Waqf*. The Hamdard (*Waqf*) Pakistan is a reputed corporate *Waqf* established by Hakeem Saeed in 1947. This *Waqf* mainly working on Herbal Medicines. By selling of these Herbal products, they get revenue of which more than 80% is use for different

welfare projects. Hamdard has its branches in India and Bangladesh where this *Waqf* is involve in welfare activities. Major areas of welfare activities of this institution are health an education. They give need base scholarships to needy students. In the form of Hakeem Saeed scholarships, they distributed RS3.9 billion in 2012-2013 (Hayat,2014).

Usman and Rehman (2021) explore the use of *Waqf* as a social finance institution for funding higher education institutions (HEIs) in Pakistan. Their finding suggests that both public and private *Waqf* are existing in Pakistan, but private *Waqf* are far better in funding higher education. They discussed three *Waqf* institutions funding for HEIs in Pakistan, Hamdard *Waqf* Pakistan, Aisha Bawany Trust and Darul Tasnif *Waqf*. The performance of these institution in financing higher education is impressive and the business tycoons and communities played an important role in development of *Waqf*. In another study Jabeen and Aziz (2019) exposes flaws within Pakistan's government-run *Awqaf* system, highlighting its inadequacy in managing vast charitable assets for public benefit. Revenues fall short of costs due to mismanagement and corruption, leading to inefficient use of property. Undocumented donations, particularly in mosques and shrines, further contribute to this financial black hole. The study proposes a shift towards independent foundations and trusts, which prove efficient management, transparency, and public trust. These private entities, powered by documented donations, are already delivering valuable services for the public good.

In addition, Lashari and Usman (2022) discussed the challenges and opportunities for public *Waqf* in Pakistan province Punjab, that owns highest area of *Waqf* land. The study concluded that the challenges faced by public *Waqf* in Punjab includes low budget for development, bureaucratic inefficiencies, and outdated methods. They suggested that with modernizing management, utilizing Fintech solutions, and learning from Muslim world successes can unlock its exceptional potential to benefit the common people.

Khan et al. (2023) proposed a model called "*Waqf* Cooperative Housing Framework (WCHF)" to provide affordable housing to financially weak groups. In this model unused areas in condominiums to generate income and build housing units. It offers benefits like reducing burden on governments, improving lives of the poor, fulfilling social responsibilities, and creating jobs. However, it faces challenges like gaining consent from stakeholders, inconsistent building laws and managing security concerns. The study suffers limitations like regional data and lack of operational details. Future research involving diverse cultures and stakeholders is needed to refine and implement WCHF successfully.

### **2.3.4 Literature on Research Techniques**

For sustainability of all organization, it is necessary for them to work with high efficiency. To measure the performance of an organization, term efficiency is used and there are different methods to measure efficiency one of them is Data envelopment Analysis. Ozbek (2015) measured the efficiencies of non-government organization based in Turkey by using Data envelopment Analysis (DEA). The result shows that most efficient non-government organization in that the most efficient NGO in 2014 was Turkish Diyanet Foundation (TDF).

Hassan et al, 2020 measured the efficiency of two states of Malaysia, Kelantan and Penang that managed *Waqf* funds by its State Islamic Religion Councils (SIRCs). They used the data from 2008-2010 and analyze the efficiencies by using both VRS and CRS. The efficiencies of two state than compared through Malmquist Index. The result shown that the state Penang state, that operated at the full score and Kelantan state was far behind.

Similarly, Herindar and Rusydiana (2021) measured the efficiencies of eight zakat institutions that manage *Waqf* funds in Indonesia using two inputs operational and HR costs and two outputs collection and distribution of *Waqf* funds. The result shown that highest efficiency

score was in 2014(0.453) and lowest score in 2013(0.0099). So, efficiency score of these institutions fluctuates year to year.

In addition, Misbharudin (2019) analyze the efficiency of *Waqf* institution in Malaysia by using Data Envelopment Analysis (DEA) under output orientation and variable return to scale assumption. the result shows that average technical efficiency depends upon both pure technical and scale efficiency. Analysis used cash *Waqf* received as output and expenditure of *Waqf* institution as input. Year 2012 shows high technical efficiency of 73.9% as most of the institution work as its optimum level. Adding to the *Waqf* study in Indonesia Rusydiana et al. (2022) measures the efficiencies of *Waqf* fund over the period of 2013-2021 with sample of nine *Waqf* institutions. The inputs of the study were operational costs, fixed assets, and human resource expenses while outputs were collection and distribution of *Waqf* fund. The significant finding of the study is that Covid 19 pandemic has no substantial impact on the efficiency of the *Waqf* institutions.

M Haq et al. (2009) measures the efficiencies of 39 microfinance institutions in Latin America using Data Envelopment Analysis. Total numbers of staff and operative expenses were inputs and total loan portfolios and total savings are outputs. The finding shown that under intermediation approach 4 out of 13 MFIs were fully efficient both technical and scale. While 3 were only technical efficient. More MFIs were efficient under variable return to scale as compared to constant return to scale. Similarly, under production approach 6 out of 12 NGO were the fully efficient both technical and scale and 5 NGO-MFIs achieved pure technical efficiency.

The second research technique that will be used to find the priority factors that being obstacle in development of *Waqf* is Analytic Network Process (ANP). ANP is mathematical approach It is a psychophysical theory of measurement that assume that our perception and feelings are not very much different from our physical world experience (saaty, 2006).

Rusydiana and Devi (2018) identified the priority factors that being obstacles to cash *Waqf* development in Indonesia by using Analytic Network Process. The results show that problems related to trusts (while on sub criterion the lack of donor's trust) rank on 1<sup>st</sup> position. The 2<sup>nd</sup> was problems related to sharia (while on sub criterion that were unfulfilled *Waqf* contracts) and third one was problems related to human resources (while on sub criterion that was misuse of *Waqf* funds) and on forth number was problems related to system (while on sub criterion that was deficiency of management systems). The possible and suggested solution for the development of cash *Waqf* in Indonesia built on the priorities are: 1) cash *Waqf* management should be computerized, 2) establishment of *Waqf* education institutions, 3) improvement in efficiency and quality of fund manager quality, 4) transparency and accountability in every step. Jalil et al. (2019) used Analytic Hierarchy Process to find the preferred cash *Waqf* payment among the donors of Malaysia. They conducted the online questionnaire using convenient sampling technique from the respondents of three states of Malaysia. The results suggested that the most preferred methods were online payment and cash methods respectively, while cheque and postal orders were least preferred.

Fauzi et al. (2022) used Analytic Network Process to identified the factors that has been obstacles in the development of *Waqf* in Indonesia. The problems in the development of *Waqf* classified in five aspects. That were wakif, nazir, *Waqf* land, *Waqf* pledges and *Waqf* designation. The synthesis of ANP network consist of three super matrices providing the priority sequence of most important aspects and problems, alternative solutions and best strategy according to respondents. The study indicated that most important problem in the development of *Waqf* fund in Indonesia was unprofessional nazir. The rater agreement of nazir aspect cluster is  $w = 1$  which means that all respondent rate it at the priority. In addition, the other most affecting issues are idle *Waqf* land assets, low public trust in *Waqf* institutions and absence of *Waqf* certificates.

The priority solutions are Nazir certification, socialization and education to the community, utilization of modern technology and *Waqf* land certification and innovation in the development of *Waqf*.

Suryanto and Nasution (2015) used Analytic network process to find the problems and their solutions face by SME's in accessing financial resources from Sharia Banks. The result shows the lack of financial assistance from Islamic banks were on first and second problem was that function of Islamic banks as a business partner of SME's were not optimal. The suggested solution is both internal and external. Internal is that Islamic banks should give business monitoring to SME's and external is government should socialize Islamic financial mechanism to SME's.

Another study (Firduas et al., 2019) focused on the implementation of good governance in cash *Waqf* institutions in West Sumatra Indonesia. The study used the Analytic Network Process (ANP) approach to find priority issues, solutions and strategies of cash *Waqf* management. The results of the study indicated that the priority of problems in cash *Waqf* management in West Sumatra, in order of priority, are human resources (W: 0.371), regulation (0.243), accountability (0.200), and products (0.184) with a rater agreement (W: 0.377). The priority results solutions are human resource solution sequences (0.367), regulator solutions (0.267), product solutions (0.183), and accountability (0.181). The rater agreement value is (0.348). The results of the strategy in the order of collaboration with the other institution the top priority with a value (0.366), followed by public education about cash *Waqf* (0.324) and nazir guidance and Mawquf alayh (0.308).

### **2.3.5 Summary**

The literature review divided into three key areas. Firstly, it explores the meaning and history of *Waqf*, examining its evolution over time. The term "*Waqf*" (plural: *Awqaf*) stems from the



Arabic word "Habs," which implies holding, prohibiting, or confining something. In the Islamic context, *Waqf* refers to the practice of designating a property and preserving it for a specific purpose, typically religious or philanthropic, with its usage strictly limited to that designated purpose. The practice of *Waqf* finds its roots in the time of Prophet Muhammad (PBUH). The first instance of religious *Waqf* was the Masjid Quba in Madinah, while the first philanthropic *Waqf* was the well of Ruma, purchased by Hazrat Usman and dedicated to the entire population of Madinah. Upon the Prophet's passing, his companions continued the tradition, with Caliph Umar notably documenting the Khyber land as *Waqf* during his reign. The major distinguishing features of *Waqf* are irrevocability, perpetuity, and inalienability. The principle of perpetuity is one of the strong points that make *Waqf* a suitable tool for financing the SDGs. Traditionally, *Waqf* existed in three main forms: religious, philanthropic, and family. Over time, however, innovative applications have emerged. The 16th century saw the introduction of cash *Waqf*, pioneered by Imam Zufar, allowing for dedicated funds rather than solely physical assets. More recently, corporate *Waqf* has come to the fore, utilizing shares in companies as *Waqf* assets. The achievements of *Waqf* in past surprised the viewer of Islamic history to see the great effect of *Waqf* which started from simple family *Waqf* to end up with comprehensive role in religious, social, scientific, and cultural life of Muslim Ummah. The first section reviewed the studies that highlighted the achievement of *Waqf* in Muslim societies.

The second section covers the literature on *Waqf* in Pakistan. In Pakistan *Awqaf* exist since before colonial era. Currently *Awqaf* in Pakistan is in the process of rebirth, public *Awqaf* are working under the strict rule of government while there is no proper legislation for private *Awqaf* in Pakistan so most philanthropic activities take place in the form of English laws like trust and non-profit organization. Many *Waqf* properties in all four provinces of Pakistan use as a symbol of past practices like masjids', shrines, and graveyards. As there is no significant role of government *Awqaf* department in welfare of society, so this department is not qualified

for philanthropic foundation. The data on *Waqf* properties are outdated there is no census on *Waqf* properties in Pakistan. Although some privately established *Waqf* contribute to the welfare of the society like Hamdard *Waqf* Pakistan is a famous *Waqf* working since the time of independence. Similarly, many private *Waqf* providing funds to higher education institutions and financing many health care facilities. The studies expose flaws within Pakistan's government-run *Awqaf* system, highlighting its inadequacy in managing vast charitable assets for public benefit. Revenues fall short of costs due to mismanagement and corruption, leading to inefficient use of property. Undocumented donations, particularly in mosques and shrines, further contribute to this financial black hole. Despite a rich history and widespread application in other Islamic countries, research on *Waqf* in Pakistan remains surprisingly scarce. This creates a significant knowledge gap, leaving Pakistan lagging behind its peers in understanding and harnessing the full potential of this valuable institution.

While DEA and ANP are powerful tools for efficiency analysis and decision-making, they are not without limitations. One notable limitation of DEA is its reliance on accurate input-output data. Any inaccuracies or inconsistencies in data collection or reporting can lead to misleading efficiency scores, undermining the validity of the results. This is particularly challenging in contexts where reliable data may be scarce or inconsistently reported, such as in the case of *Waqf* organizations with diverse and decentralized operations.

Similarly, ANP's strength in capturing interdependencies among factors is accompanied by the complexity of its implementation. The method requires a comprehensive understanding of the relationships among elements, which can become challenging in large or intricate networks. Additionally, ANP heavily depends on subjective judgments from experts to establish priorities and relationships. While these judgments are often necessary to address qualitative aspects, they introduce the risk of bias, which could affect the robustness and generalizability of the findings. Addressing these limitations through sensitivity analysis, validation techniques, and

robust data collection processes is essential to enhance the reliability and applicability of DEA and ANP in achieving Sustainable Development Goals.

The last part of literature discussed the research techniques used in the study, Data Envelopment Analysis (DEA) and Analytic Network Process (ANP). Charnes, Cooper, and Rhodes developed DEA a non-parametric approach to measure the efficiency of a set of units named Decision Making Units (DMU) in 1978. Their proposed model was called the CCR model. DEA measures the efficiency of the DMU in using their input and output through the linear programming approach. DEA is widely used in social sciences to measure the efficiencies of different institutions like school, universities, hospitals, bank branches, shops, non-government organizations and etc. Although Data Envelopment Analysis (DEA) has shown its effectiveness in gauging the efficiency of *Waqf* institutions, its application has primarily focused on Indonesian *Waqf* entities. Notably, a diverse range of studies have employed DEA methodology, utilizing various input and output metrics to assess efficiency. Both the CCR and BCC models have been actively utilized in these studies. The technique of DEA was also used to measure the efficiencies of NGOS and microfinance institutions which were discussed in the last part of the literature review.

The second research technique that was discussed is Analytic Network Process (ANP). ANP, is a mathematical approach rooted in psychophysical theory. This theory hypothesizes that our perceptions and feelings share similarities with our physical experiences. Just as we react to varying intensities and strengths of stimuli in the physical world, ANP influences this concept to analyze complex decisions loaded with dependence and feedback loops. It considers essential factors like benefits, opportunities, costs, and risks within this framework. The last section includes the researchers in Indonesia employed the Analytic Network Process (ANP), a sophisticated decision-making tool, to extract critical problems hindering the advancement of both traditional *Waqf* and its newer counterpart, cash *Waqf*. This method's strength lies in its

ability to comprehensively prioritize problems, propose targeted solutions, and develop effective strategies. Notably, the ANP approach has gained grip in various social science studies for its thorough approach to problem identification and resolution.

## Chapter 3

### Historical Background and Development of Waqf in Selected Islamic Countries

#### 3.1 Background

*Waqf* is an important instrument of Islamic social finance that has played a significant role in Islamic history by provided various public services to communities. *Waqf* is started dates back at the dawn of humanity. According to historian the first ever *Waqf* in the history of mankind is Holy Kaaba in Makkah. It is the first building established for mankind for worship. The Holy Quran says:

*“Behold, the first House (of Prayer) established for mankind is the one at Makkah: it is full of blessing and a center of guidance for the whole world”.*<sup>9</sup>

Indeed, *Waqf* has enduring legacy in Islamic history, leaving tremendous religious, social and moral impact on Islamic civilization. The characteristics of *Waqf*, perpetuality, inalienability and irrevocability made it different from other charitable practices. Particularly the immovable *Waqf* results in establishment of sustainable institutions like mosques, hospitals, schools, universities and wide range of infrastructures throughout Islamic history. The establishment of English trusts in Europe was actually influenced by *Waqf* (Kuran,2001). The historical pattern of *Waqf* can be divided into three parts. First era was the time of Prophet Muhammad (PBUH) and his companions. Second phase was the period of Umayyad’s in AL-Andalus (Spain) and Abbasids in Middle East. The third phase started in 12<sup>th</sup> century and continued till 18<sup>th</sup> century called Ottoman period. In the first phase mainly agriculture land, wells for drinking water were made as *Waqf*. The income of these lands used for welfare activities. *Waqf* gradually evolved to immovable properties like mosques, rest houses and healthcare facilities. The *Awqaf* reached

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<sup>9</sup> (Quran,3:96).

its peak in the period of Ottoman Empire, almost one third of the Ottoman land was established as *Waqf*. The provision of public goods was entirely left to *Waqf* system. The schools, hospitals, mosques, cemeteries, rest houses, community centers and parks all were established by *Waqf*. At that time *Waqf* grows very fast and became so popular that non-Muslims also donated their properties as *Waqf* for the welfare of the society. *Waqf* became backbone of social, religious, moral and political system of Islamic civilization. The major recipient of *Waqf* was religious sector than education and health sectors were benefitted a lot (Abid and Miakhil, 2024).

The glorious time of *Waqf* ends in the mid of 18<sup>th</sup> century and there was plummet of *Waqf* system in Islamic societies. The researchers discussed the reasons of this declines. The main reason was fall of Muslims in intellectual, economic, political and military fields. The military invasions and most of Muslim's areas were under foreign colonialization had strong impact on *Waqf* destruction but this was not the only reason, the internal factors also involved in the declined of *Waqf* (Baqtayan et al, 2018). The internal factors that effected the performance of *Waqf* badly in history discussed with detail by Monzer kahf (2001). He pointed out that the management of *Waqf* plays important hole in *Waqf* efficient working, and the management of *Waqf* has two important characteristics of atomism and localism. The atomism gave full authority to manage the *Waqf* property to the Mutawalli appointed by the founder and localism means that the Mutawalli is a local person well aware about the local community. The *Waqf* was deprived from the positive impact of these two characteristics first in 14<sup>th</sup> century when judiciary involved in the matters of *Waqf* management. The judiciary became a supervision agency from the dispute solving agency. In that time in Egypt the judiciary had a special register to record and supervise the performance of *Waqf* properties in that area. Second involvement in *Waqf* management started in late 18<sup>th</sup> century when Ottomans established the ministry of *Awqaf* and passed the *Waqf* law that gave the *Waqf* properties and management under government supervision. This act made *Awqaf* a public sector institution and all the

negative impacts of public sector like corruption, lack of efficiency and political influence ruin the blessings and integrity of *Waqf* system. Similarly, in colonial period foreign invaders continued the central control of *Awqaf* properties. They neglected the development of *Awqaf* land and mostly focused on religious *Waqf* like Mosques, Shrines, graveyards and Islamic education institutions (Madrassas). To sum up the above discussion, the factors which were responsible of *Waqf* destruction are following:

- 1- The atmosphere of backwardness and underdevelopment all over Muslim world in science and technology, political and military field.
- 2- The problems in the management of *Awqaf*, like lack of accountability, lack of efficiency and political influence.
- 3- Government neglect of the development of *Waqf* properties and limited *Waqf* to the religious services
- 4- Lack of modern innovative investment techniques to develop *Waqf* land.
- 5- Do not consider the founder instruction and needs of beneficiaries.
- 6- Lack of trust of people on *Awqaf* department and hesitate to establish new *Waqf*.
- 7- Fiqh of *Waqf* were not allied with needs of contemporary time.

### **3.2 Revival of *Waqf***

In the mid of 20<sup>th</sup> century almost all Islamic countries gain independence from colonial powers and made their national states. In the beginning the governments of these states continues the *Waqf* practices used by colonial powers. Governments ignored the welfare functions of *Waqf* and use *Waqf* income on mosques, shrines and religious schools. For this purpose, almost every Muslim country established a branch of government named Ministry of *Awqaf* and Religious Affairs to manage the *Awqaf* properties (Kahf,2003). Initially, *Waqf* department of these countries only focused on the better delivering of religious services to the society. Later on, as most of the Islamic countries were underdeveloped and faced the problem of financing the

public goods than they realized the importance of Islamic Social Finance (ISF) and its key component “*Waqf*”.

After recognizing the immense importance of *Waqf*, several countries took different revolutionary initiatives in the late 20<sup>th</sup> century to unlock the potential of *Waqf* for provision of social services. These efforts still continue to revive the *Waqf* institution. The *Waqf* is a private charity, established by a private donor and appointed a manager to run this *Waqf*. Unfortunately, the government whose responsibility was only to regulate the management of *Waqf* involved in a very active role in management of *Waqf*. These involvements result in the lack of professional managements and creates many problems. One of the problems is idle and unproductive *Waqf* land in Muslim countries. The large arable land in these countries designated as *Waqf*, but there was not proper registration system and data about these lands. The implementation of classical Fiqh and not considering the new challenges and innovations is another issue in the revitalization of *Waqf*. The donors are reluctant to contribute in *Waqf* due to lack of trust and transparency, it’s another impediment to unlock the potential of *Waqf*.

The countries like, Malaysia, Indonesia and Turkey which have the upper hand in assessing and mobilizing their *Waqf* institution and many advances have been made to resolve the above problems. Similarly, some Arab countries (Kuwait and Saudi Arabia) and African countries (Nigeria and Egypt) revitalize their *Waqf* institution and make it effective in contributing social welfare (INCEIF and ISRA Report on Maximizing Social Impact through *Waqf* Solutions, The world Bank Report May 2019). In following section, we will explore the development of *Waqf* in these countries.



### 3.2.1 Malaysia

#### Historical Background

In 14<sup>th</sup> century Malaysia ruled by powerful Malacca Sultanate and Islam became a dominant religion. The Malacca state was conquest by Portuguese in 1511 and the state was divided into bulk of Malay states and colonized by European powers almost 300 years. The British invaded this region in 18<sup>th</sup> century and ruled till World War II. After war, the nationalist movement of independence gained momentum and managed to gain independence from British in 1957.<sup>10</sup> During the British rule they restricted the Sultans to look the religious and culture departments and all other departments were governed by British.

The limited powers of Sultans result in much institutionalization of religion and to enhance their powers they enacted new laws. Under the long rule of western powers, Muslims of Malaysia were very concerned about their religious identity. As mosques is the symbol of Muslim identity their focused on the establishment of mosques and their management on *Waqf* land. The British was interested in the private ownership of land and imposed this practice in year 1857 with the name of Torren System. The private ownership and the Islamic law of inheritance outcome with land fragmentation. The Malay people they found the only way out with this problem and started to establish Family *Waqf*.

The British wanted to purchase land from local land owners for plantation but the family *Waqf* became a big hurdle. To remove this obstacle British made family *Waqf* invalid after promulgated “*Waqf* Prohibition Enactment” in 1911. The direct impact of the law on *Waqf* properties were that the land divided among beneficiaries and came in private ownership and

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<sup>10</sup> <https://www.britannica.com/place/Malaysia>

also prohibited the establishment of new *Waqf*. This act of 1911 continued till 1978 when independent state of Malaysia passed new *Waqf* laws.

### **Development of *Waqf* in Last Few Decades**

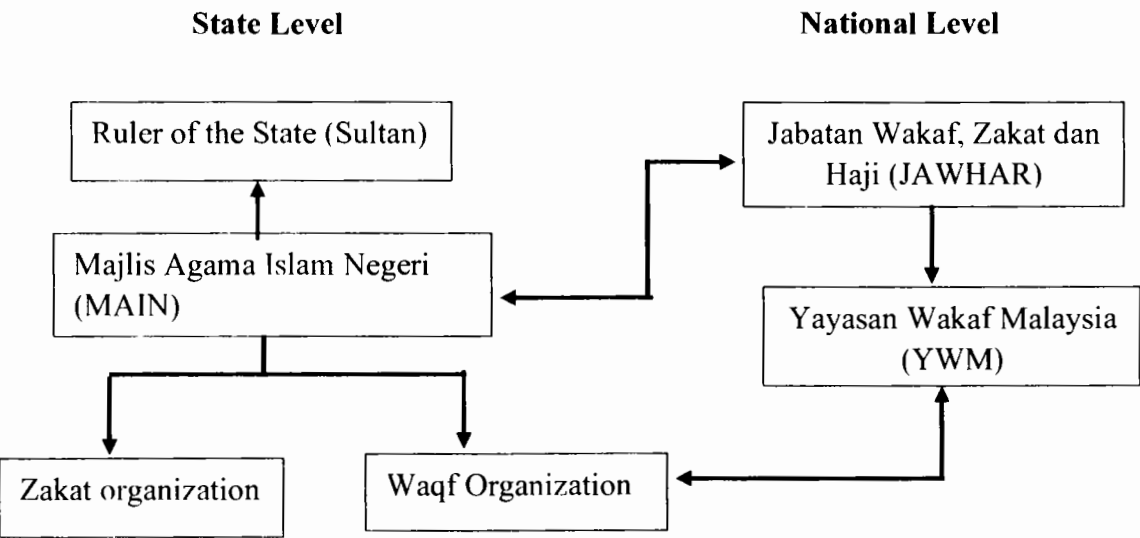
The government of Malaysia centralized the *Malaysian Waqf System* in 1978. The ownership of all *Waqf* properties was transferred to

*State Islamic Religious Councils* (SIRCs). The SIRCs were under the supervision of the state ruler and the sole Mutawalli (Manager) of all *Waqf* properties. As a result of this act in Malaysia the thirteen states managed their *Waqf* properties under their state law and three are managed by federal law as federal territories. Five out of thirteen states had their own specific *Waqf* laws these are Malacca, Terengganu, Selangor, Johor and Negeri Sembilan. The SIRC of each state was the responsible of the registration of all movable and immovable *Waqf* properties. *Waqf* funds both general and specific were also managed by SIRCs in each state. One positive point of the act of 1978 was that it permits cash *Waqfs* in Malaysia, but over reach power of SIRCs eliminated the past practices of founder nomination of trustee which has the properties of localism and atomism. All this results in the very rare establishment of new *Waqf* in Malaysia and bureaucratic problems in the management of *Waqf* (Mohsin and Muhammad, 2015).

Malaysian government recognized the problems associated with the centralization of *Waqf* system and underdevelopment of *Waqf* properties, in 2004 government established the Department of *Awqaf*, Zakat and Hajj or Jabatan *Awqaf*, Zakat dan Haji (JAWHAR). The responsibilities of this department are to facilitate and coordinate with the government and SIRCs for the development of *Waqf* properties. For the development of existing *Waqf* and establishment of new *Waqf*, in 2008 government supported institution “Yayasan Waqaf Malaysia “(YWM) was formed. The institution is the responsible of collecting *Waqf* fund and providing social and welfare services according to *Waqf* donors requirements. Later on, the

YWM started investment programs and other projects to the optimum use of *Waqf* properties. The government took initiatives for the development of *Waqf* and allocated RM250 million funds in 2006 under the 9th Malaysia Plan (RMK9). Similarly, in 10<sup>th</sup> Malaysia plan government allocated RM1.9 billion for the development of *Waqf*. All these efforts result in the construction of different hotels on the prime *Waqf* properties and income generated from these hotels used for the social welfare projects like education, health, medicines and entrepreneurships. These efforts have a positive impact on the development of *Waqf* and the department of *Waqf* is on the path to revitalization (Daud et al., 2022). Now the management structure in Malaysia is elaborated by the following diagram

**Figure3.1: *Waqf* Management Structure in Malaysia**



Source: (Norzilan, 2018)

In 2015, *Waqf* became a part of Islamic Capital Market regulatory framework. Malaysian securities commissions gave tax incentives and defined the sustainable and responsible investment (SRI) eligible products. All *Waqf* properties and any project that is for the development of *Waqf* properties can be used SRI eligible products. The *Musharka* – based

sukuk *Waqf* model is one of the sustainable and responsible investment models used for the development of the *Waqf* properties. Later in, 2016 and onwards different innovative models of *Waqf* like *Wakalah Waqf* model, cash *Waqf* model, shares *Waqf* model and sukuk were used to unlock the potential of *Waqf*. Under these model different SIRC's collaborate with other organizations established *Waqf* clinic (An-Nur Clinics) and projects of financing for higher education institutions. These projects proved very successful and *Waqf* became a well contributor to the welfare of the society (Iman and Muhammad, 2017).

Latest development in the *Waqf* system in Malaysia, banks are involved in the development of idle *Waqf* properties, managing and collecting *Waqf* funds. For this purpose, central bank of Malaysia in collaboration with other Islamic banks introduced “*MyWakaf*” initiative. The positive aspect of *MyWakaf* initiative is that it overcome the problems arises from the sole management of SIRC's because in this initiative *Waqf* funds is now being managed by experts, trusted and well reputable banks.

### **Factors influencing development of Malaysian *Waqf* System**

In recent years, the trend can be observed in Malaysia for the development of *Waqf* and realizing its potential in socioeconomic development. This results in the significant improvement in the development of *Waqf* system and its positive impact can be seen in Malaysian society's development. The researchers highlighted the following factors responsible of *Waqf* development in Malaysia.

#### **1. Government Active participation**

The revitalization of *Waqf* system was greatly influenced by the government. The government realized that large area of *Waqf* land and other properties were not fully utilized for the wellbeing of the society, the reason of the underdevelopment and idle *Waqf* land was lack of financial resources. Therefore, the government of Malaysia established the JAWHAR and

YWM institutions for the development of *Waqf* land and properties. The government also provided RM9.1 billion for the development of *Waqf* land. (Hassan, 2008; Cizakca, 1998; Norzilan, 2018; Saad et al., 2016; Iman and Muhammad, 2017).

## **2. Development of Islamic Financing Instruments**

Islamic social finance (ISF) is a new formalization of Islamic values of altruism and generosity results in social welfare of the society. In last three decades this sector grew very fast due to rise in Islamic banking system. Cash *Waqf* is an essential instrument of Islamic social finance. Malaysia is one of those Islamic country which has dominance in Islamic social finance. It was estimated that cash *Waqf* collection in Malaysia hits RM 4.3 billion per year. The Yayasan Waqaf Malaysia and Islamic banks collected cash *Waqf* and started different welfare projects including education and health project. Mywakaf scheme is also initiated by the collaboration of Islamic banks and SRIC. Similarly, another initiative is the introduction of *Waqf* Sukuk (bond) a successful instrument. After the maturity period of *Waqf* Sukuk the project would become *Waqf* asset and *Waqf* beneficiaries will be benefitted in perpetuity. The *Waqf* sukuk successfully generated funds for various public projects like roads, hospitals and development of idle *Waqf* land. Currently there are sixteen Islamic banks operating in Malaysia and they are offering more than 100 financial products (Ali and Markoom, 2020; Saiti et al., 2014; Amuda et al., 2016; Saad and Anuar, 2000).

## **3. Efficient and Systematic Management**

Effective and efficient management of *Waqf* properties is one of the key factors for the development of *Waqf* institution. The government of Malaysia took different steps that ensure the efficient management. From the independence to the establishment of JAWHAR in 2004 *Waqf* properties were solely managed by SRICs, a government nominated trustee. Therefore, problems of inefficient and nonprofessional management results in subdevelopment of *Waqf* land and due to lack of people trusts in these managers there were no new *Waqf* established.

But after the permissibility of cash *Waqf* and the establishment of JAWHAR and YWM, *Waqf* funds were managed by efficient and professional managers like banks and *Waqf* foundations (Ibrahim,2013; Chowdhury et al., 2011; Sanusi and Shafiai, 2015; Kamarabahrin et al., 2019).

Looking at the current status of *Waqf* development in Malaysia, we can conclude that there is significant development in *Waqf* management and implementing various financial initiatives. Despite these improvements Malaysian *Waqf* system still faces the challenges and problems of cash *Waqf* management, lack of accountability and transparency and lack of regulatory framework (Fauzi et al., 2019).

### 3.2.2 Turkey

#### Historical Background

Turkey's history extended back thousands of years; it saw the periods of different empires. Anatolia was the inhabitant of ancient civilizations. Before the rise of Islam, Roman and Byzantine Empires rule the turkey for centuries. In 11<sup>th</sup> century Turkic tribe "Sul juke Turks" invade the Anatolia and formed their empire which later on replaced by Ottoman in 12<sup>th</sup> century. Ottoman Empire was founded by Osman I, the empire grew very fast and became a world power, ruled large area of Europe, Asia and Africa for centuries.<sup>11</sup>

Turkey has a much older and rich *Waqf* heritage, in fact in ottoman period *Waqf* system reached its peak and formed a glorious and successful history. *Waqf* experienced significant development in 16<sup>th</sup> century, when Imam Zufar given the permission of cash *Waqf* to be established. The donated capital was invested in either *Modaraba* or *Istiglal* the two financial instruments. Istiglal was like sale-lease back-repurchase method, which is widely use in modern Islamic banking. Cash *Waqf* played an important role in increasing the volume of

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<sup>11</sup> <https://www.britannica.com/place/Turkey>  
<https://en.wikipedia.org/wiki/Turkey>

charity in general public. At that time *Waqf* provided myriad of social services including the establishment of Mosques, schools, health institutions, feeding poor, providing clean drinking water and much more.

The Ottoman empire became weak and experienced its fall in political, economic and military fields in 19<sup>th</sup> century. This fall also affected the *Waqf* institution and lost its contribution in community welfare. By early twentieth century, when Ottoman government faces the problem of bankruptcy and requested the loan from British and French government, at that time they demanded the sale of *Waqf* properties as pre condition for loan. This started the deterioration of *Waqf* in Turkey, first step of this was the centralization of *Waqf* and *Waqf* was under Ministry of Finance and ministry was also responsible of collecting *Waqf* fund. After the collapse of ottoman empire in World War I, Mustafa Kamel Atatürk established the Republic of Turkey in 1923. The *Waqf* institution for following few decades experience the deterioration by massive sale of *Waqf* properties. However, with the passage of time a strong opposition in Turkish parliament succeeded in enacting the new *Waqf* law in 1967. This law is considered a stepping stone in the revitalization of *Waqf* in Turkey.<sup>12</sup>

### **Development of *Waqf* in Last Few Decades**

The key features of *Waqf* law of 1967 were the irrevocability of *Waqf* properties, permission of exchange of *Waqf* property (*Istibdal*) when it was not fully utilized, tax exemption for *Waqf* institutions, permissibility for *Waqf* entities to established companies and similarly companies could establish their own *Waqf* fund. All these amendments had a positive impact on the development of *Waqf*, a total of 73 *Waqf* were established in the period of 1923 to 1967 and it's jumped to more than 1000 during 1967 to 1985. The momentum continues, and it reached 436 new *Waqf* annually at the end of 1996 (Cizakca, 2014).

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<sup>12</sup> for details see Dursun, S. A. (2019). The Question of *Waqf* in Turkey from its Ottoman Past to the Present. *ILIRIA International Review*, 9(2), 181-207.

In late 1980's, once again major changes were made to the *Waqf* laws of Turkey, when government knew that a number of *Waqf* institutions were involved in funding the fundamentalist groups and they were responsible of destabilization in country. To fix this problem, government of Turkey gave authority to Interior Ministry to shut down all those *Waqf* involved in such activities. This law was also imposed hard drafting and regulating conditions for the establishment of new *Waqfs*. However, huge public backlash forced president to give the matter of *Waqf* under the prime minister and parliament in 1998 and maintain the previous tax exemption of *Waqf* institution whose 80% funds used for public welfare (Cizakca,2000; Cizakca,1998).

Another effective evaluation was made by government of Turkey in 1992, when the management of *Waqf* properties transferred from Ministry of *Awqaf* to General Directorate of *Waqf* (GDW). The GDW responsible of audit and supervise the *Waqf* institution and charge fee for these services. The GDW also allowed to purchase the shares of small companies not yet traded in stock exchange. Latest development in *Waqf* law of Turkey were introduced in Foundation Law 2008, under which changes were made to *Waqf* regulatory framework. The main features of the law of 2008 were

- 1) The introduction of *Waqf* council consists of 15 members.
- 2) The tax of 20% imposed on their rental income, but exempted corporate *Waqf* from tax.
- 3) The council has the power to appoint the trustee of *Waqf*, which curtailed the founder power of appointing their own trustee.
- 4) The council made the establishment of new *Waqf* easier by lowering the minimum starting amount to 50000 YTLs from very high amount.
- 5) It allows *Waqf* foundation to start their services internationally.
- 6) The Istibdal (exchange of *Waqf*) would be possible with the approval of council.



This law has a positive impact on revitalization of *Waqf* in Turkey. Looking at the data, after this law the rate of establishment of new *Waqf* rise like, 4.443 in 2008 to 4.867 in 2014. But this not like the increase in the decade of 90's, the reason is imposing new taxes and fees by the government (Saad et al., 2017; Cizakca, 2020).

### **Factors influencing development of Turkish *Waqf* System**

Turkey has rich and long history of *Waqf* institution. However, after significant distraction in the early 19th century, these *Waqf* institutions haven't yet fully recovered their past eminence. The enactment of *Waqf* act 1967 marked a turning point, putting *Waqf* institution on path to revival. The factors that made this revival possible are following:

#### **1) Permissibility of Corporate *Waqf***

After the promulgation of 1967 law, the great business tycoon of Turkey late Vehbi Koç established a new corporate *Waqf* and donated his company shares. The Koç Foundation involved in variety pf philanthropic activities like Education, medicine, research and archeology, nursing, art and culture. The Koç Foundation led the example for others, and now number of foundations are working on same model (Cizakca,2020).

#### **2) Vakif Participation Banks**

Banking sector plays important role in the development *Waqf* system. In 1984, first interest free bank was established in Turkey because of secular state structure the name of this bank was Special Finance Houses (SFHs) instead of Islamic Bank. In the new banking law of 2005, the name was changed from SFH to Participation Banks (PBs). During last two decades, the performance of these Participation Banks was very impressive and this sector shows significant growth. To revive the cash *Waqf* heritage, Turkish government initiate to established the Vakif Participation Bank in 2016. The foundation money comes from old Ottoman *Waqf* and 99%

shares hold by General Directorate for *Waqf*. The main financing tools of PBs are Mudaraba, Musharaka, Qard al-hasan, etc (Özdemir, 2017; Saad et al., 2017).

The prevailing practices to revive the institution of *Waqf* is not sufficient, the current legal framework, different types of taxes, excessive interference by the government and decline in the people attitude towards charity are seriously impeded the restoration of *Waqf* institution in Turkey.

### 3.2.3 Indonesia

#### Historical Background

Indonesia is a country located in Southeast Asia and Oceania, having diverse culture and external influences. During 5<sup>th</sup> century to 15<sup>th</sup> century Indonesia was under Hindu-Buddhist Kingdoms. This kingdom left behind the great temples and Hindu- Buddhist culture in all over Indonesia. In 13<sup>th</sup> century Islam arrived in Indonesia through trade and till 16<sup>th</sup> century it spread peacefully and became a dominating religion. Now Indonesia is the largest Muslim country having 275 million population. In late 16<sup>th</sup> century, European power particularly Portugal and the Netherlands arrived in Indonesia for the sake of resources. Indonesia remains Dutch colony till 20<sup>th</sup> century, then independence movement started and succeeded in gaining independence and international recognition in 1949.<sup>13</sup>

Now, Indonesia is a major democratic regional power with growing economy. *Waqf* institution in Indonesia started after the arrival of Islam. The powerful Muslim sultanate Samudra Pasai and Aceh used *Waqf* for establishment of mosques and Islamic education institution. Mostly the historic mosques built on *Waqf* land and these religious *Waqf* practices continues at the time of Muslim rule, colonial period and after independence (Hazami, 2016).

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<sup>13</sup><https://www.britannica.com/place/Indonesia>  
<https://en.wikipedia.org/wiki/Indonesia>

## **Development of *Waqf* in Last Few Decades**

After independence, Indonesian government passed different laws for the governance and development of *Waqf* land. The law of 1961 related to *Waqf* land registration and law of 1977 related to privately owned *Waqf* properties. The usefulness of these acts limited to the religious services like mosques, Islamic schools and cemeteries. From independence to 2001 Indonesian *Waqf* system experienced stagnation, however in 2001 several Islamic economics experts introduce cash *Waqf* model for the welfare of the society (Medias, 2010).

The efforts of the Islamic economic practitioners became rewarding in the year 2004, when the Indonesian Ulama Council (MUI) gave fatwa of allowing cash *Waqf* and government endorsed it with enacting *Waqf* law of 2004 allowing movable thing can be *Waqf*. The government realized the potential of *Waqf* and established an independent institution named Indonesian *Waqf* Board (Badan Wakaf Indonesia - BWI) in 2004. Its key responsibility is to develop the *Waqf* land and properties in Indonesia. It also oversees, legalizes and directs the *Waqf* administrators (Nazirs) in managing and developing *Waqf* properties, and it can also terminate and replace administrators if it is necessary for the development of *Waqf* assets. In addition, it is also established new *Waqf* properties and manage and develop idle *Waqf* lands as well as providing strategy advice to the government. Badan Wakf Indonesia work together with the National Sharia Council-Majlis Ulama Indonesia (DSN-MUI) in developing *Waqf* products. In their collaboration different *Waqf* products was launched like *Wakalah Waqf model*, which is like Islamic Insurance started in 2016 and with the permissibility of Ulama the *Waqf Sukuk* was introduced in 2019 (Nugarha et al., 2022). These efforts put the *Waqf* institution of Indonesia on the path of revival, the cash *Waqf* products flourished rapidly in last few years, there have been more than 15 Islamic financial institutions and near 100 Shariah Financial Services Cooperative that collect cash *Waqf* from the public.

Another positive initiative in the development of *Waqf* is establishment of the Dompot Dhuafa Republika (DDR). The DDR main function is to collect and distribute zakat at national level, it is also involved in *Waqf* asset management. The DDR was initially registered as a *Waqf* foundation in 2001. To guarantee the transparency and efficiency in *Waqf* management, the DDR established a separate division, known as the Indonesian *Waqf* Fund (IWF) in 2005. The IWF provides a platform for investment of *Waqf* body for risky businesses such as in the livestock business, tofu industry and Islamic microfinance (Haneef et al, 2017).

### **Factors influencing development of Indonesian *Waqf* Institution**

Following are the key factors that are responsible of putting Indonesian *Waqf* institution at the path of revival.

- 1) The establishment of autonomous department Badan *Wakaf* Indonesia for managing and developing *Waqf* assets.
- 2) Active contribution of government in the development of *Waqf* by enacting *Waqf* laws.
- 3) The role of Islamic Financial Institutions and Shariah Financial Services in boosting cash *Waqf* collection.
- 4) Innovation in cash *Waqf* products like Islamic Takaful Models and *Waqf* Sukuk.

Besides these measure the Indonesian *Waqf* faces the problems of *Waqf* management, *Waqf* regulations, lack of coordination between BWI and private *Waqf*, *Waqf* land status, change of *Waqf* land status and lack of awareness among people towards *Waqf*.

### **3.2.4 Kuwait**

#### **History and Development of *Waqf***

Kuwait is a small country of Persian Gulf and has population of around 4.5 million. Kuwait ruled by different dynasties, before Islam it was under Persian empire after arrival of Islam ruled by different Muslim dynasties. The **Al Sabah Dynasty** was the last ruling power before

the British influence. Kuwait gained complete independence from Britain in 1961. In 1938 oil discovery in Kuwait transformed its economy and can be considered a high-income country with the GNI per capita at \$67,200. Before independence, mostly *Awqaf* in Kuwait provides health care services.<sup>14</sup>

The notable development of *Waqf* started with the establishment of **Kuwait Awqaf Public Foundation (KAPF)** in 1993. KAPF is an autonomous government institution, responsible of managing all *Waqf* assets, investing and administering the *Waqf* asset, trained the *Waqf* staff, promoting public awareness about *Waqf* and encouraging them to establish new *Waqf*. In addition, KAPF collect *Waqf* funds and coordinate with government and other financial institution regarding initiating new shariah compliant *Waqf* projects for achieving the *Waqf* objectives. For achieving all goals KAPF consist of a strong organizational structure including four departments, legal and shariah department, Audit and inspection department, Planning and technical consultant department, and Training and development department. These departments are run by professional and competent members results in a success of *Waqf* projects in Kuwait (Khalil et al., 2014).

KAPF generates funds by investing in different projects loke, investment in real estate, long term investment and financial investment. In long term investment KAPF investing in education sectors and in research and training programs. Financial investment includes medium- and long-term mutual funds, securities investments and investment in global markets. *Waqf* funds models of Kuwait are considered best *Waqf* practices in the world. KAPF's efforts results in the significance growth in establishment of new *Waqfs* from 90 registered properties in 1993 to 540 registered properties in 2010. Similarly, growth can observe in collection of

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<sup>14</sup> <https://www.britannica.com/place/Kuwait>

*Waqf* funds reached from \$30.13 million to \$110.82 million. These *Waqf* funds used in providing different social services programs like projects of health development, education projects including students' sponsorship projects, social and cultural development projects and science projects (Al- Amr, 2012).

### **Key Factors in development of Kuwait's *Waqf* Institution**

Following are the key success factors in the *Waqf* development:

- 1) The establishment of independent government institution Kuwait *Awqaf* Public Foundation (KAPF).
- 2) KAPF has a high accountability and transparency system, that builds public trust on KAPF.
- 3) Introduce different successful strategies of investment, like minimizing risk and safe capital.
- 4) Raise public awareness about *Waqf* and motivate them to donate in *Waqf* funds.
- 5) Professional and trained KAPF staff.
- 6) Active government involvement for the development of *Waqf* (Karem, 2010).

## **3.2.5 Saudi Arabia**

### **History and development of *Waqf***

Saudi Arabia is a largest country of Western Asia occupying most of the area of Arabian Peninsula. Saudi Arabia has a rich history of old civilization, strong dynasties and the origin of the emergence of Islam. The concept of *Waqf* originated from Saudi Arabia at the time of Prophet Muhammad (PBUH). The second caliph Hazrat Umar was the first person that established his land of Khyber as a *Waqf*, and he documented his *Waqf* and witnessed. At the time of early caliphs, the management of *Waqf* system was simple and uncomplicated. During, Umayyad's dynasty *Awqaf* became abundant and there was a need of new jurisdiction for this

the chief justice created a special Diwan (department) for *Waqf*. The development of *Waqf* continued till the ottoman dynasty and it is the important source of revenue for the kingdom (Alomair, 2018).

In 1932, after various conquests and strategic alliances, AL Saud family formally declared the Kingdom of Saudi Arabia. At that time large reserve of oil was discovered which transformed the Saudi economy. In early decades of the kingdom the *Waqf* was managed by Royal Diwan, Ministry of Finance and religious affairs, this practice continued till 2015. During that period, development of *Waqf* in Saudi Arabia is very fast and has different forms such as apartments, shops, gardens, land, hotels and places of worship. These *Waqf* contributed well for enlargement and renovation of the Makkah Haram Mosque and the Prophet's Mosque in Madinah (Kasdi et al,2022).

The modern revolution started in the Saudi *Waqf* system with the enactment of new law in December 2015. According to this law all *Waqf* institutions in the Saudi Kingdom have been governed by Royal Decree No. 35/M. The two governing bodies named, the High Council of Endowments (HCE) and the Sub-Council of Endowments (SCE) was formed. The establishment of HCE has positive impact on the development of *Waqf* in the kingdom. The law empowers HCE the right to register the *Waqf*, supervision of *Waqf* institution, change the purpose of *Waqf*, ensure the effectiveness of *Waqf* institution investment, and monitor the practices of *Waqf* whether it has compliance with *Waqf* law and regulations (Alsaadi,2010).

The HCE also consult with experts to find the ways for the growth of *Waqf*. Consequently, different *Waqf* models are successfully implemented in the kingdom these includes corporate *Waqf* and scientific endowment fund that contributed in the education sector. Many religious schools and the King Abdul-Aziz University established as a *Waqf*. The Scientific Endowment Fund is a type of collective *Waqf*, they accept the donations to achieve the goal of scientific

and intellectual revival of Muslim ummah with help of Islamic *Waqf* and activating its historical role in the provision of different social services like, education, health, science and research, environment and programs of poverty alleviation. In the field of health services, clean drinking water the Suleiman Al-Rajhi Foundation in the Kingdom of Saudi Arabia is a successful example. The foundation has started various programs in health care giving different medical care services to the needy people and in providing clean drinking water foundation run 20 different projects. Saudi Arabia also arranged different seminars, invited intellectual and religious scholars for finding the ways to unlock the potential of *Waqf* and innovation in the *Waqf* institution (Mosleh,2020; Zawawi et al,2023).

### **Key Factors in development of Saudi Arabia's *Waqf* Institution**

The key features of current *Waqf* practices in Saudi Arabia are following

- 1) The establishment of High Council Endowment, an autonomous body that practice good governance and transparency.
- 2) The successful *Waqf* projects run by private institutions.
- 3) Public awareness and trust on *Waqf* institutions.
- 4) Government initiative to introduce digital technology, professional management approaches, collaborating with Islamic financial institutions, social projects and public engagement.

## **3.2.6 Egypt**

### **History and development of *Waqf***

Egypt is a country located in northeastern Africa and extending into southeastern Asia. With its important geographical location, Egypt magnifies one of the world's old civilizations with rich history and culture. The Pharaonic Period was one of the long and powerful dynasties ruled by Egypt, building pyramids and advent of arts and other scientific inventions. In 641 AC



Muslim Arab conquered Egypt and Islam became a dominant religion, the powerful Mameluke and Ottoman dynasties ruled Egypt for centuries.<sup>15</sup>

The *Waqf* recognition in Egypt started with the arrival of Islam and flourish substantially over the period of time. Around 40 % of Egypt agriculture land designated as *Waqf* land, and with modernization of *Waqf* practices the movable *Waqf* and other *Waqf* properties also added in *Waqf* system. Egypt has a history of successful *Waqf* examples in providing welfare services to the community. In 1289 AC, *Waqf* hospital “Bimaristan e Mansoori” was built in Cairo. The famous traveler Ibn e Battuta wrote in his book that the administrator of the hospital provides excellent services in the hospital. The famous Al Azhar University is one of the great examples of *Waqf* in education sector (Saduman and Aysun,2009).

*Waqf* governed with the old Islamic jurisdiction till 18<sup>th</sup> century and took various forms. In 1932 the ruler of Egypt Muhammad Ali Badshah, first time established the government body of *Waqf* administration. After that various attempt have been made for the implementation of proper law for *Waqf* development. The efforts of religious scholars, legislative members and jurists results in the enactment of first *Waqf* law in 1946 that regulate the *Waqf* institution. The significant development seen in 1971 with President promulgated Act No. 80 for the establishment of a *Waqf* Authority in Egypt. This *Waqf* authority act as independent body governed by Board of Directors work under Ministry of *Awqaf*. The establishment of this independent body have a positive impact of *Waqf* development in Egypt. The *Waqf* Authority collects *Waqf* fund and invested it in industries, financial investment and investment in Agriculture land. The return on investment then used in various welfare projects. The Egyptian *Waqf* model is considered as one of the admired models in the Islamic countries and widely used by most Muslims countries. However, this model has different shortcomings like unstable *Waqf* management, lack of innovation and use of technology, inefficient financial planning and

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<sup>15</sup> <https://www.britannica.com/place/Egypt>

misuse of *Waqf* properties (Khalid et al., 2014). Another development in *Waqf* was seen in the period of Hosni Mubarak in 1980s when he ordered Ministry of *Awqaf* to convert each mosque into “Masjid AL Jani” or Cathedral Mosque, that provides education, trainings and other social services. The Ministry of *Awqaf* allocated funds for that purpose, that has a significant impact on increasing *Waqf* role in society welfare (Pioppi, 2004).

### **Key Factors in development of Egyptian *Waqf* Institution**

Following are the key factors in the current revival of *Waqf* in Egypt:

- 1) Transformation of state social system in Naseer regime to the Islamic traditional welfare system in the period of Hosni Mubarak.
- 2) Establishment of autonomous body “*Waqf* Authority” to manage and develop the *Waqf* properties.
- 3) Investment of *Waqf* fund in industries, *Waqf* authority owned major shares of industries like Cement company, Telecommunication industry, Dairy company, contracting company e.g. *Waqf* authority owns 98% share of *Al-Mahmudiyah* contracting company.
- 4) Investment in agriculture sector as around 40% agricultural land registered *Waqf*, *Waqf* authority took different steps for the efficient use of *Waqf* land.
- 5) Introducing financial instrument used for investment of movable and immovable *Waqf* assets like Islamic and development banks and insurance companies under different *Waqf* models.

### **3.2.7 Nigeria**

Nigeria is an emerging African power, located in western Africa. Nigeria is culturally and religiously a diverse country, Islam and Christianity are dominant religion. Generally, there is tolerance and religious harmony in different religious groups. Nigeria has rich natural resources

and growing economy but besides that facing the problem of corruption and social inequalities. Islam reached Nigeria in late 11<sup>th</sup> century and the country benefitted from *Waqf* since then. Kanem-Bornu Empire, Oyo and Benin Empire ruled Nigeria from 1000 AD to 1800 AD created the unprecedented *Waqf* system in Nigeria. Later on, the colonial period seriously damaged the growth and development of *Waqf* (Abdul Rauph, 2022).

The significant development of *Waqf* was observed in 1986 with enactment of law Decree 26, this law place *Waqf* under the jurisdiction of the Shariah Court of Appeal. The distinguished feature of *Waqf* law in Nigeria is that they follow Maliki school of thought, which allow that *Waqf* is revocable. If the objective of *Waqf* founder achieved, *Waqf* asset can go back in the ownership of Waqif. The second thing it disallows waqif to be benefitted by his own *Waqf*, the beneficial rights are only for beneficiaries. Another feature of Nigerian *Waqf* system is it manage by trustee or Mutawalli, no other body or government involved in the management of *Waqf* (Oseni, 2012).

In past two decades the Nigerian *Waqf* system played vital role in poverty alleviation and wealth redistribution. The *Waqf* system includes movable and immovable *Waqf* including cash *Waqf* and other contemporary forms of *Waqf* like E *Waqf*, social insurance models and different financial instruments. Nigeria adopt a successful *Waqf* model “A Crowdfunding-Sadaqah Model (CSM)”, in which sadaqah is collected through E banking system to create a pool of *Waqf* fund. Similarly, other models like *Waqf* based sukuk plays significant role in development of *Waqf* properties and integration of *Waqf* with other financial inclusion also an effective tool. However, all these steps help in the revival of *Waqf* in Nigeria but there are the problems of lack of awareness, corrupt practices and inefficiencies of *Waqf* management hindering the fast development of *Waqf* (Umar, 2019; Ashafa, 2021).

### 3.2.8 Bangladesh

Bangladesh, located in South Asia, has a rich history that includes ancient civilizations, British colonial rule, and separation from Pakistan in 1971. After separation, poverty, natural catastrophes, and political instability have all posed obstacles for the country. However, Bangladesh has achieved great strides in economic growth, social indices such as literacy, and garment sector exports.

*Waqf* has existed in Bengal (the area that includes modern-day Bangladesh and West Bengal, India) from the early days of Muslim governance. Landowners and monarchs created *Waqfs* to fund mosques, madrasas (Islamic schools), and charity acts such as feeding the needy and assisting travelers. The legal structure governing *Waqf* in Bangladesh has changed throughout time. Initially, it followed Islamic legal ideas. The British established the Mussalman *Waqf* Validating Act of 1913, and after independence, the East Pakistan *Waqf* Ordinance of 1962 went into force. Currently, the *Waqf* administration is managed by a mix of these rules and revisions passed in 1988, 1998, and 2013 (Islam, 2018). The Bangladesh Bureau of Statistics (BBS) performed a census of *Waqf* Estates nationwide upon request from the Ministry of Religious Affairs. The census was performed in January/February 1986. According to the 1986 *Waqf* Estate Census, Bangladesh has 150,153 *Waqf* estates. The overall number of *Waqf* estates is 97,046 registered, 45,607 verbal, and 7,940 traditional. The Rajshahi division has the biggest number of registered *Waqf* (30419), verbal *Waqf* (12809), and traditional *Waqf* (1971). The Sylhet division has the fewest registered and traditional *Waqfs* (6024 and 744, respectively), whereas Barisal has the fewest verbal *Waqfs* (2877). Over 8,000 educational institutes are *Waqf*. There are almost 123,000 mosques that provide both religious and secular education (Foyasal Khan, 2010).

*Waqf* plays an important part in Bangladeshi society. It funds mosques, madrasas, orphanages, and other humanitarian projects. *Waqf* land makes a substantial contribution to urban development, with several prominent locations in Dhaka and Chittagong hosting commercial companies sponsored by *Waqf* income. In past few decades several measures have been taken to improve *Waqf* contribution in welfare of the country. There are different *Waqf* based model are working that has social impact. The IsDB-Bhaban complex in Dhaka, Bangladesh, shows the good social and economic effects possible with effective *Waqf* administration. This \$50 million *Waqf* property, established as a joint venture between the Islamic Development Bank (IsDB) and the Bangladesh Islamic Solidarity Education *Waqf* (IsDB-BISEW), provides the organization with a long-term source of revenue. IsDB-BISEW distributes roughly \$1.23 million per year to various educational and human resource development activities. These programs include: IT Scholarship Program; Vocational Training Program, Madrasah Program and Orphanage Program.

Cash *Waqf* Certificates (CWC) became a pioneering Islamic financial tool in Bangladesh in 1995, when Social Investment Bank Ltd. launched them. Individuals, organizations, SMEs, and the government all contributed to the funding of micro, small, and medium-sized enterprises through these certificates. Cash *Waqf* Deposits (CWD) in the banking industry gain importance since 2010. Their rising worth, from BDT 250 million to BDT 1056 million by 2016, demonstrates increased public involvement in the country's socioeconomic progress. The well-designed laws and teamwork among key parties - *Waqf* administration, tax authorities, and the central bank - may create a more welcoming climate for CWDs, accelerating Bangladesh's socioeconomic progress (Sarkar, 2019).

The Bangladesh *Waqf* Administration, a government agency under the Ministry of Religious Affairs, oversees registered *Waqf* properties. However, there are problems to successfully maintaining and exploiting *Waqf* assets due to variables such as unregistered property, a lack

of transparency, and limited resources. Despite its problems, *Waqf* maintains an important part in Bangladeshi society. It funds mosques, madrasas, orphanages, and other humanitarian projects. *Waqf* land makes a substantial contribution to urban development, with several prominent locations in Dhaka and Chittagong hosting commercial companies sponsored by *Waqf* income.

### 3.3 Concluding Remarks

The institution of *Waqf* has observed incredible growth in last two decades. The revolutionary measures are seen in management and governance of *Waqf* institutions, *Waqf* law and regulatory framework, Innovation in *Waqf* instruments and embracing new technology. The countries discussed above have opted different measures for the revival of *Waqf* institution considering their local historical and social factors including, social norms and needs, colonization factors, prevailing Islamic law of jurisprudence and *Waqf* laws. The chapter captured the factors that puts the institution of *Waqf* to a path of revival of the selected countries. The following factors can be considered key factors in the development of *Waqf* and each country take different steps of improvement according to their local religious, political and social scenario. These factors are

#### 1- *Waqf* law and regulatory framework

The first step taken by all countries after the realization of *Waqf* potential is the amendment in their prevailing *Waqf* laws, mostly the prevailing laws were implemented by colonial powers. Some countries legal framework led stagnation in the development of *Waqf* but some other countries legal framework enabled significant development in *Waqf* institution. These countries are Kuwait, Saudi Arabia, Malaysia and Indonesia while others need much improvement in their legal and regulatory framework. The permissibility of cash *Waqf* is one factor of

improvement in *Waqf* law, other factors include simplicity of registration process, one centralized *Waqf* law and centralized authority to manage *Waqf* properties and funds.

## **2- Governance Issues and Dispute Solutions**

Effective governance structures are another important factor which contribute significantly to the development of *Waqf* institutions. Countries investigated in this chapter have established an autonomous body responsible for governing and administering *Waqf* assets and funds. These independent bodies operate with professionalism, transparency, and accountability, which helps address governance challenges. One of the persisting challenges hindering the development of *Waqf* institutions is the issue of resolving disputes regarding *Waqf* properties. Countries have adopted different approaches for dispute resolution, some countries establish specialized Sharia courts to handle *Waqf*-related disputes while other countries utilize both Sharia and civil courts for *Waqf* disputes.

## **3- Development of *Waqf* land and Tax Facilitation**

Many Muslim countries faces the challenge of underdeveloped and idle *Waqf* land and properties. However, successful examples demonstrate various strategies to unlock this significant potential. Islamic social finance model including different investment models help in the development of *Waqf* land. Tax relaxation is another successful factor that encourage investment in the development of *Waqf* properties and land.

## **4- Innovations and Embracing Technology**

Introduction of innovative strategies particularly in movable *Waqf* contributed to development of *Waqf*. These advancement includes, different cash *Waqf* model, corporate *Waqf*, *Waqf* sukuk and *Waqf* shares. Furthermore, using new technology like online cash *Waqf* and digitize *Waqf* properties and other registration process is crucial in *Waqf* development.

The development of *Waqf* institutions centers on a synergistic approach that combines these key factors: Robust legal and regulatory framework, professional and expert management, different innovative *Waqf* models, investment strategies for development of *Waqf* land and technology integration.



## Chapter 4

### Performance of *Waqf* Organizations in Pakistan: Data Envelopment Analysis

#### 4.1 Introduction

The roots of philanthropy, charity and non-government organizations (NGOs) dated back at the time of Indus Valley Civilization in the Indo- Pak Subcontinent. Hinduism, Buddhism, Sikhism, Christianity and Islam all religions have promoted charitable giving for thousands of years and still continues today. Indus Valley Civilization faced various military disruptions, in 8<sup>th</sup> century Muhammad Bin Qassim conquered Sindh and established Muslim rule in the region. The Islam gradually spread in the subcontinent by the efforts of Sufis, the mystics of Islam. They preached and emphasized the characteristic of humanity, love, tolerance, generosity, altruism and sympathy. The shrines or Khanqah or Darbar (the mosques along with tomb of Sufis) were the center of welfare activities and charity. The shrine of Hazrat Data Ganj Bakhsh at Lahore at the name of Sufi Hazrat Ali Hajvyri distributed free meal every day since the last 1000 years, it's just a one example. Similarly, Stupas (Buddhist worship place), Gurdwaras (Sikh's worship place), temples and Ashrams (Hindus holy place) were all involved in such social welfare activities. In fifteenth century, Guru Nanak preached Sikhism and emphasized much on humanity wellbeing and influenced northern areas of Pakistan. Later on, in 18<sup>th</sup> century subcontinent came under the rule of European powers and they came with Cristian missionaries who established schools, hospitals and a network of other philanthropic activities.<sup>16</sup>

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<sup>16</sup> See details Seliuq, A. (2005). Philanthropy Charity in Pakistan. *IBT Journal of Business Studies (JBS)*, 1(1).

In light of the historical context, Pakistan's philanthropy has a distinguish features. Being an Islamic country the social and welfare development work is guided and rooted by the Islamic system of charity. In Islam there are different types of charity mandatory and voluntary. Zakat and Sadqa Fiter are compulsory for Muslims who have enough wealth that meet the requirement of obligation. The other form of charity is voluntary charity including *Waqf*. Therefore, the historical culture and faith Pakistan considered a generous nation that gives significant amount of charity annually. In a survey almost 98% Pakistanis do charity in different forms (Ali,2023). Pakistan is one of the countries that has the zakat and *Awqaf* institutions at state level. Many religious and non-government organizations also collect zakat and other donation at a large scale and involved in myriad of welfare activities.

Pakistan, like other countries of south Asia, suffers from several forms of deprivation. In a report of World Food Program, almost 44% of children under five were impeded and 18% suffered from malnutrition. The ratio of Pakistan's population living below the poverty line is 24.3% and in Global Hunger Index it ranks 129 out of 156.<sup>17</sup> In education sector, Pakistan has not performed well, according to World Economic Forum's (WEF) Report 2023, educational attainment dimension Pakistan's ranking was 138th and country's literacy rate is 137<sup>th</sup>. The ranking of enrolment rates in secondary and tertiary education are 132nd and 104th, respectively. In health care, Pakistan's ranking in health and survival was 132<sup>nd</sup> and life expectancy is 140 and Pakistan spending less than 1% of its GDP on health care. Paradoxically, despite these miserable statistics, Pakistan has a strong tradition of generosity. According to the report of Charities Aid Foundation (CAF) in 2019, in World giving index Pakistan ranks 41st out of 126 countries. In this dimension Pakistan performs far better than its neighboring countries India and China (Khan M et al, 2023).

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<sup>17</sup> <https://hdr.undp.org/content/human-development-report-2019>

The philanthropic sector of Pakistan is the ray of hope to combat with poverty and various forms of deprivations. All organizations including *Waqf* organizations serve humanity with great passion and sincerity. *Waqf* organizations, with their historical emphasis on social welfare, are uniquely positioned to address key challenges such as poverty, education, and healthcare in Pakistan. By leveraging their assets and resources, *Waqf* institutions can directly contribute to SDG 1 (No Poverty) by providing financial support and essential services to marginalized communities. Similarly, their historical involvement in education can be revitalized to advance SDG 4 (Quality Education) through the establishment of schools, scholarships, and vocational training centers. In healthcare, aligning *Waqf* resources with SDG 3 (Good Health and Well-being) can lead to the creation of affordable medical facilities, health awareness programs, and support for underfunded hospitals. By integrating innovative management practices, modern investment strategies, and collaborations with Islamic banks, *Waqf* organizations can not only overcome current inefficiencies but also emerge as a pivotal tool in addressing Pakistan's development challenges and advancing the global SDGs agenda. This chapter aim to analyze the performance of *Waqf* organizations operating in Pakistan and involve in many welfare activities whether they are cost effective and efficient in providing public goods. The structure of the chapter is as follows:

The section 2 gives the overview of *Waqf* organization working in Pakistan including historical background, registration process and their working areas and dimensions. The section 3 provides comparison between *Waqf*, trusts and foundations. Section 4 measure the efficiencies of *Waqf* organizations.

## **4.2 Overview of *Waqf* Organizations in Pakistan**

With the arrival of Islam, *Waqf* found a fertile ground in subcontinent because of Buddhist and Hindu religious saints encourage the tradition of giving and helping deprived people. In early

centuries, 8<sup>th</sup> to 13<sup>th</sup> century *Waqf* primarily created religious institutions like mosques and religious schools and involved in building infrastructures like canals and rest houses for travelers. Later on, in Mughal Era the institution of *Waqf* flourished and emperors generously established beautiful mosques, madrassas and public parks and gardens. Mughals established a well management system of *Waqf* properties and *Waqf* income were efficiently used. After the decline of Mughal empire, the institution of *Waqf* also deteriorate at that time the *Waqf* properties were managed by Qazis (Judges) appointed by government.

The Colonial rule disrupted the system of traditional *Waqf* management and in 1818, administration of *Waqf* properties was entrusted to the Board of Revenue and Board of Commissioners. Due to this disruption *Waqf* properties were mismanaged, misused, *Waqf* institution lost the trust of people and the establishment of new *Waqf* almost stopped. At that time focus was shifted new forms of social welfare emerged, with the name of English Trust and Foundations, funded by the colonial government or private donors. This was the reason to a decline in the prominence of *Waqf* institutions.<sup>18</sup>

Soon after the independence in 1947 philanthropic and non-profit sector started to develop. The driven force behind this fast development was the conditions of migrants and Muslim's brotherhood. The new born state had a lot of challenges for its survival including the shelters for migrants, education and health care so lot of people voluntary involved in welfare activities. Moreover, Pakistan inherited the damaged system. There was no proper management system and record keeping of *Waqf* properties (Seliuq, 2005). The management of *Waqf* system experienced a lot of transformation from independence. It witnessed the transformation in Ayyub's period 1950s and 1960s, the absolute government intervention from minimum state

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<sup>18</sup> For details see Sidel, M., & Zaman, I. (2004). Philanthropy and law in South Asia: Key themes and key choices. *Int'l J. Not-for-Profit L.*, 7, 38.

intervention in colonial period. Then it faced the policy of Bhutto's nationalization and Zia's Islamization. The brief history of its journey was as follows:

- 1) In 1950's, the Punjab Muslim *Awqaf* Act 1951 was passed to provide for the proper administration of Muslim *Awqaf* in the Punjab. According to this Act a Board was established which had limited management powers over *Awqaf*. The main responsibilities were to look at the registration process of *Awqaf* and appoints Mutawallis.
- 2) The Government of Ayub Khan promulgated the West Pakistan *Waqf* Properties Ordinance 1959 with the intention to controls the powers of *pirs* and *sajjadahnashins* who run and regulate the shrines *Awqaf* properties and had their political influence on administrators, therefore, the state took over their control. The Ordinance empowered an *Awqaf* Administrators appointed by government to take over the control of a *Waqf* properties.
- 3) The *Waqf* properties were managed on provincial level but in 1971 Zulfikar Ali Bhutto's government, they were put *Waqf* properties directly under the control of the Central Government through the *Awqaf* Federal Control Act 1976. But this policy of centralization was short-lived, and the power was given back to the provinces in 1979 through *Awqaf* Federal Repeal Ordinance 1979. This Ordinance granted more power to the Administrator *Awqaf* to take control any *Waqf* property without being in any way legally answerable in a court.
- 4) In Zia ul Haqq regime government passed four *Waqf* ordinance for each province, Punjab, North West Frontier Province, Sindh and Baluchistan in 1979. The main features of these ordinance were to ensure better management of *Waqf* properties and provides better religious services like management of mosques, shrines, graveyards and religious schools. The other welfare activities with *Waqf* institution were ignored.

The state regulation of *Awqaf* department did not results in efficient use of *Waqf* properties rather it led to corruption and mismanagement. The institution of *Awqaf* limited to religious services, maintaining mosques, shrines and graveyards. The establishment of new *Waqfs* are very few in numbers. For other welfare activities *Awqaf* is replaced by modern western forms of *Waqf*, like trusts, foundations, cooperative societies and non-for-profit organizations.

### **4.3 *Waqf*, Trusts and Foundations: Differences and Similarities**

Before analyzing the efficiencies of *Waqf* organizations in Pakistan it is necessary to discuss the differences and similarities between *Waqf*, trusts and foundations. Due to multiple reasons traditional *Waqf* institution is not working efficiently and limited to religious services, that's why most of the welfare activities are performed under the trusts and foundations. The strict government laws and regulations of *Waqf*, influence of English laws of trusts and cooperative societies and lack of awareness in people about *Waqf* are few major reasons that shifts major welfare activities to be done through English laws.

What's truly remarkable is the faith-based motivation behind these welfare activities. Islam's strong emphasis on charity and the Prophet's encouragement Hadiths about *Waqf* (ongoing charity):

"When a person dies, his deeds come to an end except for three things: a continuing charity (Sadaqah Jariyah), beneficial knowledge (which he leaves behind), or a righteous child who prays for him".<sup>19</sup>

"The best of charities is a flowing water source, a date palm, or a (charity) that benefits people."<sup>20</sup>

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<sup>19</sup> Sahih Muslim, 3084

<sup>20</sup> Sunan Ibn Majah, 2765

This faith-driven approach has resulted in the establishment of numerous memorial hospitals, trusts, foundations, schools, and even drinking water wells that continue to operate and serve the community. Interestingly, we can name these activities hybrid *Waqf* (Abbasi, 2019). "Hybrid *Waqf*" is acknowledged by some scholars as an interpretation and not universally accepted by scholars.

Hamdard *Waqf* and Ihsan Trust are two famous organizations in Pakistan involved in welfare activities are examples of Hybrid *Waqf*. Hamdard *Waqf* established before partition and provide a range of welfare services. This consists of three organizations: Hamdard Laboratories, Hamdard Foundation and Madinat-al-Hikmah. This famous *Waqf* Hamdard Foundation Pakistan is registered under the Societies Registration Act 1860 (Hayat, 2014). Similarly, Ihsan Trust a *Waqf* registered as a trust under Trust Act 1882 and established through a separate *Waqf* deed in 2010.

**4.3.1 Comparison between *Waqf* Trusts and Foundations**

Though *Waqf*, trusts and foundations all establish for the purpose to serve humanity through charitable giving, they have some difference in term of structure, perpetuity and purpose. Following are similarities and differences in these organization structure:

**Similarities**

- 1) The creation of all three was carried out so in order to promote social welfare, religious activities, or philanthropic purposes.
- 2) To supervise the resources and make sure their use is in line with the original intent, each has a specific management structure.
- 3) These entities may be eligible for tax exemptions on their revenue or donated funds in a number of countries.

Differences between *Waqf*. Trusts and Foundation are summarized in following table.

**Table 4.1: Differences in Waqf and Trust and Foundation**

<b><i>Waqf</i></b>	<b>Trust</b>	<b>Foundation</b>
Origin is Islamic Law	Origin is Common Law	Origin may be country's law or vary
Perpetual, cannot be terminated under any case	Can be terminated or permanent	Can be terminated or permanent
Assets are considered permanently inalienable (cannot be sold)	Assets are held by the trustee on behalf of the beneficiaries	Assets are owned by the foundation itself
Objective must be benefit of mankind and not contradict with Islamic law	Any Lawful objective will do	Any lawful objective will do
Only under Hanafi School Founder may be the beneficiary	Founder may be the beneficiary	Founder may be the beneficiary
Mutawalli only a manager	Trustee has a large power	Board of governors made decisions
Charitable and religious motive	No religious motive necessary	No religious motive necessary
Usufruct is employed for the good of humanity.	Usufruct is employed for the Objective written in deed	Usufruct is employed for objective stated in agreement
Property belongs to Allah	Property belongs to the trustee	Property belongs to the foundation
Irrevocable	Revocable	Revocable

Sources: The AMAL (Association of Accountants and Lawyers for Islamic law), Cizakca, 2000 and own elaboration.

The best option to choose for philanthropy depends on the laws and regulations of a country, specific goals of the donor and the desired level of perpetuity and control. *Waqf* is ideal for those having religious motives and faith and looking for permanent income generation for social welfare. According to the conditions specified in the trust deed, trusts provide flexibility. For modern humanitarian endeavors, foundations provide a more flexible framework.



## **4.4 Measuring Efficiency of *Waqf* Institutions in Pakistan**

This section discusses the basic concept of efficiency and the empirical methodology that is used in testing the efficiency of *Waqf* institutions in Pakistan.

### **4.4.1 Concept of Efficiency: Background and Empirical Model**

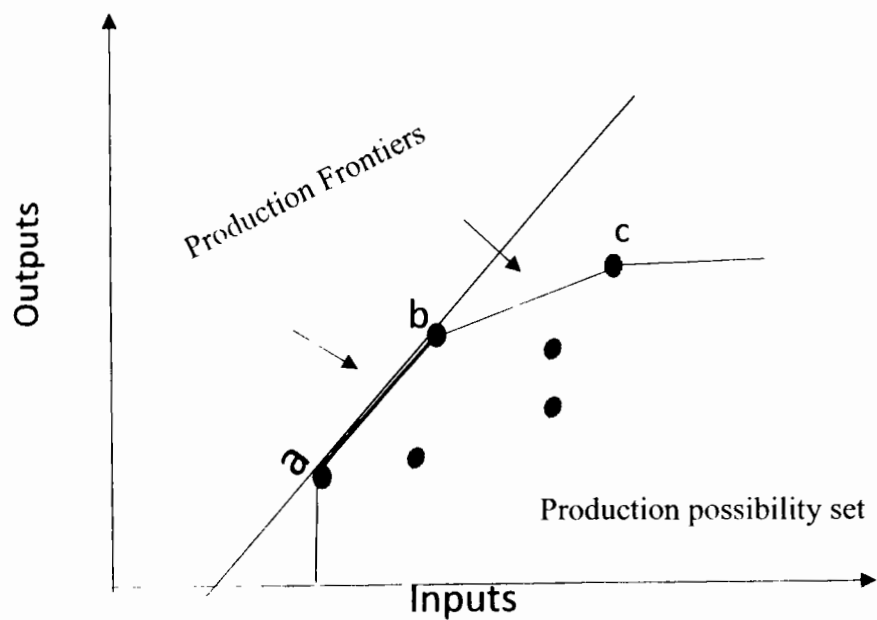
The concept of cost efficiency was firstly introduced by Farrell in 1957. He decomposed the cost efficiency into allocative efficiency (AE) and technical efficiency (TE) and a firm is viewed technical efficient if its produce at its maximum capacity with available resources. An allocative efficiency was achieved when optimal level of input mix used to generate a certain level of output at given factor prices. Charnes, Cooper, and Rhodes developed DEA to measure the efficiency of a set of units named Decision Making Units (DMU) in 1978. Their proposed model was called the CCR model. DEA measures the efficiency of the DMU in using their input and output through the linear programming approach. Likewise, the CCR model, BCC (Banker, Charnes, and Cooper) model is another version of DEA which is widely used in measuring efficiency. The CCR and BCC model deviate from each other in one point which is return to scale. The CCR model is follow the constant returns to scale (CRS) while BCC model is more flexible and allows variable returns to scale (VRS). Primarily, this method is used to measure the performing of the public sectors institutions like government and not-for-profit organization (cooper et al, 2011).

### **4.4.2 The BCC and CCR Model**

The BCC model leads the variable returns to scale that is used to measure the pure technical efficiency (PTE), along with scale efficiency (SE) and technical efficiency (TE). If results show difference between the TE and PTE scores of a specific DMU, then it implies the presence of scale inefficiency. The following diagram shows the production possibility frontier. In this frontier the characterization is that 1) from point a to b shows increasing return to scale then 2)

decreasing return to scale from point b to c 3) constant return to scale occur at point where transition is made from one segment to the second.

**Figure 4.1: Production Frontiers of the BCC and CCR Model**



Source: (Cooper et al, 2011)

The input oriented CCR model assesses the efficiency of decision-making units DMU.

From the solution of following (envelopment form) linear program:

$$Max\ w_k=\sum_{r=1}^s u_{rk}\ y_{rk} \qquad (4.1)$$

$$\sum_{r=1}^s u_{rk}y_{rk} - \sum_{i=1}^h v_{ik}\ x_{rk} \leq 0; \quad j=1, 2, \dots, \quad (4.2)$$

Subject to

$$\sum_{i=1}^m v_{ik}\ x_{ik}=1; \quad j=1, 2, \dots, n \qquad (i)$$

$$u_{rk} \geq 1; \qquad r=1 \dots, s \qquad (ii)$$

$$v_{ik} \geq 1; \qquad i=1 \dots, m \qquad (iii)$$

Where  $w_k$  is the DMU;  $u_{rk}$  is the weight of the output  $r$ ;  $v_{ik}$  is the weight of input  $i$ ;  $y_{rk}$  and  $x_{ik}$  arc output quantities  $r$  and input quantities  $I$  of the  $k^{th}$  DMU respectively (Cooper et al., 2011).

#### 4.4.3 Rationale for Study

Examining the *Waqf* sector's performance seems appealing given its significance to the nation's socioeconomic development and its unique role in fighting against poverty and other forms of deprivations. The effectiveness, economy, and efficiency of public sector organizations are the three E's that are used to gauge their performance. The sensible use of resources to optimize production or profits is known as efficiency. When it comes to non-profit organizations, efficiency should be determined by achieving social goals by providing social services to as many beneficiaries as possible, rather than by maximizing profits (Rodriguez et al., 2016). In other words, economy describes how resources are allocated and how much is gained from any given undertaking. The effect of management actions on production is represented by effectiveness (Wahab and Rahman, 2015). Since *Awqaf* is a public sector organization, the public has a right to know how efficient it is.

Despite studies by Shah (2022), Akmal (2008), and Hayat (2011) assessing the efficiency of commercial banks in Pakistan using Data Envelopment analysis, there is a dearth of research on the efficiency of public sector organizations. Ahmad (2011) used data envelope analysis to assess the effectiveness of Pakistani microfinance organizations. He discovered that the average social efficiency of the MFIs under investigation was 81%, while the average financial efficiency was 80%. The effectiveness of NGOs and the government in providing social services to rural residents was contrasted in 2020 research conducted by M. Khan. According to the poll results, people were happier when NGOs provided agricultural supplies, drinking water, and health care.

Rusydiana et al. (2022) used Data Envelopment Analysis and a production strategy to assess the effectiveness of nine Indonesian *Waqf* institutions. According to the findings, the *Waqf* funds managed by *Waqf* institutions in Indonesia had the highest average scores for Technical Efficiency (TE) and Pure Technical Efficiency (PTE) in 2016, specifically TE

(0.485) and PTE (0.722). Conversely, the lowest average scores for TE were recorded in 2013 (0.115), while the lowest PTE was recorded in 2018 (0.368). The study also found that the effectiveness of the *Waqf* institutions was not significantly impacted by the Covid-19 outbreak. Furthermore, Juliana et al. (2022) used the DEA technique to investigate the effectiveness of private *Waqf* in Indonesia. Rehman and Usman (2015) assessed the zakat effectiveness of a panel of 14 State Islamic Religious Councils (SIRCs) in Malaysia using the data envelopment analysis (DEA) approach. According to their findings, scale efficiency is more important than technical efficiency, with nearly half of the institutions being scale inefficient in terms of DRS and VRS.

The link between efficiency measurement and achieving the Sustainable Development Goals (SDGs) lies in the ability to evaluate how effectively resources are utilized to deliver outcomes that align with the SDGs, such as reducing poverty, improving education, and enhancing healthcare. Data Envelopment Analysis (DEA) is particularly suitable for this purpose because it is a non-parametric method that evaluates the relative efficiency of decision-making units (DMUs) without requiring explicit assumptions about the functional form of the production process. Unlike stochastic frontier analysis (SFA), which assumes a specific distribution for inefficiencies and separates random noise from inefficiency, DEA is more flexible in accommodating multiple inputs and outputs, which is crucial for complex systems like *Waqf* organizations working towards multidimensional goals.

Furthermore, DEA is well-suited for identifying best practices and setting performance benchmarks, enabling *Waqf* institutions to optimize their operations in alignment with SDG targets. It can handle diverse inputs (e.g., financial resources, land assets) and outputs (e.g., healthcare services, educational opportunities) simultaneously, making it particularly valuable in contexts where the goals are qualitative and quantitative. This adaptability and focus on

comparative efficiency make DEA a more practical and insightful tool for measuring and enhancing the contribution of Waqf organizations to the SDGs.

Although there is a growing body of research on the effectiveness of the philanthropic institutions and some studies on worldwide, we are unable to locate any studies that measure the performance of Pakistan's *Waqf* and philanthropic institutions. Because of the importance of this sector, it is interesting to look their efficiency.

#### **4.4.4 Methodology**

In a nutshell a firm's success is evaluated by using the efficiency idea. The parametric technique and the non-parametric approach are the two basic frontier approaches used to quantify efficiency. The parametric method necessitates some distributional assumptions for the error term as well as the definition of a functional form regarding the production, cost, and profit frontier. However, the error term is not taken into consideration by the non-parametric technique as it doesn't require any particular functional form for evaluating efficiency.

The Data Envelopment Analysis approach is used in this study to assess scale, pure technical, and technical efficiency. This method has several benefits attached to it. Firstly, it requires less data and is suitable for small sample sizes. Second, DEA is capable of managing several inputs and outputs for the analysis. Third, because DEA assesses each organization's efficiency independently, it is simple to determine how productivity and efficiency have changed from firm to firm. Moreover, DEA offers a practical method for breaking down cost efficiency into scale, technical, and allocative efficiencies. Charnes et al. (1978) introduced DEA for the first time, while Banker et al. (1984) expanded on it. This method's objective is to compare each Decision-Making Unit's (DMU) relative efficiency to a best practices company. The cost efficiency (CE) is divided into two parts by DEA. There are two types of efficiency: allocative efficiency (using input in optimal proportions given the input prices and output amounts) and

technical efficiency (maximizing output from a given level of input or minimizing inputs for a given level of output). Scale efficiency (SE) and pure technical efficiency (PTE) are two further ways to break down technical efficiency (TE). When a business operates at constant returns to scale (CRS), it is said to be in SE, and when it optimizes production, it uses variable return to scale. The distance between each unit and the frontier is represented by the resulting efficiency measure, which ranges from zero (least efficient) to one (most efficient). One of the two goals of building a DEA model is to maximize outputs or decrease inputs. According to Cooper et al. (2000), an output orientation seeks to maximize output levels without increasing the usage of inputs, whereas an input orientation seeks to minimize input quantities while maintaining at least the current output levels. Using DEA, the conventional method for calculating scale effects is to run models both on a CRS and VRS basis. The efficiency score from the CRS model is then divided by the efficiency score from the VRS model to determine the scale efficiency. The VRS efficiency scores will be higher and the scale efficiency measures will fall between 0 and 1 as a result of the data points being more tightly enveloped under the VRS model. The VRS model has an advantage over the CRS model in that it provides information on whether decision-making units (DMUs) are functioning at increasing, constant, or decreasing returns to scale. We measured technical efficiency and its constituent parts using the software program DEAP (Coelli, 1996).

#### **4.4.5 Data and Variable Description**

The effectiveness of 100 Pakistani *Waqf* organizations was investigated during the 2021–2022 research period. These 100 organizations were further separated with three sizes: large, medium, and small. Numerous large and medium-sized nonprofit organizations exist in Pakistan. Large firms employ more than 50 people full-time and operate nationwide in Pakistan, while medium-sized organizations have a workforce exceeding 20 full-time employees and operate in two to three regions. Small organizations provide services within a single city or

town (Reetz, 1997). Determining output and inputs is the most important aspect of the efficiency study for the philanthropy industry. The previously examined literature and the data's availability determine which input and output variables are chosen. For both large and medium-sized organizations in this study, we used three inputs and three outputs, while for small-sized organizations, we used three inputs and two outputs. There were no return on investment (ROI) statistics available for small organizations. For a waqf or non-profit, ROI may not always be about profit but rather about efficiency and impact<sup>21</sup>. The data was gathered from organization annual reports as well as confidential information obtained from organization offices. The input and output variables utilized in the analysis are listed in the following Table.

**Table 4.1: Inputs and Outputs Variable to the Efficiency Analysis**

Inputs	Measurement of variables
Donations	Donation from national and international donors in form cash <i>Waqf</i> , sadaqah and zakat
No of Employees	Total no of fulltime and part-time employees
Operative Expenses	Administration and managements Operative expenses
Outputs	
Expenses on Goals	Total expenses on projects executed
No of Beneficiaries	Total number of people assist from social projects
Return of Investment	Return from long term and short-term investment

Source: Rodríguez et al (2016) and own elaboration.

<sup>21</sup> For ROI calculation procedure see appendix 4

The following Table elaborates the statistics of variables:

**Table 4.2: Descriptive statistics**

<i>Description</i>	<i>Panel A</i> <i>Large size</i> <i>Organizations</i>	<i>Panel B</i> <i>Medium size</i> <i>organizations</i>	<i>Panel C</i> <i>Small size</i> <i>Organizations</i>
<b>Output 1</b>			
<b>Expenses on Goals</b>			
Mean	2.22x10 <sup>9</sup>	2.34x10 <sup>8</sup>	12057772
Median	7.9x10 <sup>8</sup>	78431774	8013400
SD	5.04x10 <sup>8</sup>	45180263	3976263
<b>Output 2</b>			
<b>No of Beneficiaries</b>			
Mean	2191868	51246.82	4278.79
Median	942605	25000	4500
SD	506795.7	18570.69	304.75
<b>Output 3</b>			
<b>Return of Investment</b>			
Mean	3.83x10 <sup>8</sup>	30999415	NA
Median	1.65x10 <sup>8</sup>	8643197	NA
SD	79726409	9218366	NA
<b>Input 1</b>			
<b>Donations</b>			
Mean	2.04x10 <sup>9</sup>	2.52x10 <sup>8</sup>	9356038
Median	8.91x10 <sup>8</sup>	98154622	8431128
SD	5.54x10 <sup>8</sup>	45981579	1063585
<b>Input 2</b>			
<b>No of Employees</b>			
Mean	2076.09	98.5	18.64
Median	2175	75.5	15
SD	270.98	14.78	2.18
<b>Input 3</b>			
<b>Operative Expenses</b>			
Mean	1.98x10 <sup>8</sup>	16202587	920181.1
Median	85914509	11282330	985435
SD	45546742	2999774	69833.01



**Table 4.3 Coefficient of Variation (CV)**

<b>Variables</b>	<b>Large Organizations CV</b>	<b>Medium Organizations CV</b>	<b>Small Organizations CV</b>
Expenses on Goals	0.227	0.193	0.329
No of Beneficiaries	0.231	0.362	0.071
Operative Expenses	0.230	0.185	0.076
Donations	0.272	0.183	0.113
Return of Investment	0.208	0.297	NA
No of Employees	0.131	0.150	0.117

**Comparison of Coefficient of Variation Across Organizational Sizes**

Table 4.3 depicts the coefficient of variation across organizational sizes. The analysis of the Coefficient of Variation (CV) for large, medium, and small organizations reveals distinct patterns in performance variability across different variables. Small organizations exhibit the highest variability in expenses on goals with a CV of 0.33, indicating significant inconsistency in their spending compared to medium (0.19) and large (0.23) organizations. In terms of the number of beneficiaries, medium organizations show the greatest variability (0.36), while small organizations are the most consistent (0.07). For the return on investment, the data for small organizations is not available, but medium organizations display higher variability (0.30) than large ones (0.21). Donations present the most variability in large organizations (0.27), whereas small organizations demonstrate greater stability (0.11). When considering the number of employees, variability is relatively low across all sizes, with large organizations showing a slightly higher CV (0.13) compared to medium (0.15) and small (0.12) organizations.

Operative expenses exhibit more consistency in small organizations (0.08) than in medium (0.18) and large (0.23) organizations. Overall, large organizations tend to have higher variability in donations and operative expenses, while small organizations vary most in expenses on goals, and medium organizations show the most inconsistency in the number of beneficiaries and return on investment.

### 4.5 Results and Discussion

In this section we discuss the results of efficiency analysis of *Waqf* organizations. The results of the study of technical efficiency (TE) and its decomposition into scale efficiency (SE) and pure technical efficiency (PTE) are shown in the section that follows. Employing the DEA output orientation technique, the effectiveness of large-, medium-, and small-sized organizations is investigated independently. The output orientation was a rational justification because the primary concern for philanthropic organizations is to reach the maximum number of beneficiaries (Cook et al., 2014). There are 33 large-size Decision making units (DMUs), 34 medium-sized DMUs, 33 small-size DMUs, and a total of 100 DMUs.

First, we measure the technical efficiency of individual large, medium and small size firms and its components of pure technical and scale efficiency for year 2021-2022. Result for the

Panel of large size organizations are presented in the Table 4.3

DMUS: Decision Making Units (*Waqf* Organizations)

CRS Efficiency: Efficiency Under Constant Return to Scale

VRS Efficiency: Efficiency Under Variable Return to Scale

**Table: 4.4 Efficiency Results of Large Size *Waqf* Organizations**

DMUS	CRS Efficiency	VRS Efficiency	Scale Efficiency
1	1	1	0.623
2	0.927	0.927	1
3	1	1	1
4	0.442	0.497	0.889
5	1	1	1
6	0.315	0.439	0.718
7	1	1	1
8	0.676	1	0.676
9	0.509	0.712	0.714
10	0.268	0.279	0.961
11	0.438	0.45	0.974
12	0.242	0.242	0.997
13	1	1	1
14	1	1	1
15	0.279	0.305	0.914
16	0.601	0.637	0.944
17	0.794	1	0.794
18	0.358	0.398	0.899
19	1	1	1
20	0.498	0.533	0.934
21	0.317	0.483	0.657
22	0.245	0.319	0.768
23	0.218	0.484	0.451
24	1	1	1
25	0.247	0.298	0.828
26	1	1	1
27	1	1	1
28	0.604	0.972	0.622
29	1	1	1
30	1	1	1
31	0.8	0.843	0.949
32	0.755	1	0.755
33	0.564	0.89	0.634

Table 4.3 uses an output orientation to compare all large *Waqf* organizations' technical efficiency for both the CRS and VRS models. It shows by the CRS models that 36% of the DMUs are efficient having efficiency score 1. 45% of the DMUs are technical efficient overall, according to the VRS models. While 36% organizations are scale efficient. An organization that is declared inefficient under CRS may be regarded efficient under VRS due to the fact that

the VRS frontier is "tucked inside" the CRS frontier. This is so because the VRS model considers the possible advantages of working at a particular scale. The possibility of scale inefficiency is shown by the variation in scores. It is possible that an organization that is efficient under CRS but not under VRS is utilizing more inputs than are required for its present level of operation.

Results also indicates that 48% *Waqf* organization have 0.7 and above technical efficiency score under CRS model and 60% organizations have 0.7 and above technical efficiency score when VRS model used. Similarly, 82% *Waqf* organizations have 0.7 and above scale efficiency score. When a nonprofit organization achieves a high scale efficiency score in a Data Envelopment Analysis (DEA), it means that it is working at its most productive scale when it comes to transforming resources (inputs) into charitable effect (outputs). High scale efficiency might indicate a long-term sustainable operation, maximizing impact within their current structure.

Maximizing positive impact on society is ultimately charitable organizations' main goal. The organization can accomplish its objectives without incurring extra costs or wasting resources. The results show satisfactory performance of *Waqf* organizations indicating good technical efficiency score but low score as compared to scale efficiency. The possible reasons may be that *Waqf* organizations may not be able to invest in increasing technical efficiency through staff training and new technology because of a fixed income from endowment. Even if it results in some inefficiencies, the organization may choose to serve a larger population as a top priority. The *Waqf* may engage in comparatively simple operations that call for less sophisticated management techniques.

**Table: 4.5 Efficiency Results of Medium Size *Waqf* Organizations**

DMUS	CRS Efficiency	VRS Efficiency	Scale Efficiency
1	1	1	1
2	0.597	0.604	0.988
3	0.69	0.743	0.929
4	0.841	0.845	0.995
5	0.789	0.789	0.999
6	0.908	0.919	0.988
7	1	1	1
8	1	1	1
9	0.524	0.525	1
10	0.59	0.599	0.985
11	0.136	0.159	0.855
12	0.549	0.56	0.979
13	1	1	1
14	0.594	0.639	0.929
15	0.878	0.888	0.989
16	0.855	0.858	0.996
17	1	1	1
18	0.658	0.665	0.989
19	0.977	0.986	0.991
20	0.848	0.853	0.994
21	1	1	1
22	1	1	1
23	0.898	1	0.898
24	1	1	1
25	1	1	1
26	0.957	0.993	0.964
27	0.767	0.769	0.998
28	0.675	0.69	0.978
29	0.798	0.856	0.932
30	0.789	1	0.789
31	1	1	1
32	0.915	1	0.915
33	1	1	1
34	0.991	1	0.991

The results of medium size organizations indicates that 32% of medium size *Waqf* organizations are technical efficient with efficiency score 1 under CRS model. 44% of organization are technical efficient under VRS assumption. 13 out of 34 *Waqf* organizations are scale efficient. The result indicates that 74 % *Waqf* organization have 0.7 and above technical efficiency score under CRS assumption and 76% organizations have 0.7 and above technical efficiency score when VRS model used. Similarly, all *Waqf* organizations have 0.7 and above scale efficiency score.

The medium size organization shows better performance in term of technical and scale efficiency scores as compared to large size organizations. The possible reasons might be following:

- 1) Large *Waqf* organizations might be more bureaucratic, with complex communication routes and hierarchies that hinder effective resource allocation and decision-making.
- 2) It can be difficult to coordinate operations amongst several departments or projects in a large *Waqf* organization, which can result in inefficiencies and effort duplication.
- 3) Complex processes and procedures are necessary for managing a large organization, and these can increase overhead expenses and decrease operating efficiency.
- 4) The efficiency of *Waqf* organizations might depend on the specific activities they undertake. Some activities might be more scalable than others.

**Table: 4.6 Efficiency Results of Small Size *Waqf* Organizations**

DMUS	CRS Efficiency	VRS Efficiency	Scale Efficiency
1	0.502	0.798	0.629
2	1	1	1
3	0.734	1	0.734
4	0.943	1	0.943
5	1	1	1
6	0.605	0.974	0.621
7	0.454	1	0.454
8	0.566	1	0.566
9	0.46	0.781	0.59
10	0.741	0.795	0.931
11	1	1	1
12	0.676	0.958	0.706
13	0.572	0.738	0.775
14	0.774	0.8	0.967
15	0.813	1	0.813
16	0.536	0.794	0.675
17	0.669	0.686	0.975
18	0.816	0.886	0.921
19	0.96	0.976	0.984
20	0.82	0.942	0.87
21	1	1	1
22	0.554	0.674	0.822
23	0.777	0.863	0.901
24	1	1	1
25	0.58	0.98	0.592
26	0.826	0.856	0.966
27	0.652	0.71	0.919
28	0.591	0.836	0.707
29	0.705	0.773	0.912
30	0.707	0.737	0.959
31	0.775	0.779	0.994
32	0.657	0.741	0.887
33	0.872	1	0.872

The results of small size organizations indicates that 15% of small size *Waqf* organizations are technical efficient with efficiency score 1 under CRS model. 33% of organization are technical efficient under VRS assumption. 5 out of 33 *Waqf* organizations are scale efficient. The result indicates that 58 % *Waqf* organization have 0.7 and above technical efficiency score under CRS

assumption and 94% organizations have 0.7 and above technical efficiency score when VRS model used. Similarly, 79% *Waqf* organizations have 0.7 and above scale efficiency score.

The small size organization shows better performance in term of technical efficiency scores as compared to large and medium size organizations. The possible reasons might be following:

- 1) Due to simple operation, less bureaucracy involved and easier coordination can make decision-making and resource allocation easy.
- 2) Managers can identify and address inefficiencies more quickly since they get a clearer picture of every activity.
- 3) Workers might have a stronger connection to the *Waqf's* beneficiaries, resulting in higher motivation and better results.
- 4) Smaller *Waqf* organizations find it easier to modify their policies and procedures in response to changing conditions and opportunities.
- 5) They can stay away from needless overhead expenses related to costly organizational frameworks.



**Table 4.7: Summary of Statistics on Efficiency Score (TE, PTE and SE)**

<i>Type of Efficiency</i>	<i>Mean</i>	<i>Min</i>	<i>Max</i>	<i>SD</i>
<b>Panel A</b>				
<i>TE</i>	0.658	0.218	1.000	0.300
<i>PTE</i>	0.749	0.242	1.000	0.290
<i>SE</i>	0.870	0.451	1.000	0.155
<b>Panel B</b>				
<i>TE</i>	0.830	0.136	1.000	0.199
<i>PTE</i>	0.851	0.159	1.000	0.198
<i>SE</i>	0.973	0.789	1.000	0.040
<b>Panel C</b>				
<i>TE</i>	0.737	0.454	1.000	0.169
<i>PTE</i>	0.881	0.674	1.000	0.115
<i>SE</i>	0.839	0.459	1.000	0.158
<b>Panel D (Total)</b>				
<i>TE</i>	0.741	0.136	1.000	0.086
<i>PTE</i>	0.827	0.159	1.000	0.069
<i>SE</i>	0.894	0.451	1.000	0.070

TE: Total Efficiency

PTE: Pure Technical Efficiency

SE: Scale Efficiency

Table 4.6 presents the efficiency scores of Waqf organizations by size. Large DMUs show an average technical efficiency (TE) of 0.658, with a range of 0.213 to 1, while medium DMUs perform better with an average TE of 0.830, ranging from 0.136 to 1. Small DMUs have a moderate average TE of 0.737 but display a narrower range (0.456 to 1) compared to large and medium organizations. Small DMUs also demonstrate the highest pure technical efficiency (PTE) at 0.881, outperforming large (0.749) and medium (0.851) DMUs. However, medium organizations lead in scale efficiency (SE) with 0.973, compared to 0.870 for large and 0.839

for small organizations. The DEA analysis reveals minimal differences in overall efficiency across organization sizes, with smaller organizations showing better pure technical efficiency, likely due to leaner structures and lower operational costs. The wide efficiency score range suggests significant room for improvement, with less efficient organizations learning from higher-performing peers. The higher SE relative to PTE indicates that while Waqfs are generally well-sized, they may not be fully optimizing resource use. Medium-sized organizations demonstrate the best economies of scale, with 47% showing increasing returns to scale, compared to 28% of large and 12% of small organizations. Additionally, 38% of medium-sized organizations operate at an optimal scale, while 73% of small organizations face diseconomies of scale, significantly higher than medium (15%) and large (36%) organizations.

**Table 4.8: Returns to Scale in *Waqf* Organizations in Pakistan**

	<i>Large Size Organization</i>		<i>Medium Size Organizations</i>		<i>Small Size Organizations</i>	
	<i>No of DMUs</i>	<i>% Share</i>	<i>No of DMUs</i>	<i>% Share</i>	<i>NO of DMUs</i>	<i>% Share</i>
<i>CRS</i>	12	36%	13	38%	5	15%
<i>DRS</i>	12	36%	5	15%	24	73%
<i>IRS</i>	9	28%	16	47%	4	12%
<i>TOTAL</i>	33	100	34	100	33	100

There are different possible reasons why smaller *Waqf* organization may be more likely than medium and large ones to face decreasing returns to scale (DRS). The possible causes are broken out as follows:

- 1) There might be fewer fixed assets, such as buildings, machinery, or technology, in small *Waqf* organizations. Beyond a certain point, adding employees or beneficiaries might put additional demand on these few resources and result in inefficiencies.

- 2) For *Waqf* organizations, it may be difficult to find qualified workers. Employing more people could not result in a corresponding rise in productivity if the workers lack the necessary skills or knowledge.
- 3) Larger beneficiary populations may be the focus of small *Waqfs*, even if doing so leads to certain inefficiencies. Increasing the number of beneficiaries may result in lower returns on effect when resources are few.
- 4) If enough infrastructure or training isn't in place, hiring one more employee could not result in doubling output.
- 5) The implementation of a new program without adequate planning or resource allocation may result in inefficient management of current services providing by small organizations.

To conclude, findings of this study suggests that the Pakistani *Waqf* industry has impressive levels of efficiency, mostly due to scale and technological efficiency. However, a concerning finding is the apparent struggle with resource allocation, suggesting potential inefficiencies in how *Waqf* organizations utilize their resources. This might be attributed to market imperfections specific to the *Waqf* sector.

This research lays the groundwork for further exploration of Pakistani *Waqf* institutions. Subsequent research may examine the effects of *Waqfs* on the attainment of the Sustainable Development Goals (SDGs), specifically with regard to mitigating poverty and easing the pressure on public social expenditures. Further investigation might focus on the particular flaws in the market that prevent the *Waqf* sector from allocating resources optimally.

## Chapter 5

### **The Challenges of *Waqf* Development in Pakistan: An Analytic Network Process Analysis**

#### **5.1 Introduction**

Throughout Islamic history, *Waqf* “a charity endowment” has been essential to societal welfare and prosperity. *Waqfs* have a long history in Pakistan; for centuries, they have supported mosques, schools, hospitals, and other charity organizations. Being a country with majority of Muslim population, Pakistan has a great potential of *Waqf* in country’s development. Notwithstanding its illustrious past, Pakistan's *Waqf* growth has challenging obstacles.

Pakistan's largest province, Punjab, has a sizable *Waqf* estates. With more than 1,450 *Waqf* properties and 76,632 acres of land under management of Punjab department. Similarly, other provinces Sindh, Khyber Pakhtunkhwa, Baluchistan and Islamabad Capital Territory have their separate *Awqaf* departments and manage significant area of *Waqf* land and properties (Ahmed, 2004). Although *Waqf* land is meant to be used for a variety of social benefit motives, there are issues with how it is now used in Pakistan. According to data, a sizable amount of *Waqf* assets and land are not being fully utilized to meet societal requirements. It seems that the majority of the attention is being devoted toward religious goals, with very little going toward more general welfare projects. The rise of private charity has helped to fill some of the perceived gaps in social welfare services. These private endeavors frequently create endowments for philanthropic purposes that are governed by English law.

Understanding the barriers to the traditional *Waqf* institution's development in Pakistan is essential to its development. The evident variables include sharia and *Waqf* legislation, *Waqf* management concerns, knowledge of the significance of *Waqf* in Islam and, restricted usage of cash *Waqf* goods from Islamic banks, and insufficient government focus on this institution. In

this study we will use a mathematical approach which is analytic network measurement process (ANP) to justify our perception about *Waqf* development problems. The chapter is organized as follows. Section 2 explained the research methodology for elevating the problems of *Waqf*, its solutions and strategies. Section 3 present an ANP model for this study and section 4 includes results and analysis. The final section concludes the study.

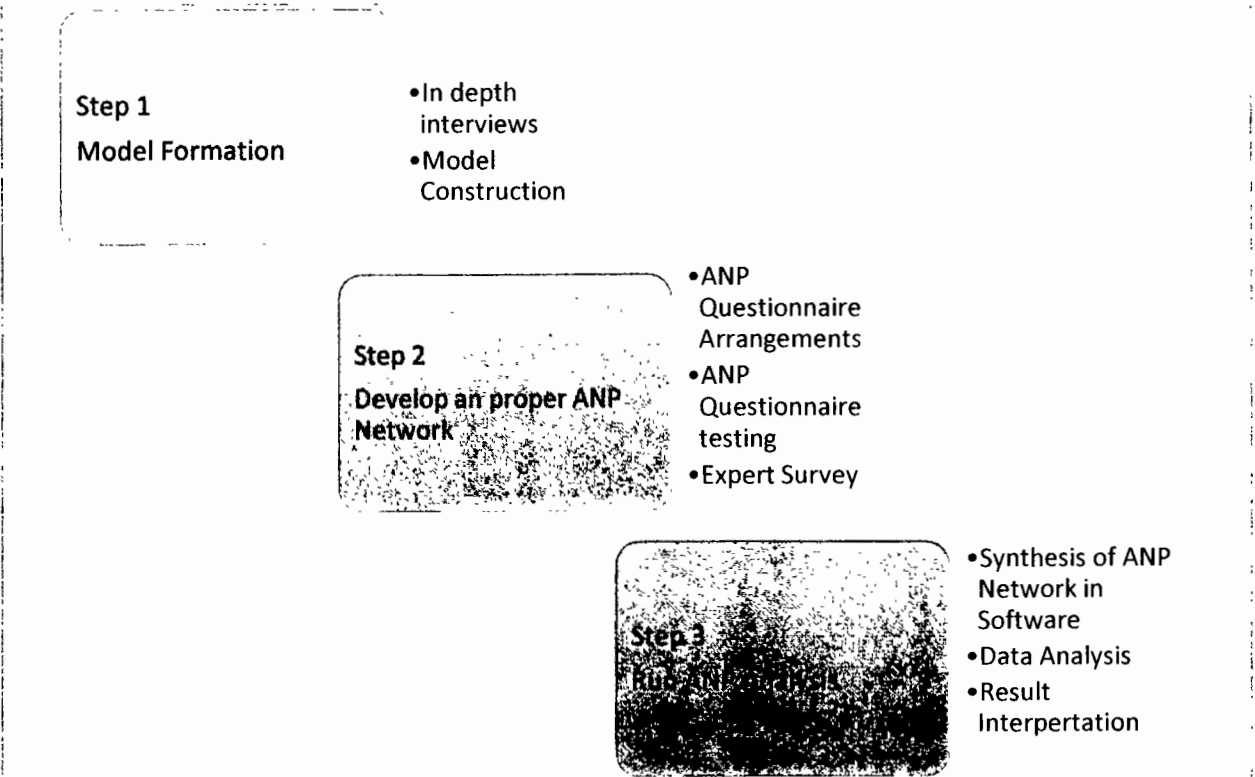
## **5.2 Methodology**

In order to support our views on the issues concerning *Waqf* development, we will use a mathematical technique in this study called the analytical network process (ANP). It is a psychophysical theory of measuring based on the premise that our experiences in the physical world and our perceptions and emotions are essentially the same (Saaty, 2007). In the physical world, we react to certain events with varying degrees of vigor and intensity. Thus, using the analytic network technique, we were able to determine the problems that should be prioritized in the *Waqf* development process based on the opinions of *Waqf* specialists.

### **5.2.1 The Analytic Network Process (ANP)**

The Analytic Network Process (ANP) is a powerful tool for tackling complex, multi-criteria decision problems where elements influence each other in a web-like fashion. It's a more generalized version of the well-known Analytic Hierarchy Process (AHP) and helps you navigate complex decisions with interdependent factors. The ANP captures these interdependencies through a network, providing a more realistic picture of the decision landscape. ANP methodology will apply in three following steps illustrate in following Figure.

**Figure 5.1: Flow Chart of Analytic Network Process**



Source: Ascarya and Yumanita (2010)

**5.2.2 Axioms of ANP Model:**

Analytic Network Process follows few simple axioms these are: (Saaty,2008)

- 1. Reciprocal:** According to this if there is a paired comparison between element X and Y  $P_z(E_X, E_Y)$  With respect to their parent, element Z that shows how many times element X possess the property as compared to element Y then  $P_z(E_Y, E_X) = 1/P_z(E_X, E_Y)$  that is if X is 3 times larger than Y, then Y is one third as large as X.
- 2. Homogeneity:** This axiom states that the elements that compared were not too much differ, otherwise that will lead to be larger errors in results. The rating scale of ANP ranges from 1 to 9 following Table shows details<sup>22</sup>

<sup>22</sup> Saaty's verbal and numerical scale

Definition	Intensity of Importance
Equal importance	1
Weak importance	2
Moderate importance	3
Moderate plus importance	4
Strong importance	5
Strong plus importance	6
Very strong importance	7
Very very strong importance	8
Extreme importance	9

3. **Priority:** This axiom states the individual who has solid reasons of his beliefs make sure that their ideas represented for the outcomes to match these expectations.

### 5.2.3 Model construction

In stage 1 of ANP we will gather detailed information to be able to grasp the real problems. The information will be collected from literature review and in-depth interviews from practitioners and various experts in the field of *Waqf* from various institutions, universities, Islamic banks, and from religious scholars.

### 5.2.4 Model quantification

In the stage of quantification, we will use the result of first stage and develop an appropriate ANP network that includes main problems, solutions and strategies. After designing this final ANP network, pairwise questionnaire will be drawn. In this step certain changes will be made in questionnaire to get appropriate results (Ascarya, 2011). Then this data will input in Super decision software to find the outcome in the form of priority and super matrix.

5.2.5 Synthesis and analysis

In this step we will synthesis the data by putting results of each respondent separately in SUPERDECISIONS software. After this we will export the results to excel sheets to find the desire outcome which is combined opinion of all respondents. For this we will find geometric mean of the responses of all respondents (Rusydiana &devi,2013).

The formula for geometric mean is

$$(\prod_{i=1}^n a_i)^{1/n} = \sqrt[n]{a_1 a_2 a_n} \tag{5.1}$$

Rater Agreement

Rater agreement is a measure that will use to find the level of approval from the respondents to problem in one cluster. The formula that is used to find rater agreement is **Kendall's coefficient of concordance** after finding this we will be able to draw conclusions and suggest policy recommendations. The Rater concordance values (e.g., W=0.612, W=0.882) are measures of agreement among multiple raters or experts in the context of ranking or prioritizing factors. These values are derived from Kendall's W (Coefficient of Concordance), which ranges from 0 to 1, where a value closer to 1 indicates stronger agreement among raters (Ascarya, 2011). Higher concordance values strengthen the credibility of the study's findings, while moderate values may highlight the need for further investigation into areas of divergence or potential contextual nuances influencing the raters' judgments.

To calculate Kendall's coefficient of concordance in first step we will give rank every response and sum it. Following is the formula of this:

$$R_i = \sum_j^m = 1r_{i,j} \tag{5.2}$$

After this the average value will be find through:



$$R = \frac{1}{2}m(n + 1) \quad (5.3)$$

The sum of the deviations will be calculated by the formula:

$$S = \sum_{i=1}^n (R_i - \bar{R})^2 \quad (5.4)$$

Finally, we will get Kendall's W

$$W = \frac{12S}{m^2(n^2 - n)} \quad (5.5)$$

If W=1 it means perfect agreement among respondents whereas W=0 means no agreement among respondents.

### 5.3 Framework of Analytic Network Process:

For Pakistan's *Waqf* development, a strong ANP network model needs to identify the overall goal, major aspects, and related problems and solutions. Four key factors that are preventing *Waqf* advancement have been discovered through research of the literature and in-depth expert interviews: the legal and regulatory framework, management systems, governance and outdated *Waqf* practices. There are sixteen matching criteria for each aspect; Table 5.1 lists the main problems, and Table 5.2 lists possible solutions for each aspect. Furthermore, Table 5.3 lists the four broad approaches that were developed as strategies for resolving Pakistan's *Waqf* development issues.

**Table 5.1: Problems of *Waqf* Development in Pakistan**

Aspects	Problems	References
Legal and regulatory Framework	1)Current <i>Waqf</i> law is complex and controversial 2)Religious scholars' rigidity and resistance 3)Legal disputes among <i>Waqf</i> department and wakif 4)Lack of public knowledge and awareness about <i>Waqf</i> laws	Malik (1990); Richardson (2004); White (2006); Khan (2004); Abbasi (2021) and Expert's opinion
Management System	1)Outdated <i>Waqf</i> Data 2)Inefficient use of <i>Waqf</i> land and Properties 3)Lack of Professional management expertise 4)Corruption	Jabeen and Aziz (2019); Lashari and Usman (2022); Shirazi (2019); Ayub (2018) and expert's opinion
Governance	1)Political sensitive nature of <i>Waqf</i> 2)Lack of coordination between <i>Awqaf</i> department and Government 3)Lack of Investment in <i>Waqf</i> Structure and Development Projects 4)Inefficient and Bureaucratic <i>Waqf</i> Administration System	Rabi (2018); Hayat and Naeem (2014); Usman and Rahman (2021); Khan (2015) and expert's opinion
Modernizing <i>Waqf</i> practices	1)Lack of New and Innovative Form of <i>Waqf</i> 2) <i>Awqaf</i> are used only for Religious Purposes 3)Lack of Sharia Complaint <i>Waqf</i> Investment Products 4)Lack of Technology Involvement	Jabeen and Aziz (2019); Ahmed (2004); Khalid and Usman (2022); Zaman (2021) Abbasi (2021) and Expert's opinion

**Table 5.2: Solutions of *Waqf* Development in Pakistan**

Aspects	Criteria of Solutions	References
Legal and regulatory Framework	1)Public awareness and Spirit of generosity 2)Negotiation and Settlement of disputes 3)Religious guidance and Support 4)Enacting comprehensive <i>Waqf</i> law with the consensus of all stakeholders	Malik (1990); White (2006); Ayub et al (2023); Rabi (2018); Rehman et al (2023); Zaman (2018) and experts' opinion
Management Svstem	1)System of Transparency and Accountability 2)Train and develop <i>Waqf</i> officials 3)Efficient use of <i>Waqf</i> land 4)Digitize and Update all <i>Waqf</i> data	Richardson (2004); Hayat and Naeem (2014); Ahmed (2004); Shirazi et al (2017); and Expert's opinion
Governance	1)Increase productivity of <i>Waqf</i> land 2)Professionalize <i>Waqf</i> Management 3)Active Involvement of Government 4)Promote community engagement	Lashari and Usman (2022); Jabeen and Aziz (2019); Shirazi (2019); Ahmed (2004) and Expert's opinion
Modernizing <i>Waqf</i> practices	1)Establish Social Investment Banks 2)Develop Shariah complaint <i>Waqf</i> Products 3)Embrace Technology 4)Introduce new form of <i>Waqf</i>	Khalid and Usman (2022); Ayub (2019); Usman and Rahman (2021); Shirazi et al (2017); Zaman (2021) and Expert's opinion

**Table 5.3: Strategies of *Waqf* Development in Pakistan**

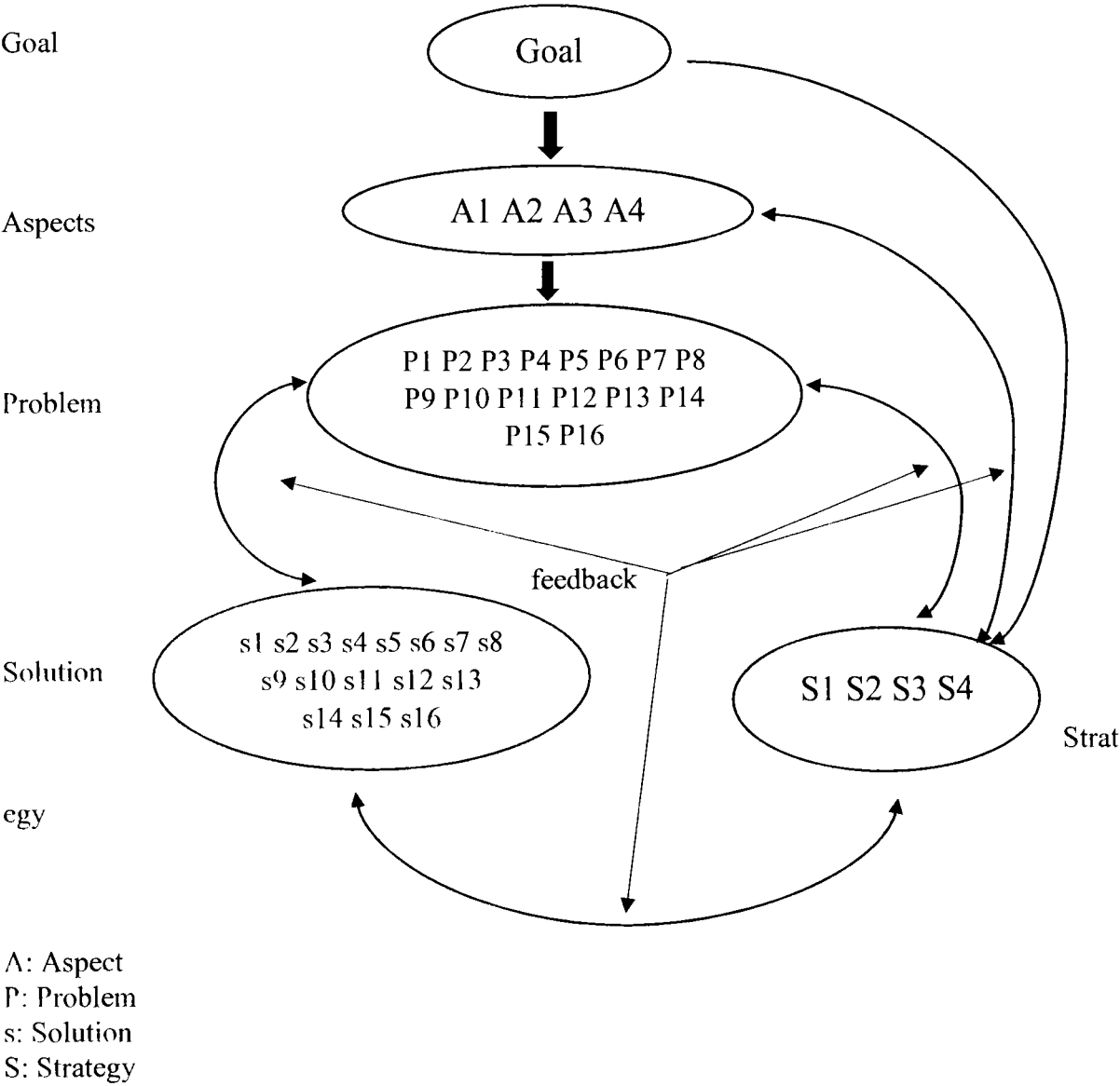
Criteria of Strategies	References
Optimization of Government role	Expert’s Suggestions; Lashari and Usman (2022); Ahmed (2004)
Transparency and Accountability	Malik (1990); White (2006); Abbasi (2021); and Expert’s Suggestions
Promote Innovations	Khalid and Usman (2022); Ayub (2018) and Expert’s Suggestions
Optimization of Community role	Expert’s Suggestion

**5.3.1 Analytic Network Process (ANP) Model**

The ANP framework divided into two parts. First part is simple network of goals criteria and sub criteria that make the interactions. The second part is a complete network of influence between criteria and sub-criteria. (Saaty, 1996: Ravi *et al*, 2005).

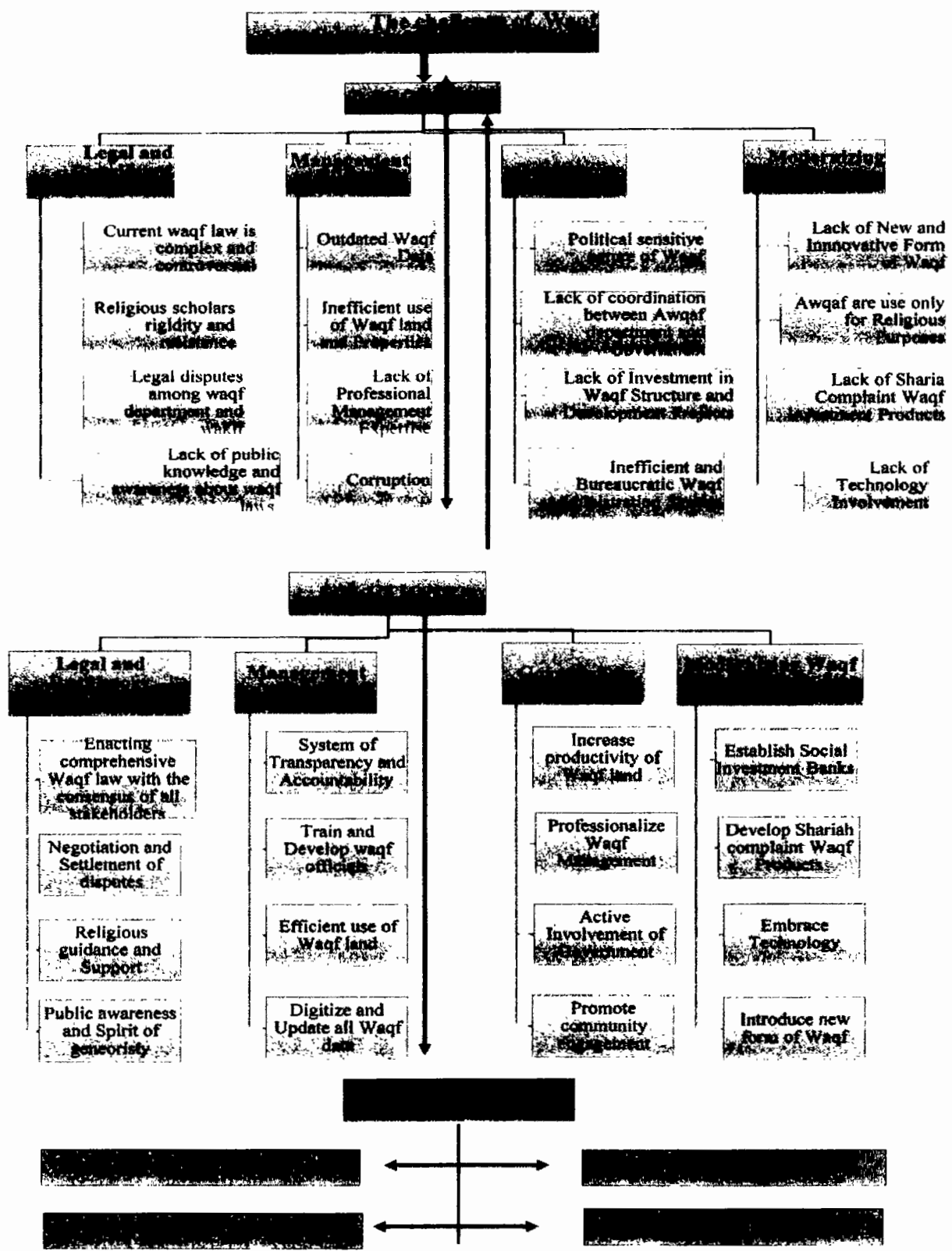
Figure 5.2 shows the simple framework of analysis. The network has five clusters: first one is goal which is the development of *Waqf* in Pakistan. Second cluster is aspects there are four aspects observed from literature review and expert opinions. These aspects are, legal and regulatory framework, management system of *Awqaf*, governance and modernized *Waqf* practices. The problems under these aspects are narrowed down in 16 problems 4 problem under each aspect. Third cluster consists of 16 solutions and fourth cluster consist of strategies. Figure 5.3 depicts more detailed network use in this analysis.

Figure 5.2: ANP Network



Source: Fauzi et al.,2021

Figure 5.3 ANP MODEL



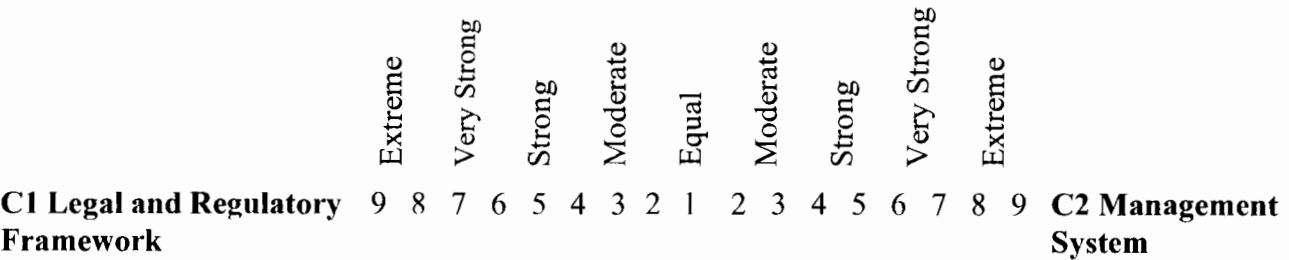
Source: Saaty, 2006 and own elaboration

The diagram "The Challenge of Waqf Development in Pakistan" uses arrows to indicate the flow from Problems to Solutions, and then to Strategies. The downward arrows from problems to solutions show a cause-and-effect relationship, where each identified problem is directly addressed by specific solutions. The downward flow signifies progression from diagnosing issues to implementing corrective measures. The horizontal arrows among strategies represent the interconnectedness and bidirectional influence of strategies like Optimization of Government Role, Transparency and Accountability, Promoting Innovations, and Optimization of Community Role. These bidirectional arrows suggest that improving one strategy can reinforce and enhance the effectiveness of the others, showing a dynamic and integrated approach to waqf development.

### 5.3.2 Data for questionnaires

This study used pair-wise questionnaire based on the final ANP network constructed in the preceding section. Data was acquired from experts' perceptions on *Waqf* development in Pakistan. The questions in the ANP questionnaire was a pairwise comparisons between the elements in the clusters to find out which has the greater influence on a sclae 1-9 (Satty,1996). For example, in four aspects of *Waqf* development in pakistan we compare two aspect in the question:

To what extent do outdate laws and regulations hinder *Waqf* development compared to ineffective management?



When the legal and regulatory framework is greater in influence than the Management than respondent will choose scale on left side and if Management is greater influence than the legal

and regulatory frame work than respondent will choose scale on the right side. The respondents questionnaire results used in ANP software to find three super matrixs that will prioritize problem, their solutions and strategies.( For questionnaire see Appendix B)

### **5.3.3 Expert Selection Criteria for ANP Technique**

In the ANP (Analytic Network Process) technique, the number of experts involved is not as crucial as the depth and relevance of their expertise (Ascarya and Yumanita, 2010). The primary focus is on gathering insights from individuals who possess a profound understanding of the subject matter, ensuring that the analysis is grounded in practical, academic, and regulatory knowledge. For this research on Waqf development challenges, a diverse panel of 15 experts was carefully selected to provide a holistic perspective. This panel included 6 Waqf officials from key institutions such as the Auqaf Department Punjab, Auqaf Department Khyber Pakhtunkhwa, Auqaf Department Islamabad Capital Territory, and the Ministry of Religious Affairs and Interfaith Harmony (Hajj and Auqaf). These experts contribute institutional and administrative insights critical for understanding policy and governance challenges in Waqf management. Additionally, 4 experts from the Islamic banking sector, affiliated with Islamic microfinance institutions, were included to provide financial and investment perspectives, particularly on modernizing Waqf practices. The expertise of 2 session judges who handle Waqf-related disputes adds legal and judicial clarity, especially on regulatory and dispute resolution issues. Lastly, 3 professors of Islamic economics offered an academic and theoretical viewpoint, bridging traditional principles with contemporary practices. This comprehensive selection of experts ensures a balanced and informed analysis, adhering to the ANP methodology's emphasis on knowledge quality over quantity.

## **5.4 Results and Discussion**

The ANP analysis was carried out with Superdecision software , which allowed for a systematic evaluation of the relative importance of various factors compilde in ANP model



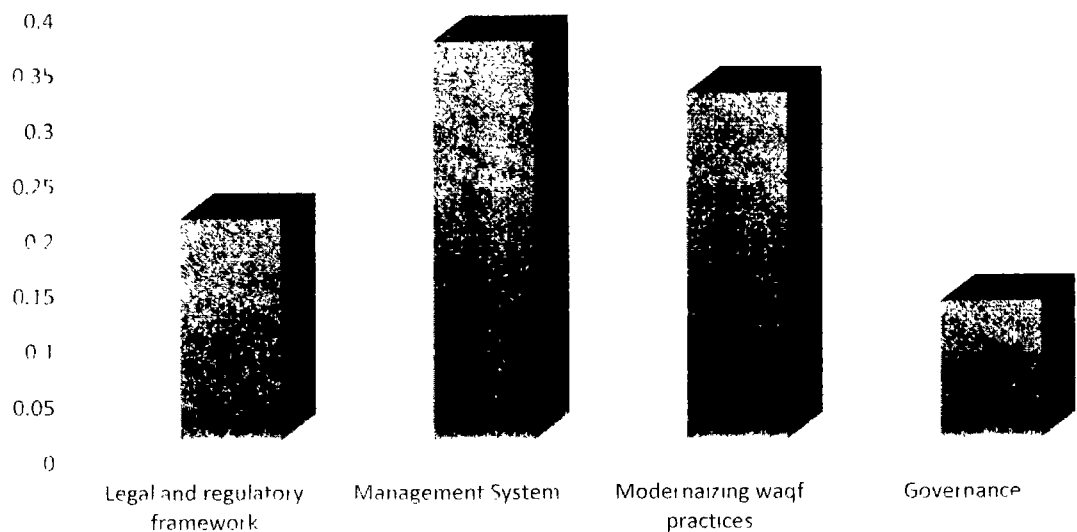
(Figure, 5.3) within the *Waqf* development system. This section goes into the ANP model's findings, outlining the most important problems and feasible solutions for each of the four key aspect and gives most important strategies. ANP synthesis output consists of three matrixes providing a priority sequences of each aspects, problems, solutions and stratigies.

To produce scientific 'consensus' results, the geometric means of all respondents' responses are calculated, re-inputted into the ANP network in superdecision software, and re-synthesized.

## 5.5 Priority Problems

Figure 5.4 illustrates the relative importance of the four primary factors identified as hindering *Waqf* development in Pakistan. The ANP model weighted every aspect to indicate its contribution to the overall goal. The results show that **Management Systems** is the most essential factor, with a weighted value of 0.3607. This shows that flaws in management procedures seriously limit *Waqf* development. Following closely behind is the **Modernized Waqf Practices** aspect (weighting: 0.3131), which emphasizes the necessity for innovation and flexibility in *Waqf* operations. **Legal and Regulatory Framework** (weighting: 0.2013) and **Governance** (weighting: 0.1249) acquired lower weights, but continue to impede *Waqf* advancement. The ANP study also used rater agreement to determine the consistency of expert opinions. The estimated value of  $W=0.734$  shows that 73% of respondents believe that Management Systems are the most important obstacle for *Waqf* development in Pakistan. This emphasizes the need of reducing inefficiencies and improving management techniques within *Waqf* organizations.

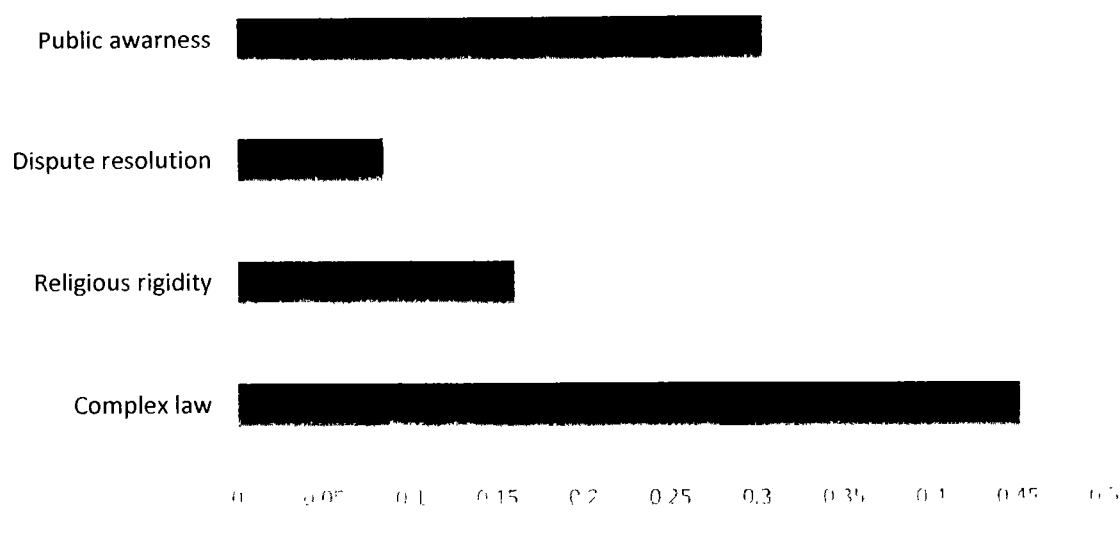
**Figure 5.4: Priority of *Waqf* development challenges in Pakistan**



**5.5.1 Cluster of legal and regulatory framwork**

Figure 5.5 shows the output diagram of the cluster of legal and regulatory framework problems. The priority problem in the legal and regulatory aspect is the *Waqf* law complexity and controversy with weighted value 0.4515, followed by the fact that public have lack of awareness about *Waqf* law a priority at 0.3038, the religious scholars rigidity with weighted a value at 0.16, and the last is the legal disputes with *Waqf* department with weighted value at0.0847. The rater agreement for the *Waqf* law complexity and controversy issue sub cluster is  $W=0.612$ , which means that 61% of the respondents agree that within the legal and regulatory framework aspect sub-criterion of the *Waqf* development in Pakistan, the main priority is the *Waqf* law complexity and controversy.

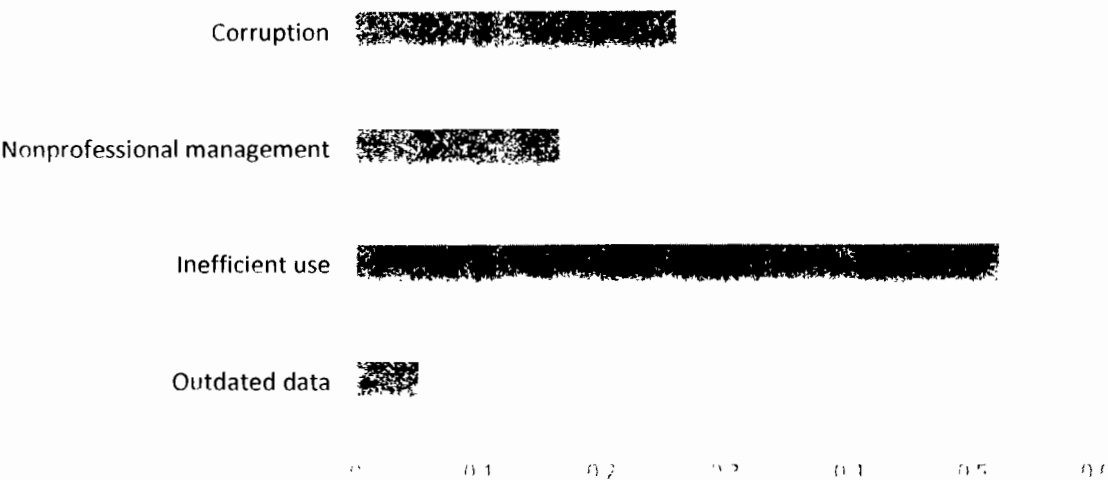
**Figure 5.5: Priority problems on legal and regulatory framework aspect**



**5.5.2 Cluster of Management system**

Figure 5.6 displays a breakdown of challenges related to the Management Systems aspect. According to the ANP results, inefficient use of *Waqf* land appeared as the most crucial problem, with a weighted value of 0.5212. This emphasizes the need for improved land management methods among *Waqf* institutions. Corruption (0.2613), non-professional management (0.1657), and outdated data (0.0514) were all highlighted as management difficulties, but with lesser priority. Notably, the rater agreement for this subcluster was high, at W=0.882. This indicates that there is strong agreement (88% of respondents) on the importance of addressing inefficient *Waqf* land use as the primary management system issue impeding *Waqf* development in Pakistan.

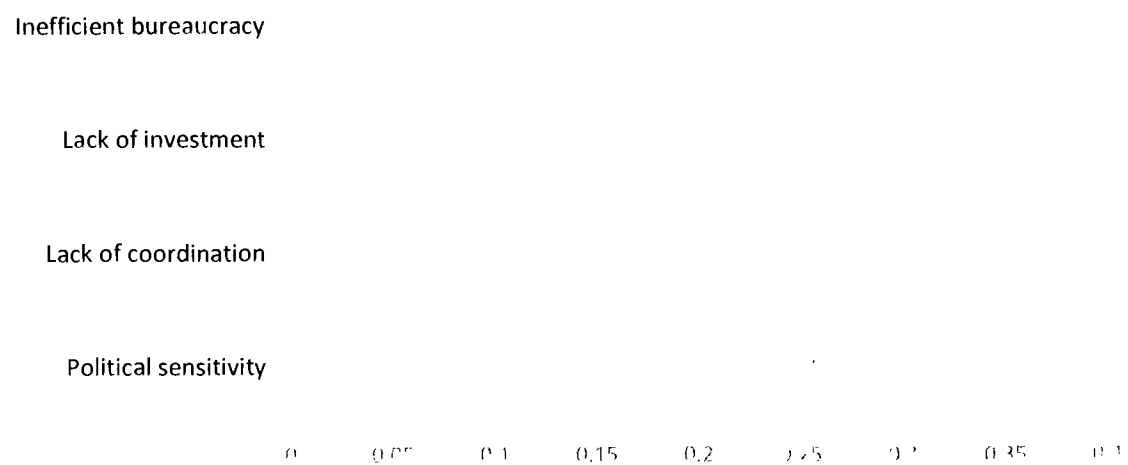
**Figure 5.6: Priority problems on Management system aspect**



**5.5.3 Cluster of Governance**

Examining Figure 5.7, we can explore into the specific governance challenges hindering *Waqf* development. The ANP analysis assigned the highest weighting value (0.3564) to the "political sensitivity of *Waqf*," indicating this as the most pressing governance issue. This suggests that addressing the politicization of *Waqf* affairs is crucial. While other governance problems like inefficient bureaucracy (0.3257), limited investment in *Waqf* projects (0.1936), and lack of government-*Waqf* coordination (0.1242) were also identified, they received lower priority scores. Interestingly, the rater agreement for governance issues reached  $W=0.675$ , signifying that 68% of respondents agreed that the political sensitivity of *Waqf* is the primary concern within the governance aspect for *Waqf* development in Pakistan.

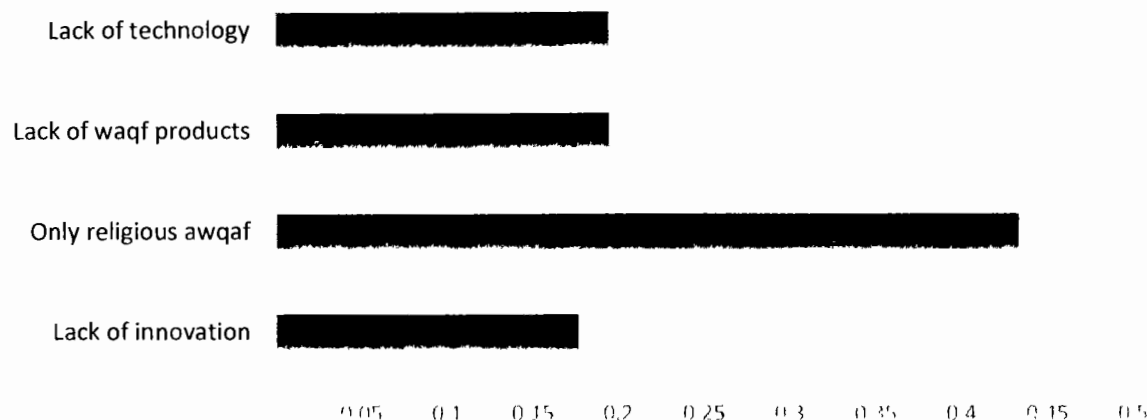
**Figure 5.7: Priority problems on Governance aspect**



**5.5.4 Cluster of Modernized *Waqf* Practices**

The ANP study found religious *Waqf*'s dominance and limited participation in social welfare (43.36%) as the most important obstacle under the Modernized *Waqf* Practices aspect. This emphasizes the need for a transition to approaches that target larger socioeconomic development goals. While a lack of technology use and creative techniques (both at 19.48%) were noted as problems, they got lesser importance. Interestingly this finding, supported by a unanimous rater agreement (W=1, indicating 100% agreement), underscores the importance of promoting *Waqf* utilization for broader social welfare purposes. The figure belows shows the detail:

**Figure 5.8: Priority problems on Modernized *Waqf* practices aspect**

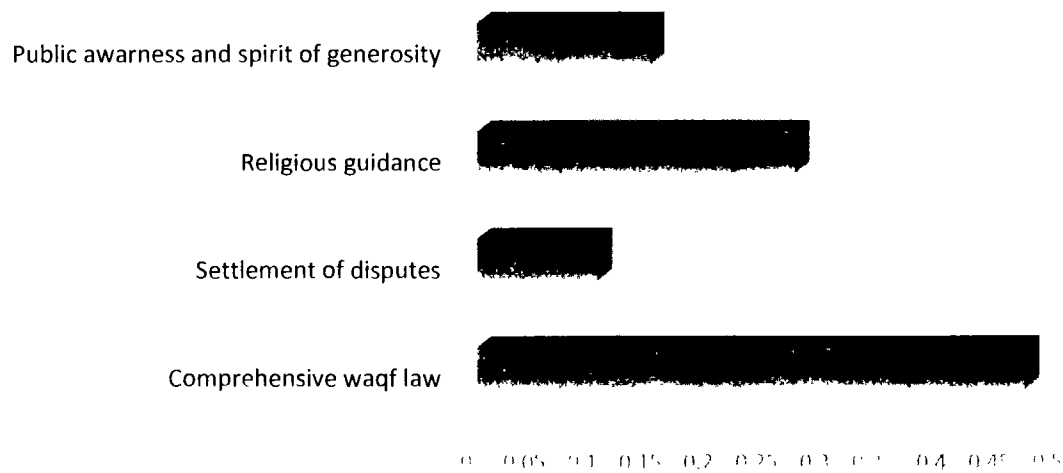


**5.6 Priority Solutions**

**5.6.1 Cluster of legal and regulatory framwork Solutions**

The ANP model's investigate of the legal and regulatory framework shown in figure 5.9 indicates the crucial need for a comprehensive *Waqf* legislation weighted value 0.4717. This conclusion, reinforced by a moderate rater agreement  $W=0.4679$ , indicating 46.79% agreement, implies that passing a comprehensive *Waqf* legislation with stakeholder consensus is the most important legal and regulatory remedy. Religious guidance weight at 0.2741, public understanding of *Waqf* regulations at 0.1498, and settlement of disputes with *Awqaf* officials at 0.1045 were also highlighted as viable remedies, although they earned lower priority values. This underscores the significance of creating a strong legal framework for *Waqf* growth in Pakistan.

**Figure 5.9: Priority solutions on legal and regulatory framework aspect**

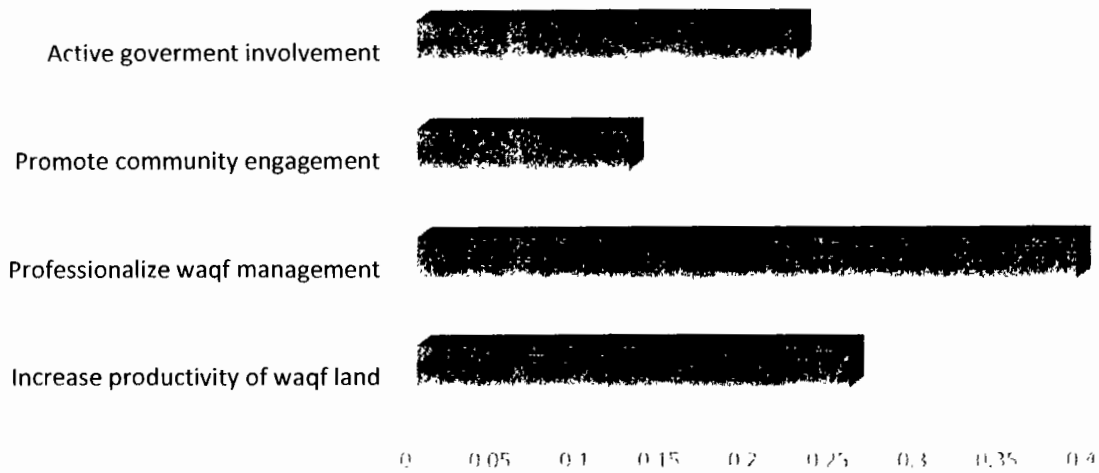


**5.6.2 Cluster of Management system Solutions**

The priority solutions to handle the problems of management system in the development of *Waqf* in Pakistan is shown in figure 5.10.

The ANP model identifies professional development for *Waqf* officials (weighting value: 0.3908) as the most important solution in the management systems area. This conclusion, confirmed by a moderate rater agreement ( $W=0.6724$ ), emphasizes the need of investing in the capacity training of *Waqf* professionals. While boosting *Waqf* land production (0.2568), fostering active government involvement (0.2261), and promoting community engagement (0.1264) were all highlighted as feasible remedies, they got lesser priority. This research underlines the need of professionalizing *Waqf* administration as a major tool for increasing efficiency and effectiveness.

**Figure 5.10: Priority Solutions on Management system aspect**

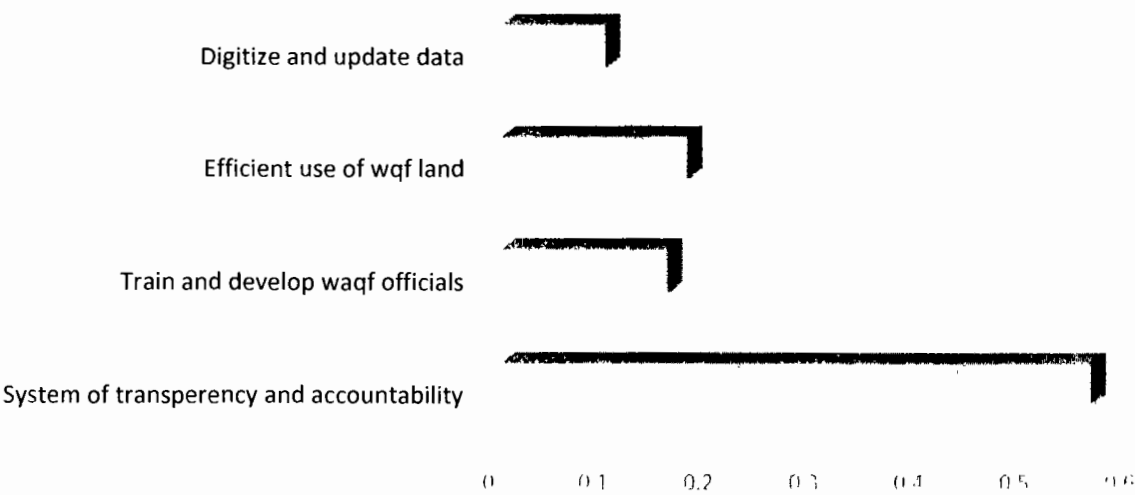


### 5.6.3 Cluster of Governance Solutions:

Figure 5.11 illustrates the most viable methods for tackling governance problems with *Waqf* development. The ANP model gives the greatest weighted value (0.5624) to developing a strong system of accountability and transparency. This conclusion, confirmed by a moderate rater agreement ( $W=0.5143$ ), indicates that prioritizing accountability and transparency methods is critical for enhancing governance in *Waqf* institutions. Other options, such as effective land use (0.1778), training and development for *Waqf* officials (0.1954), and digitalization of *Waqf* data (0.1004), were found but earned lower priority rankings. The emphasis on transparency and accountability highlights the need of developing governance procedures as a critical tool for building confidence and encouraging *Waqf* development in Pakistan.



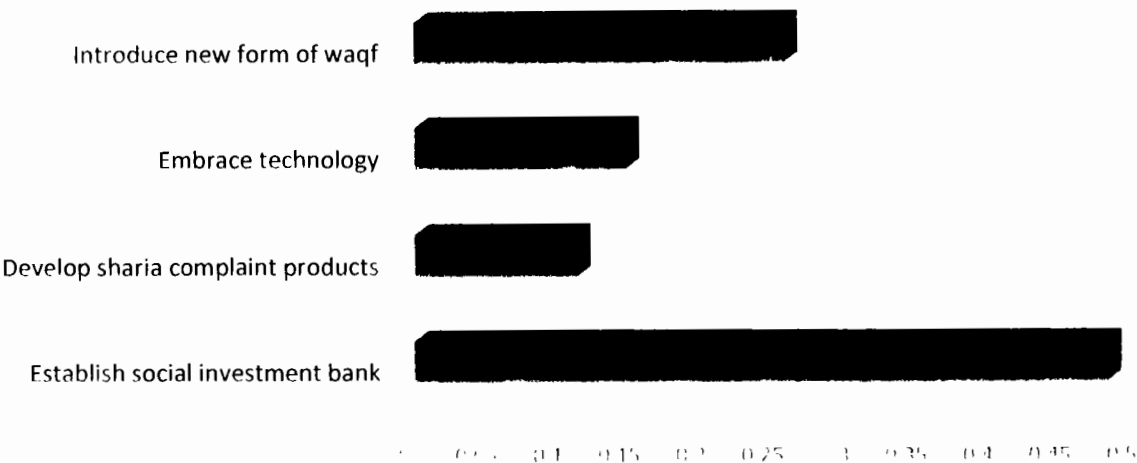
Figure 5.11: Priority solutions on Governance aspect



5.6.4 Cluster of Modernized *Waqf* practices Solutions

Exploring the ANP analysis for modernized *Waqf* practices yields a convincing solution: the formation of a *Waqf*-focused investment bank (weighting value: 0.4826). This conclusion, confirmed by a high rater agreement ( $W=0.8167$ , indicating 81.67% agreement), implies that experts believe an investment bank is the most successful tool for encouraging updated practices. However, the analysis reveals more interesting options, although with lower priority levels. These include establishing new and creative *Waqf* forms (0.2574) to meet the needs of a broader variety of donors, embracing technology improvements (0.1470) to increase efficiency and transparency, and producing Sharia-compliant financial products (0.1129) to attract a larger investor base. Overall, the ANP model emphasizes the role of financial innovation (investment banks) as a driving force behind updated *Waqf* practices. However, it recognizes the importance of experimenting with various tactics, such as new *Waqf* forms, technology use, and Sharia-compliant goods, to reinvigorate *Waqf* development in Pakistan.

**Figure 5.12: Priority solutions on Modernized *Waqf* practices aspect**

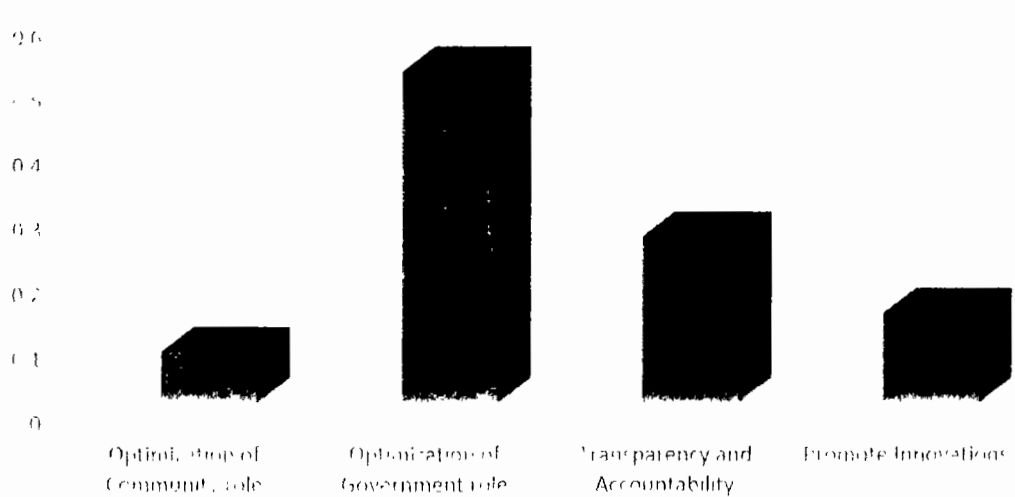


**5.7 Strategies**

Figure 5.13 depicts the most essential long-term strategies for *Waqf* development in Pakistan, as determined by the ANP model study. The findings show a strong emphasis on maximizing the government's role (weighting value: 0.5176) as the primary strategy. This conclusion, confirmed by a moderate rater agreement (W=0.3146, indicating 31.46% agreement), implies that experts believe a more strategic and optimal government involvement is critical for supporting *Waqf* development. While not obtaining the highest level of agreement, other long-term plans emerged as noteworthy. Strengthening Transparency and Accountability Systems weighting value (0.26%). This plan highlights the necessity of building strong procedures to promote transparency and accountability within *Waqf* institutions.Promote Innovation weightning value (0.1420). Encouraging innovation in all elements of *Waqf* practices is considered a useful tactic. This might include establishing new *Waqf* forms, embracing technology, or generating novel financial solutions, as noted in the research of modernized *Waqf* practices.Optimizing the Community Role weightning value (0.0813). Despite obtaining the lowest weighted value, maximizing the role of communities in *Waqf* growth is still seen as

a viable method. Engaging local communities helps increase ownership and engagement in *Waqf* efforts.

**Figure 5.13: Priority strategies on *Waqf* development in Pakistan**



**5.8 Conclusion**

This study used the Analytic Network Process (ANP) methodology to comprehensively examine the constraints and potential for *Waqf* development in Pakistan. The ANP investigation, based on expert views, found significant barriers to *Waqf* progress: the legal and regulatory framework, management systems, outdated *Waqf* practices, and overall governance. The ANP model analysis identified management systems as the most critical challenge hindering *Waqf* development in Pakistan, followed by outdated *Waqf* practices, legal and regulatory framework issues, and lastly, governance concerns.

The ANP study identified several critical measures to accelerate *Waqf* development. Prioritizing professional development prepares *Waqf* officials for efficient administration. Creating a comprehensive *Waqf* legislation and a strong system of transparency and accountability addresses legal and governance issues while building trust and ethical behaviors.

Finally, the unique approach of establishing a *Waqf*-based investment bank opens up new financial resources, accelerating *Waqf* development in Pakistan.

The ANP model identified critical long-term measures for promoting *Waqf* development in Pakistan. The highest attention was given to optimizing the government's role, emphasizing the importance of a more strategic and collaborative approach. Significant measures include strengthening accountability and transparency mechanisms, supporting innovation in *Waqf* practices, and involving local communities. Future research can help to improve the creation and use of *Waqf* institutions for social benefit in Pakistan and elsewhere by expanding on these findings and resolving noted constraints.

## Chapter 6

### A Novel Approach to SDG-Aligned *Waqf*: A Proposed Model for Achieving SDG's 3 and 4

#### 6.1 Background

Pakistan stands out for its early commitment to the SDGs, since it was the first country to embrace the 2030 Agenda globally in 2015. To reflect this commitment, a separate SDGs Section was formed inside the Ministry of Planning to monitor and coordinate national initiatives. Furthermore, the National Assembly established a Parliamentary SDGs Secretariat, marking a significant step toward mainstreaming and localizing the SDGs through legislation. To address global issues and fulfill Agenda 2030's goal of sustainable development, Pakistan emphasizes three interrelated sets of SDGs, beginning with SDG 2 (Zero Hunger), SDG 3 (Good health and wellbeing), SDG 4 (Quality Education), and SDG 6 (Clean Water and Sanitation).<sup>23</sup>

The "Pakistan SDGs Status Report 2021" uses national and provincial statistics to illustrate Pakistan's progress towards the SDGs. The Federal SDGs Support Unit of Pakistan's Ministry of Planning Development and Special Initiatives has produced the first of its type status report, which details the country's progress on SDG indicators relative to their 2014-2015 baseline values. The study includes statistics on 133 SDG indicators and their most recent levels. Overall, the study describes Pakistan's progress toward the SDGs as "modest."

Pakistan has made little progress on SDG 3's fundamental health indicators (good health and well-being). Between 2007 and 2019, the number of moms who died during pregnancy or childbirth decreased by 32.6%.<sup>24</sup> Births attended by competent health staff increased by 10%

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<sup>23</sup> [https://pndajk.gov.pk/Pak\\_SDGs\\_Status\\_Report\\_2021](https://pndajk.gov.pk/Pak_SDGs_Status_Report_2021)

<sup>24</sup> [https://dhsprogram.com/Pakistan\\_Maternal\\_Mortality\\_Survey\\_2019](https://dhsprogram.com/Pakistan_Maternal_Mortality_Survey_2019)

over the five years 2013-2018. National vaccination coverage increased by 11.5% between 2013 and 2018. However, the country's progress towards providing excellent education (SDG 4) has been poor. Between 2015 and 2020, the primary school completion rate remained at 67%. The national literacy rate stayed at 60% for the same time period. The yearly Sustainable Development Goals Index and Dashboard, which measures a country's progress toward the 2030 Agenda, highlights both improvements and problems for Pakistan. While the country's ranking improved somewhat from 125th to 128th out of 166 analyzed in 2023, its score (59) remains much lower than the regional average (67.2).<sup>25</sup> Notably, Pakistan has only completed one of the 17 SDGs (Goal 10: Reduced Inequalities), emphasizing the need for significant progress across a variety of sustainability issues.

Achieving SDGs goals demands focused work, not simply words on paper. Every ministry, department, and AUTHORITY must actively participate, pulling their weight and collaborating successfully. The government is not fully responsible for attaining the SDGs. It's a collaborative effort. The potential of philanthropic sector is undeniable including *Waqf*. Individuals can contribute land, buildings, or other assets as *Waqf*, earning long-term revenue to support a variety of social activities. This is fully consistent with the SDGs' goals, particularly those aimed at improving education, and good health. In recent years, economists exploring Islamic poverty alleviation methods have advocated a variety of *Waqf* schemes. A common thread running across these strategies is the use of microfinance and *Waqf* into poverty alleviation initiatives. Islamic microfinance plays an important part in this strategy.

Previous research has provided instances of these combination techniques. Khan (2004) proposed a *Waqf*-based microfinance scheme in which a *Waqf* fund offered Qard Hassan (interest-free loans) to individuals in need. Similarly, Hassan (2010) offered a concept that combines zakat (obligatory donation) with *Waqf* to establish a pooled fund for microcredit.

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<sup>25</sup> <https://dashboards.sdgindex.org/profiles/pakistan>

Masyita et al. (2005) even developed a dynamic model for cash *Waqf* administration in Indonesia, which provides an alternative tool for poverty reduction. Recognizing the poor's lack of access to mainstream financial institutions, Tohirin (2010) proposed a cash *Waqf* model designed exclusively to empower small enterprises. Aply and Haneef (2015) used a holistic strategy that included *Waqf* and Islamic microfinance (IWIM). Their methodology employs *Waqf* funding for human resource development, project finance, and Islamic Takaful (Islamic insurance), with the purpose of eradicating poverty.

Abdullah (2018) recommends two separate strategies for *Waqf* to fulfill the SDGs. Internally, *Waqf* Development Goals would aim to optimize *Waqf* institutions through better governance, transparency, and fundraising tactics. Externally, *Waqf*-Based Development Goals would focus *Waqf* revenues toward specific SDGs, such as paying healthcare (SDG 3) or education (SDG 4). This method supports *Waqf* institutions while guaranteeing that their resources help to achieve global development goals.

This chapter suggests a new *Waqf* model that considers the present situation of *Waqf* administration in Pakistan. Both the official *Awqaf* department and the private *Waqf* organizations do not operate at peak efficiency for social well-being. This suggested model intends to provide an alternate method that encourages collaboration between the public and private sectors, ultimately contributing to societal sustainability. This chapter presents a novel *Waqf* model that aligns with SDG 3 (Good Health and Well-being) and SDG 4 (Quality Education).

## **6.2 Theoretical framework behind the Model**

The proposed model related to the concept of public private partnership signifies the combined governance settlements between various government and non- government actors participating in number of different development projects across the globe (Robertson et al., 2012). The Canadian Council of Private Partnership describes P3 as follows:

‘A cooperative activity between the public and private sectors, develop on the expertise of each partner, that best meets clearly defined public needs through the appropriate allocation of resources, risks and rewards’<sup>26</sup>

The United Nations acknowledges Public-Private Partnerships (PPPs) as an effective strategy for attaining the Sustainable Development Goals (SDGs).<sup>27</sup> These collaborations combine the talents of the public and commercial sectors to tackle challenging problems and accelerate progress toward a more sustainable future (Wang and Ma, 2021). Pakistan has emerged as a prominent supporter of Public-Private Partnerships (PPPs) as a strategy for development. Since 1990, the government has made great progress, with 108 successful PPP projects reflecting a total investment of nearly \$28.4 billion. These includes, infrastructure, ports, railway, water and waste water, energy and information and communication projects. This pledge was strengthened in early 2021, when the Parliament adopted revisions to the 2017 PPP Law. The Public Private Partnership Authority (Amendment) Act 2021 enhances the legal and regulatory framework for public-private partnerships, making it easier for the private sector to create and implement public infrastructure and vital services.<sup>28</sup>

While PPP activity in Pakistan has generally been concentrated in the transport, infrastructure, and energy sectors, as indicated by projects such as the Thar Coal Power Plant and the Lahore Metro Bus System, there has been a welcome growth into other areas in recent years. The involvement of sectors like as education, as seen by initiatives like the PIMS Medical College PPP, displays a commitment to human capital development. Similarly, the National Science

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<sup>26</sup> <https://www.gov.nt.ca/> Robert C. McLeod: The Canadian Council for Public-Private Partnerships P3 Hub Canada Conference

<sup>27</sup> World Bank. (2017). Mobilizing Islamic Finance for Infrastructure Public-Private Partnerships. Washington DC

<sup>28</sup> <https://www.adb.org/publications/public-private-partnership-monitor-pakistan>



and Technology Park PPP demonstrates a commitment to promoting innovation and technical growth (Shaukat & Tirmizi, 2023).

The Punjab Education Foundation (PEF) is making great efforts in improving access to excellent education for Punjab's deprived students. Their Public-Private Partnership (PPP) projects are praised for their efficacy and favorable outcomes. Students at PEF-assisted schools make impressive academic gains, confirming the program's cost-effectiveness and success. This effort has received considerable recognition from private schools, foreign funders, and many levels of government. The PEF has implemented various PPP initiatives, such as Foundation-Assisted Schools (FAS), Continuous Professional Development Program (CPDP), Teaching in Clusters by Subject Specialists (TICSS), and Education Voucher Scheme (EVS), to provide affordable quality education to underprivileged students (Malik, 2010). Ansari (2023) evaluate the performance of public private partnership school in Punjab and conclude that public-private partnership (PPP) initiatives in Punjab show promise in terms of improving social unity in education, there are some long-term issues. On the bright side, PPP schools appear to represent the variety of public schools and may even improve learning outcomes. Furthermore, they follow the public curriculum and employ the same language of instruction. Students at PPP schools appear to learn desired social ideals. Similarly, in health sector initial set of small-scale PPPs were mostly implemented in Khyber Pakhtunkhwa by district administrations for various health facilities in crisis-hit or extremely distant areas. Indicative statistics revealed improved staffing and availability of drugs and supplies at health facilities hired by NGOs.

To summarize, Pakistan's commitment to Public-Private Partnerships (PPPs) reveals a strategic approach to attaining SDGs 3 (Good Health and Well-being) and 4 (Quality Education). The PEF's success stories in education, as well as the government's regulatory framework for PPPs, demonstrate the potential for expanded access to excellent services, enhanced efficiency, and

creative solutions. Pakistan may achieve considerable progress toward a more inclusive and sustainable future for all by combining private sector experience, resources, and innovation with public sector control and social objectives.

### **6.3 *Waqf* in Health and Education Sector**

*Waqf*'s participation in healthcare dates back to the Prophet Muhammad (peace be upon him). During the Battle of the Trench, a movable military tent operated as a makeshift hospital, with Rufaydah, a wonderful lady, caring for the injured.<sup>29</sup> This early act exemplifies the humanitarian mentality that exists throughout *Waqf*. In the eighth century CE, the Umayyad Caliphate built the first Muslim hospital, an institution for lepers, in Damascus (Abouleish, 1979; Sayili, 2006; Tschanz, 2017). This marked the start of a prosperous age for *Waqf*-based healthcare facilities, which lasted until the 14th century CE. In many impoverished nations, the custom of utilizing

*Waqf* for healthcare continues. Here, private institutions frequently take the lead. Indonesia, Malaysia, Pakistan, India, and Bangladesh all have excellent *Waqf*-based healthcare facilities (Hayat & Naeem, 2014). These organizations, which range from cancer hospitals to medical universities, offer critical services to the community. Some provide entirely free healthcare, while others give low-cost consultations and prescriptions. This guarantees that even individuals with little resources can receive necessary medical treatment.

The earliest Islamic educational institution was the humble Quba Mosque, endowed by the Prophet Muhammad (peace be upon him) in 622 AD. This mosque was more than simply a place to pray; it was the basis for a community based on piety, wisdom, and fear of God. Following the Prophet's reign, Islamic *Waqf* education saw significant expansion. During the Umayyad Caliphate (660-750 AD), a variety of educational institutions developed, including

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<sup>29</sup> (Sahih Al-Bukhari, 1375)

primary schools (Kuttab), universities (Madrasah), and the famed House of Wisdom.<sup>30</sup> Notably, these schools were frequently donated by the caliphs or the government, providing financial support to learners, educators, and researchers. This legacy of state-sponsored education persisted during the reigns of successive caliphates (Abbasid, Fatimid, Ayyubid, Mamluk, and Ottoman). By meeting their fundamental requirements, these monarchs liberated students and scholars to devote their complete attention to the pursuit of knowledge (Mujani et al., 2018).

*Waqf* institutes flourished under the Muslim empires, establishing hundreds of schools, libraries, and universities. In the early 12th century, Jerusalem alone supported almost 70 schools from *Waqf* earnings. In Turkey, 142 universities are supported by *Waqf* earnings, whereas in Cyprus, 87 schools and universities rely completely on it. *Waqf* funds supported 800 institutions in Chechnya and 786 in Azerbaijan. *Waqf* revenues have supported several famous colleges, including al-Qurawiyyin in Fez, al-Nizamiyyah in Baghdad, and al-Azhar in Egypt (Kahf, 2000; Hashim 1990).

## **6.4 *Waqf* and Partnership**

The notion of collaboration is not new in the context of *Waqf*. According to Abdallah (2010), the concept of *Waqf* originated in early Islam as a form of partnership. He offers a modern version of this concept: a Public-Private Partnership (PPP) between the state and *Waqf* groups. This strategy, he says, would not only preserve the original spirit of *Waqf*, but would also increase its efficacy and create long-term, mutually beneficial collaboration. Islamic partnerships have a rich history dating back to the 7th century CE. These partnerships, known as "modaraba" or "sleeping partnerships" (Çizakça, 1996; Amer et al., 2014). Interestingly,

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<sup>30</sup> Daun, H., & Arjmand, R. (2018). Handbook of Islamic education. Springer International Publishing.

*Waqf* funds can be invested in modaraba partnerships, with the generated profits used for charitable activities that benefit those designated by the *Waqf* (Abdul Aziz et al., 2019).

The partnership in public private funding through *Waqf* in health and education sector is a new concept. According to Mohin and Ahmad (2017), the two-tier modaraba in a cash *Waqf* model is a partnership model consists of the standard modaraba agreement in the first tier, which includes the *Waqf* provider or giver and the capital owner (Rabb al-mal). Individuals and/or organizations make up the *Waqf* provider or giver, while the Rabb al-mal serves as the capital provider or trustee/fund manager. The second layer of the modaraba arrangement involves the Rabb al-mal and the transfer of cash to the mudarib, who will use the funds in a profitable way.

The proposed model in this study aims to revitalize *Waqf*'s fundamental purpose of delivering social services. Currently, the *Awqaf* department mostly provides religious services. By becoming a collaborative organization with ability in fundraising and project administration, the model will be able to provide a structure that more effectively utilize *Waqf* funds to support critical social services such as education and healthcare, eventually benefiting communities.

## **6.5 Modus operandi Of SDG-Aligned *Waqf* Model**

### **1) Creation of an Institution**

A new National *Waqf* Development Authority (NWDA) will be formed through a collaboration between the *Awqaf* Department and a non-for-profit partner in social service like any philanthropic institution. This joint-venture company, led by a Board of Directors comprised of both government and non-government officials, seeks to maximize the impact of *Waqf* money. An MOU will clearly describe objectives and functions, ensuring transparent financial management and support for sustainable development initiatives. This relationship draws on the expertise of both organizations to guarantee the correct use of *Waqf* resources for the long-term benefit of communities.

## **2) Objectives**

The objectives of this partnership model are

- 1) To achieve Sustainable Development Goals (SDGs) 3(Good health and wellbeing), and 4 (Quality Education).
- (2) Efficient use of *Waqf* assets and properties own by *Awqaf* department.
- (3) To assist in building infrastructure with non-profit partners in social services, Healthcare and Education
- (4) Develop *Waqf* land through investments like Modaraba and Musharaka.

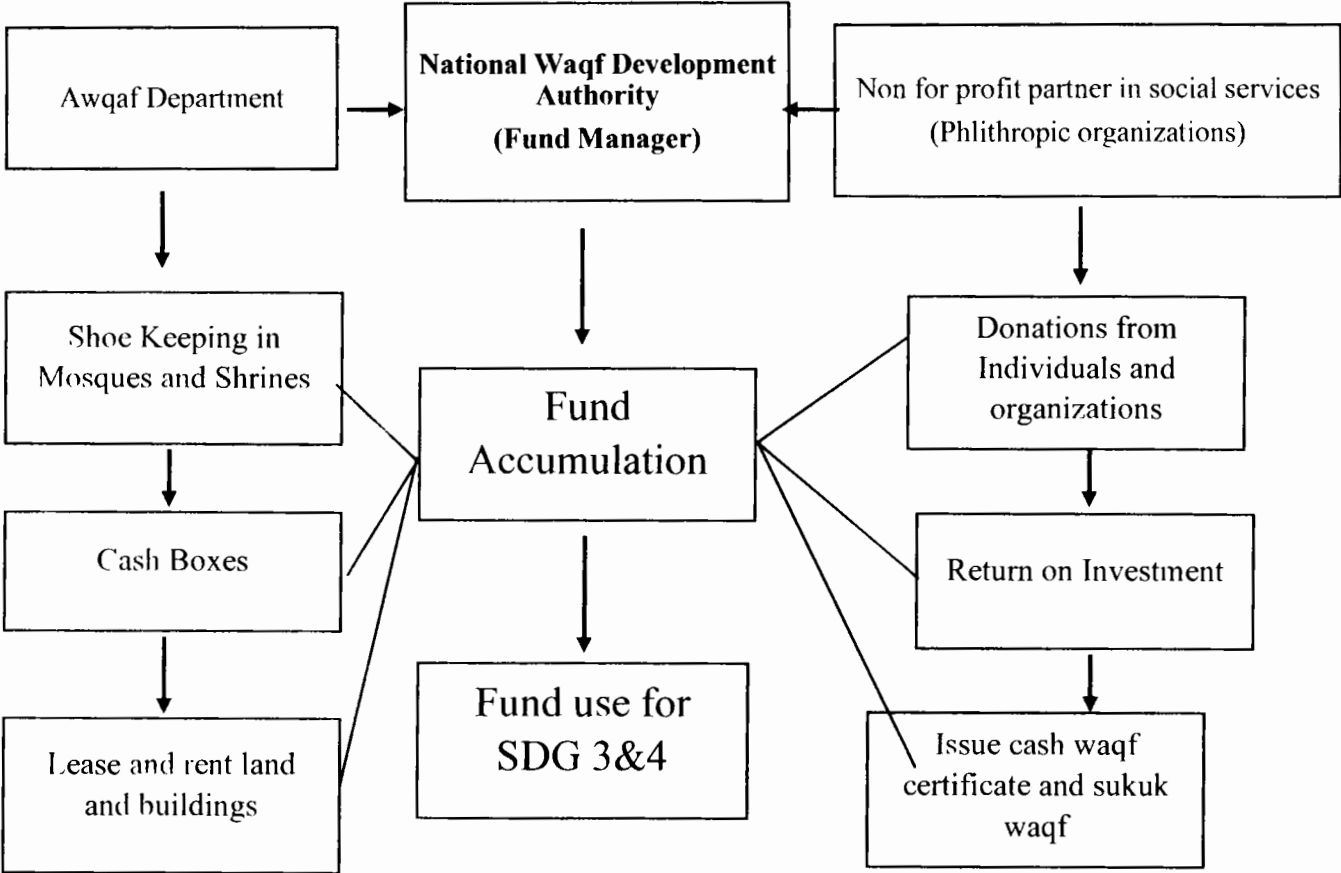
## **3) Operation of the Model**

The NWDA collects *Waqf* fund from a variety of sources.

1. From individuals, they can make donations in cash (Cash *Waqf*) or for specific expenses like as education or healthcare (Individual *Waqf*).
2. The *Awqaf* Department collects contributions from cash boxes in mosques and shrines, as well as shoe-keeping rent. *Awqaf* department land is leased or rented out to generate cash
3. The NWDA can generate revenue by investing in *Waqf* land using Islamic financial instruments such as Modaraba and Musharaka.
4. NWDA can issue Cash *Waqf* Certificates and Sukuk *Waqf* (Islamic bonds) to attract more investment.

Figure 6.1 illustrate the operation

**Figure 6.1: Operation of the Model**



Source: Own Elaboration

**4) Delivering Welfare Services:**

The next step of NWDA is deliver welfare services that lead to help in achieving SDGs 3 and

4. The goals are:

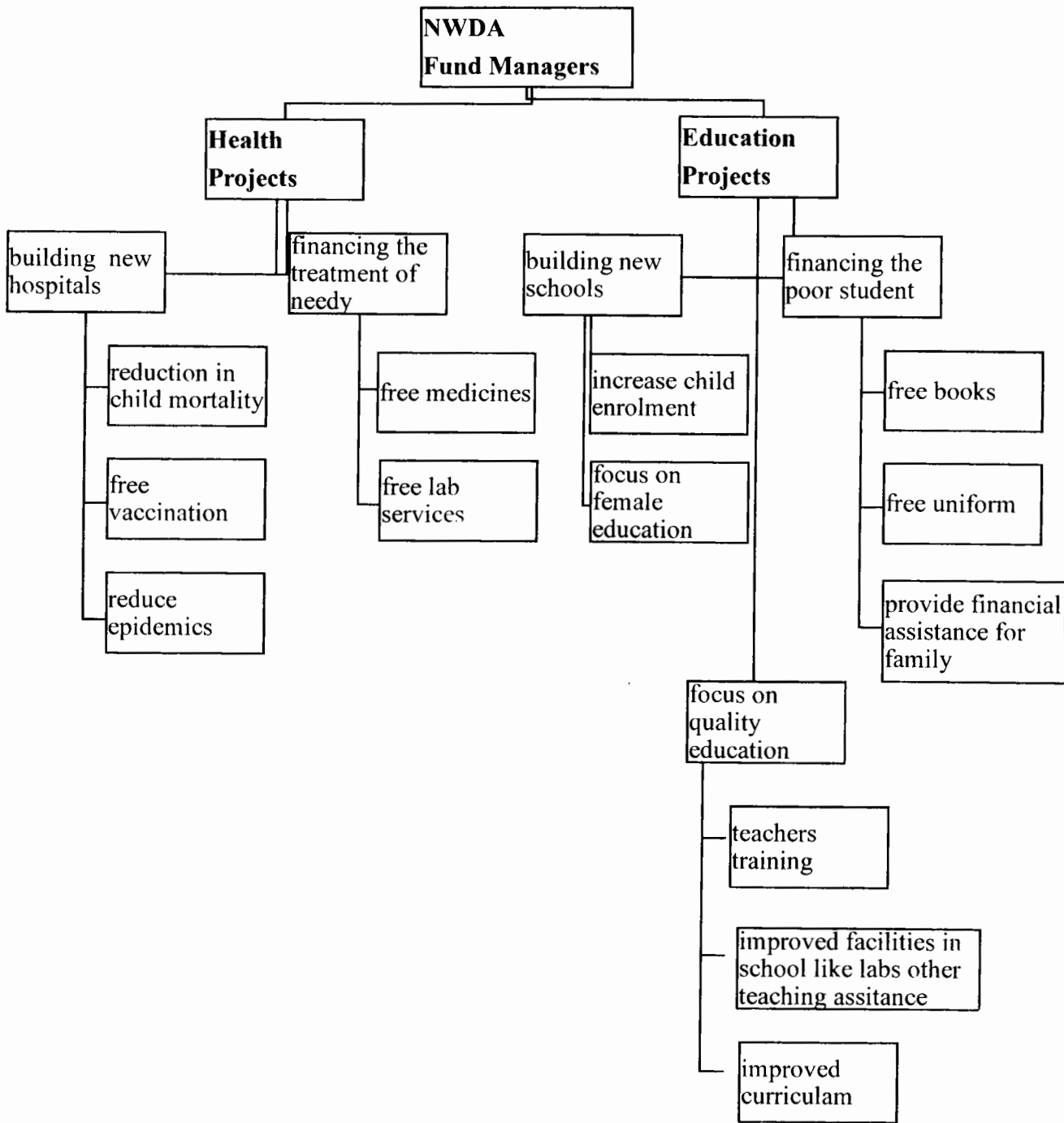
Goal 3 focus on the provision of good health and wellbeing of all by calling a collected approach that also ensure the achievement of other goals like poverty an no hunger in addition to special focus on elimination of epidemics of tuberculosis, HIV, malaria, and other diseases by 2030.

Goal 4 prioritizes equitable and quality education facilities for all. This goal includes sub targets that ensure to focus on all levels of education from early childhood to university level, from formal to non-formal and technical and vocational.

The National *Waqf* Development Authority prioritizes poor groups in both rural and urban regions while implementing welfare programs. Existing healthcare and education facilities are considered to ensure that initiatives fill recognized needs. While the primary beneficiaries are those in most need, such as those entitled for Zakat and Sadaqah, Sharia law allows for broader public benefit, so other members of the community may also be served. This focused strategy provides maximum effect while keeping true to Islamic values.

Figure 6.2 illustrating the process of using *Waqf* funds for health and education projects.

**Figure 6.2: Process of using *Waqf* funds for health and education projects**



Source: Own Elaboration



The illustration shows how *Waqf* funds are utilized to promote health and education programs. This includes constructing new schools and hospitals, offering financial help to low-income patients, combating child mortality and epidemics, and investing in higher education through teacher training, school resources, and scholarships for deprived students. This holistic strategy seeks to enhance access to quality healthcare and education at all levels, resulting in achieving SDG 3 and SDG 4.

## Chapter 7

### Conclusion and Policy Recommendations

#### 7.1 Conclusion

Pakistan strives to achieve the ambitious targets of poverty eradication and sustainable development. However, this needs large-scale infrastructure improvements that require the mobilization of all available resources, including public, private, and charitable funding. In this scenario, *Waqf*, a potent Islamic finance mechanism, represents an important opportunity.

Pakistan has a long history of *Waqf* organizations that predate the colonial era. A substantial portion of Pakistan's fertile land is classified as *Waqf* property. However, inadequate management has hindered the productive use of these lands, reducing their ability to contribute to social development. Despite its strong Islamic identity and generous culture, Pakistan falls behind other important Islamic nations in the development of *Waqf* organizations. This underdevelopment is evident in Pakistan's performance under the Sustainable Development Goals (SDGs). Pakistan lags far behind regional counterparts such as India and Bangladesh. According to the UN Sustainable Development Report 2023, Pakistan ranks 137th, substantially lower than some of Africa's least developed countries.<sup>31</sup>

This study aims to fill this gap by examining the performance of current state and private *Waqf* organizations in Pakistan. This study aims to pave the path for a rebirth and revitalization of *Waqf* in Pakistan by identifying the barriers to their growth and investigating the variables that have permitted success in other countries. The study also proposed a novel approach of *Waqf* aligned with health and education related SDGs. The findings will attract the interest of key stakeholders, including government officials working on SDGs, policymakers, donors, and

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<sup>31</sup> <https://dashboards.sdindex.org/profiles/pakistan>

Islamic scholars, and will encourage collaboration in order to realize *Waqf*'s enormous potential for sustainable development in Pakistan.

In conclusion, this research focuses on three main objectives for *Waqf* performance and development in Pakistan: current approaches, constraints, and direction for the future. The first objective is to investigate the current state of *Waqf* institutions and the factors that enable their effective role in global sustainable development activities. This investigation employed exploratory research techniques. This study investigated the factors that influence the development of *Waqf* institutions, in countries who have successfully assessed their *Waqf* potential and implemented appropriate development strategies. These countries are Malaysia, Turkey, Indonesia, Kuwait, Saudi Arabia, Nigeria, Egypt and Bangladesh. Our investigation into the history and current situation of *Waqf* institutions in these successful nations indicates multiple significant factors that lead to *Waqf* institution development. These factors are:

- 1) A comprehensive and well-defined legal framework of *Waqf* gives a solid foundation for *Waqf* activities. This provides transparency, accountability, and efficient management of *Waqf* assets.
- 2) Skilled and experienced *Waqf* officials are essential for making rationalized financial decisions and ensuring the effective management of *Waqf* properties.
- 3) Using innovative financial models like cash *Waqf*, corporate *Waqf*, and *Waqf* sukuk brings up new avenues for generating funds and helping beneficiaries.
- 4) The use of technology in areas such as online cash *Waqf* platforms and digital record-keeping improves transparency, accessibility, and overall *Waqf* management efficiency.

These variables combine together to form a significant stimulus for growth in *Waqf* institutions. This comprehensive strategy preserves the long-term sustainability of *Waqf* endowments while maximizing their good impact on society.

The second objective of this research is to evaluate the performance of current *Waqf* institutions, both government and private. Data envelopment analysis is being utilized to assess the efficiency of 100 *Waqf* institutions in Pakistan. These organizations are divided into three sizes: large, medium, and small. Interestingly, the majority of the organizations are registered under English law as trusts and foundations. This is likely because of Pakistan's complicated *Waqf* rules. However, it is vital to remember that these organizations still have *Waqf* funds and independent *Waqf* deeds. Thus, they are characterized as “Hybrid *Waqf* institutions”.

To assess the efficiency of *Waqf* institutions, three outputs were used for large and medium-sized organizations: the number of beneficiaries, expenses on goals (supposedly expenditures directly connected to the *Waqf*'s objectives), and return on investment. Donations, the number of staff, and operating expenditures were all taken into account. Due to the lack of return-on-investment data, small firms only used two outputs. These outputs were most likely the number of beneficiaries along with expenses on goals.

The investigation revealed good findings. *Waqf* organizations in Pakistan showed a high level of technical efficiency, with an average score of 74%. This number shows that, on average, institutions used their resources to produce outputs at 74% of the maximum possible level. Large, medium, and small firms had pure technical efficiency ratings of 0.75, 0.85, and 0.88, respectively. These results indicate that smaller organizations were functioning closer to the production frontier, utilizing their resources more efficiently than higher institutions.

This is probably due to their leaner organizational structures, which have fewer employees and operational expenses. A more concerning finding out, though, was the large difference between

the lowest and greatest efficiency ratings. This wide range suggests that the sample organizations have a lot of space for improvement. *Waqf* organizations with lower efficiency scores can pick up useful best practices from those with higher scores.

The investigation additionally looked into the concept of scale efficiency, which investigates the link between inputs and outputs as an organization's size expands. The total scale efficiency of the *Waqf* institutions was determined to be 89%. However, a more in-depth review of returns to scale indicated that over 70% of firms were either decreasing returns to scale (DRS) or increasing returns to scale (IRS). This suggests that these organizations were not working at their most optimal levels. The higher average scale efficiency score when compared to the average pure technical efficiency score is maybe the most noteworthy conclusion. This implies that the *Waqfs* in this study more in line with their ideal size than with their optimal level of resource utilization. To put it another way, they may be operating at the proper scale, but they may not be optimizing their efficiency within that size.

The main goal of this research is to find out the challenges hindering the development of *Waqf* in Pakistan. The Analytic Network Process (ANP) approach was used to investigate the complex interdependence of these factors and their influence on the *Waqf*'s overall development. ANP is a psychophysical theory of measuring based on the premise that our experiences in the physical world and our perceptions and emotions are essentially the same (Saaty, 2007). In the physical world, we react to certain events with varying degrees of vigor and intensity. Thus, using the analytic network technique, we were able to determine the problems that should be prioritized in the *Waqf* development process based on the opinions of *Waqf* specialists.

For Pakistan's *Waqf* development, a strong ANP network model needs to identify the overall goal, major aspects, and related problems and solutions. Four key factors that are preventing

*Waqf* advancement have been discovered through research of the literature and in-depth expert interviews: the legal and regulatory framework, management systems, governance and outdated *Waqf* practices. There are sixteen matching criteria for each aspect; Figure 5.1 lists the main problems, and Figure 5.2 lists possible solutions for each aspect. Furthermore, Figure 5.3 lists the four broad approaches that were developed as strategies for resolving Pakistan's *Waqf* development issues. In the ANP technique, the quantity of respondents is not used to determine validity. The required response is a field expert's response (Ascarya and Yumanita, 2010). To obtain a thorough grasp of *Waqf* development difficulties, a varied collection of specialists was chosen for this research. This group comprised total of 15 respondents including, practitioners with on-the-ground experience, academics with intellectual understanding, and regulatory officials with policy insight.

The study's findings reveal that management systems pose the most significant obstacle to *Waqf* development in Pakistan. This is followed by the need for modernized *Waqf* practices, a more robust legal and regulatory framework, and improved governance structures. In response to these challenges, the research proposes a novel approach – an SDG-integrated *Waqf* model – specifically designed to achieve Sustainable Development Goals (SDGs) 3 and 4 in Pakistan. Further, the sub criteria problems in **Management System Aspect**, inefficient use of *Waqf* land and properties ranked on number one by experts followed by the problem of corruption, lack of professionalism in *Waqf* management and outdated *Waqf* data secure low ranks but they are also contributing in the underdevelopment of *Waqf*. ANP network also suggest the solutions of these problems in priority scale professionalize the *Waqf* management secure highest rank followed by the increase in the productivity of *Waqf* land, increase government involvement and engage the community in *Waqf* activities are also potential solution of *Waqf* development. The sub criteria problems of **Modernized *Waqf* Practices Aspect**, *Waqf* practices are limited to religious services and not involved in other social project considered main problem that is

responsible of *Waqf* underdevelopment in experts' opinion. The other problems, lack of innovations in *Waqf* practices, lack of technology use and lack of *Waqf* financial products gain almost same rank by experts. To solve the modernized *Waqf* practices related problems, ANP model gives the solutions at top experts emphasize on the establishment of social investment or *Waqf* bank. In Bangladesh this bank contributes well in the development of *Waqf*. Introduction of new forms and models of *Waqf* like cash *Waqf* is also a potential solution in the development of *Waqf*. Increase in the use of technology in *Waqf* department and developing the new sharia compliant *Waqf* products are possible solutions.

The problems related to **Legal and Regulatory Framework Aspects** in priority wise order are: complex *Waqf* laws, lack of public awareness, religious rigidity from scholars and disputes of *Waqf* department with public. In order to solve these problems priority wise possible solutions are: enactment of comprehensive *Waqf* law with the consensus of all stakeholders, continuous religious guidance from the scholars, increase public awareness and increase their spirit of generosity and settlement of *Waqf* disputes that are in courts. Furthermore, the problems in the **Governance Aspect**, political sensitive nature of *Waqf* properties like shrines and mosques rank highest by the experts in the governance related problems followed by inefficient bureaucracy, lack of investments to make *Waqf* properties efficient and lack of coordination between *Waqf* officials and government are also contributing in *Waqf* under development. The possible priority wise solutions are: introduce a strong system of transparency and accountability, make *Waqf* land productive with the help of investments, train and develop *Waqf* officials and digitize and update the *Waqf* land and properties data.

The ANP model also suggest the four strategies to develop *Waqf* institution in Pakistan, optimization of government role in the development of *Waqf* considered as top priority strategy in the opinion of experts the system of transparency and accountability is the second important

strategy, promote innovation in *Waqf* and promote community role are two important strategies in *Waqf* development.

This study examines the performance of *Waqf* in Pakistan and problems in the development of *Waqf* in Pakistan. In last this study suggests a new SDG-aligned *Waqf* model. This approach encourages collaboration between state *Waqf* institutions, which have traditionally concentrated on religious activities, and private non-profit social service providers with competence in education and healthcare (SDGs 3 and 4). This alliance intends to use public *Waqf* assets and private welfare provider management expertise to provide essential social needs while also enhance the overall effect of *Waqf* institutions in Pakistan.

## **7.2 Policy Recommendations**

Based on the findings of this study, the following policy recommendations are proposed to enhance the development and efficiency of *Waqf* institutions in Pakistan, with a particular focus on achieving Sustainable Development Goals (SDGs) related to health (SDG 3) and education (SDG 4):

### **1. Strengthening the Legal and Regulatory Framework:**

- Develop and implement a comprehensive *Waqf* law in consultation with all stakeholders, including government bodies, religious scholars, and civil society organizations. This law should ensure transparency, accountability, and efficient management of *Waqf* assets.
- Streamline the registration process for *Waqf* institutions under a unified legal framework to reduce complexities and encourage formalization.

### **2. Professionalization of *Waqf* Management:**

- Establish training programs to enhance the skills and professionalism of *Waqf* managers. This includes financial management, strategic planning, and resource optimization.



- Promote the hiring of qualified professionals in management roles rather than relying solely on traditional or religious appointments.

### **3. Optimizing Waqf Asset Utilization:**

- Increase the productivity of Waqf lands by encouraging investments in agriculture, real estate development, and commercial ventures. Profits from these initiatives can fund health and education projects.
- Implement innovative financial instruments such as cash Waqf, corporate Waqf, and Waqf Sukuk to generate sustainable revenue streams.

### **4. Modernizing Waqf Practices:**

- Expand the scope of Waqf beyond religious services to include broader social welfare initiatives, particularly in education and healthcare.
- Establish a dedicated 'Social Investment or Waqf Bank' modeled after successful implementations in countries like Bangladesh to finance social projects and manage cash Waqf efficiently.
- Introduce new Waqf models, including cash Waqf, and leverage technology for digital record-keeping, online donations, and transparent fund management.

### **5. Governance and Accountability:**

- Introduce robust governance mechanisms, including regular audits, performance evaluations, and public reporting of Waqf activities and financials.
- Develop a transparent and accountable system for managing politically sensitive Waqf properties such as shrines and mosques to avoid misuse of resources.

### **6. Community Engagement and Awareness:**

- Launch awareness campaigns to educate the public about the concept of Waqf, its social benefits, and encourage active participation in Waqf initiatives.

- Collaborate with community leaders, religious scholars, and NGOs to promote a culture of generosity and public spirit.

## **7. Enhancing Government Involvement:**

- The government should play a proactive role in facilitating the development of Waqf institutions by providing incentives such as tax benefits, matching grants, and support for infrastructure development.
- Encourage public-private partnerships where government Waqf institutions collaborate with private welfare organizations to optimize resource use and enhance impact.

By implementing these targeted policy measures, Pakistan can unlock the full potential of Waqf as a powerful tool for poverty alleviation, improving healthcare services, and expanding educational opportunities. These recommendations aim to transform Waqf into a vibrant, efficient, and impactful institution contributing significantly to Pakistan's sustainable development agenda.

### **7.3 Limitation of the Study**

Despite the significant contributions of this research to the field, several limitations were encountered. One of the primary challenges was the scarcity and inaccessibility of data on Waqf institutions in Pakistan. Government records related to Waqf assets and operations are fragmented and incomplete, which hindered a comprehensive analysis of the sector's overall condition. Additionally, while performance data was accessible for Punjab, Islamabad Capital Territory, and Khyber Pakhtunkhwa, critical information from Sindh and Baluchistan remained elusive. This regional disparity restricted the study's ability to provide a truly nationwide assessment of Waqf institutions. Another limitation arose from the reluctance of some hybrid Waqf organizations to disclose financial information, which constrained the scope of the performance evaluation and impacted the study's analytical depth. Constructing the Analytic

Network Process (ANP) model to identify obstacles to Waqf development also proved challenging due to the limited availability of prior research on this specific subject. Nevertheless, engaging with domain experts helped bridge this gap by providing valuable insights into the sector's challenges and potential solutions. Overall, this study underscores the need for further research to address these limitations and contribute to a more robust understanding of the Waqf sector in Pakistan.

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## Appendices:

### Appendix 01: List of Large Size *Waqf* Organizations<sup>32</sup>

Sr. NO	Name of Organizations
1	Indus Hospitals
2	Al Mustafa Trust
3	Al Khidmat Foundation Pakistan
4	Ihsan Trust
5	Al SHIFA Trust
6	AL Ghazali Trust
7	Alamgir Welfare Trust
8	Agha Khan Trust
9	Pakistan Islamic Relief
10	I Care Foundation
11	Suit Trust
12	Akuwat Foundation
13	Minhaj Welfare Foundation
14	International Trust for Saylani Welfare
15	Sahara Trust
16	Ali Trust
17	<i>Awqaf</i> Punjab
18	<i>Awqaf</i> Kpk
19	<i>Awqaf</i> Sindh

<sup>32</sup> Large firms employ more than 50 people full-time and operate nationwide in Pakistan.

See details Reetz, D. (1997). In search of the collective self: How ethnic group concepts were cast through conflict in colonial India. *Modern Asian Studies*, 31(2), 285-315.

20	Zindagi Trust
21	SAF Foundation
22	Fatmid Foundation
23	Chippa Welfare Foundation
24	Bait Ul Sukun Trust
25	Kashf Foundation
26	Sundas Foundation
27	The Citizens Foundation
28	Qarshi Foundation
29	Pakistan Sweet Home
30	Child Life Foundation
31	Aurat Foundation
32	Helping Hand for Relief and Development
33	Aman Foundation



## Appendix 02: List of Medium Size *Waqf* Organizations<sup>33</sup>

Sr. NO	Name of Organizations
1	Awaz Foundation
2	The Health Foundation
3	Tameer Milat Foundation
4	Pakistan Science Foundation
5	Hidaya Trust
6	CARE Foundation
7	Indus Earth Trust
8	ALHUDA Welfare Foundation
9	HANDS Foundation
10	Saba Foundation
11	Ta'aluq Foundation
12	Iqra Education Trust
13	Niamat Saleem Foundation
14	Zia Siddique Foundation
15	Rehmat Founation
16	Salman Sufi Foundation
17	MH Sufi Foundation
18	The Insaniyat Foundation
19	Falah E Insaniat Founation
20	Al Mashal Welfare Foundation
21	Akhtar Hameed Khan Foundation
22	Safe Pakistan Welfare Trust

<sup>33</sup> Medium-sized organizations have a workforce exceeding 20 full-time employees and operate in two to three Provinces.

23	Friends Welfare Trust
24	Ifta Welfare Trust
25	Belqees Welfare Foundation
26	Kawish Welfare Trust
27	Azad Welfare Trust
28	Mishkat Welfare Trust
29	Baitussalam Welfare Trust
30	Thara Welfare Trust
31	Khawaja Gharih Nawaz Welfare Trust
32	Fatima Latif Welfare Trust
33	Khadija Tu Kubra Welfare Trust
34	Dost Welfare Foundation

### Appendix 03: List of Small Size *Waqf* Organizations<sup>34</sup>

Sr. No	Name of Organizations
1	Hamara Ghar Welfare Trust
2	Surarya Azeem <i>Waqf</i> Hospital
3	Azmat Welfare Foundation
4	Ishaq Haroon <i>Waqf</i> Hospital
5	Aziz Fatimah Trust
6	Ali Hassan Mangi Memorial Trust
7	Al Rehman Welfare Trust
8	Noor Memorial Trust Hospital
9	Chudary Rehmat Ali Trust
10	Help Trust Chakwal
11	Humdum Welfare Foundation
12	Janjua Welfare Trust
13	Moon Welfare Foundation
14	Sade Welfare Foundation
15	Umeed Welfare Foundation
16	Wasila Welfare Foundation
17	Pukar Welfare Foundation
18	Dur E Yateem Welfare Trust
19	Women Aid Trust
20	Choan Welfare Trust
21	Masawat Trust
22	Al Mannan Welfare Trust

<sup>34</sup> Small organizations provide services within a single city or town.

23	BB Welfare Trust
24	Nabi Pak Trust
25	Raj Baksh Trust
26	Sukoon Foundation
27	Rehman Foundation
28	Ch Rehmatullah Memorial Trust
29	Janbaaz Welfare Trust
30	Rehbar Trust
31	Pygham Trust
32	Quba Foundation
33	Al Khair Foundation

## Appendix 04: ROI Calculation for Waqf Organization

Formula:

$$\text{ROI} = \frac{(\text{Net Returns} - \text{Initial Investment})}{\text{Initial Investment}} \times 100$$

- **Net Returns:** Income generated specifically from investments, not general donations or operational income.
- **Initial Investment:** Actual funds allocated to investments, not operational expenses.

Steps:

1. Identify Initial Investment (from Balance Sheet & Cash Flow Statement)
  - Funds allocated to income-generating investments (e.g., real estate, financial securities).
2. Determine Net Returns (from Income Statement)
  - Include only investment income (e.g., dividends, rental income).
3. Exclude Non-Investment Cash Flows
  - Do not consider donations, zakat, or operational income.
4. Apply ROI Formula to assess efficiency of investments.

# Appendix 05: ANP Questionnaire

## ANP Questionnaire for ‘The Challenge of *Waqf* Development in Pakistan’

### Section 1: Background information

Name:

Occupation:

Experience in the field:

### Section 2: Pairwise comparisons

**Instruction:** Please rate the relative importance of each pair of factors below to the overall goal (Development of *Waqf* in Pakistan). Use a scale of 1-9, where

- 1 means equal importance/influence
- 3, 5 represent intermediate values
- 5, 7 represent strongly important or influential than the other
- 7,9 means extremely more important or influential than the other

Place X or color where appropriate.

**C1 Legal and Regulatory Framework**

How much more impact do rigid laws and regulations have on *Waqf* development compared to inefficient systems and processes?

Extreme Very Strong Strong Moderate Equal Moderate Strong Very Strong

**C2 Management**

How much more impact do rigid laws and regulations have on *Waqf* development compared to inefficient systems and processes?

**C1 Legal and Regulatory Framework**

How much more impact do rigid laws and regulations have on *Waqf* development compared to modernizing *Waqf* practices?

Extreme Very Strong Strong Moderate Equal Moderate Strong Very Strong

**C3 System**

How much more impact do rigid laws and regulations have on *Waqf* development compared to modernizing *Waqf* practices?

**C1 Legal and Regulatory Framework**

How much more significant is the problem of ineffective management compared to outdated systems and processes in hindering *Waqf* development?

Extreme Very Strong Strong Moderate Equal Moderate Strong Very Strong

**C4 Modernizing Practices**

How much more significant is the problem of ineffective management compared to outdated systems and processes in hindering *Waqf* development?

**C2 Management**      Extreme   Very Strong   Strong   Moderate   Equal   Moderate   Strong   Very Strong   **C3 System**

9 8 7 6 5 4 3 2 1 2 3 4 5 6 7 8 9

Which poses a greater obstacle to *Waqf* development: poor leadership and decision-making within institutions or the lack of adoption of innovative approaches?

Which poses a greater obstacle to *Waqf* development: poor leadership and decision-making within institutions or the lack of adoption of innovative approaches?

**C2 Management**

Extreme Very Strong Strong Moderate Equal Moderate Strong Very Strong

**C4 Modernizing Practices**

Does the need for system upgrades and automation outweigh the challenges of implementing new *Waqf* concepts and approaches?

Does the need for system upgrades and automation outweigh the challenges of implementing new *Waqf* concepts and approaches?

	Extreme	Very Strong	Strong	Moderate	Equal	Moderate	Strong	Very Strong											
C3 System	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	C4 Modernizing Practices	Waqf

	E	V	S	Z	E	Z	S	V											
C3 System	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	C4 Modernizing Practices	Waqf

### C1: Problematic current *Waqf* law

**CI.1** *Waqf*/law complexity and controversy

9 8 7 6 5 4 3 2 1 2 3 4 5 6 7 8 9

Extreme Very Strong Strong Moderate Equal Moderate Strong Very Strong Extreme

**CI.2** Religious scholars' rigidity

	Extreme	Very Strong	Strong	Moderate	Equal	Moderate	Strong	Very Strong	Extreme									
C1.1 <i>Waqf</i> law complexity and controversy	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	C1.3 Legal disputes with <i>Waqf</i> department

	Extreme	Very Strong	Strong	Moderate	Equal	Moderate	Strong	Very Strong	Extreme									
C1.1 <i>Waqf</i> law complexity and controversy	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	C1.4 Lack of public awareness about <i>Waqf</i> law

			Extreme	Very Strong	Strong	Moderate	Equal	Moderate	Strong	Very Strong	Extreme										
C1.2	Religious rigidity	scholars'	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	C1.3	Legal disputes with <i>Waqf</i> department

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	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	
<b>C1.2</b> Religious scholars' rigidity	Extreme		Very Strong		Strong		Moderate		Equal		Moderate		Strong		Very Strong		Extreme	<b>C1.4</b> Lack of public awareness about <i>Waqf</i> law
<b>C1.3</b> Legal disputes with <i>Waqf</i> department	Extreme		Very Strong		Strong		Moderate		Equal		Moderate		Strong		Very Strong		Extreme	<b>C1.4</b> Lack of public awareness about <i>Waqf</i> law

## C2: Issues in *Waqf* Management

How important is resolving the issue of *Waqf* data not being updated compared to addressing the inefficient use of *Waqf* land and properties?

**C2.1 Outdated *Waqf* data**

Response	Frequency
Extreme	9
Very Strong	8
Strong	7
Moderate	6
Equal	5
Moderate	4
Strong	3
Very Strong	2
Extreme	1

**C2.2 Inefficient use of *Waqf* land and properties**

Response	Frequency
Extreme	9
Very Strong	8
Strong	7
Moderate	6
Equal	5
Moderate	4
Strong	3
Very Strong	2
Extreme	1

How important is resolving the issue of *Waqf* data not being updated compared to addressing the lack of professional management expertise?

Category	Outdated <i>Waqf</i> data	Lack of professional management expertise
C2.1 Outdated <i>Waqf</i> data	3 (Moderate)	5 (Very Strong)
C2.3 Lack of professional management expertise	4 (Strong)	6 (Extreme)

How important is resolving the issue of *Waqf* data not being updated compared to addressing corruption in *Waqf* management?

Extreme  
Very Strong  
Strong  
Moderate  
Equal  
Moderate  
Strong  
Very Strong  
Extreme

C2.1 Outdated *Waqf* data9 8 7 6 5 4 3 2 1 2 3 4 5 6 7 8 9C2.4 Corruption

How important is addressing the inefficient use of *Waqf* land and properties compared to resolving the lack of professional management expertise?

C2.2 Inefficient use of *Waqf* land and properties9 8 7 6 5 4 3 2 1 2 3 4 5 6 7 8 9C2.3 Lack of professional management expertise

How important is addressing the inefficient use of *Waqf* land and properties compared to addressing corruption in *Waqf* management?

C2.2 Inefficient use of *Waqf* land and properties9 8 7 6 5 4 3 2 1 2 3 4 5 6 7 8 9C2.4 Corruption

How important is resolving the lack of professional management expertise compared to addressing corruption in *Waqf* management?

C2.3 Lack of professional management expertise9 8 7 6 5 4 3 2 1 2 3 4 5 6 7 8 9C2.4 Corruption

C3: Issues in *Waqf* System

How significant is addressing the political sensitive nature of *Waqf* compared to improving coordination between the *Waqf* department and the government?

C3.1 Political sensitivity of *Waqf*9 8 7 6 5 4 3 2 1 2 3 4 5 6 7 8 9C3.2 Lack of coordination between *Waqf* department and Government

How significant is addressing the political sensitive nature of *Waqf* compared to increasing investment in *Waqf* structure and development projects?

C3.1

Political sensitivity of *Waqf*

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6

7

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9

Extreme

Very Strong

Strong

Moderate

Equal

Moderate

Strong

Very Strong

Extreme

C3.3

Lack of investment in *Waqf* structure

How significant is addressing the political sensitive nature of *Waqf* compared to reforming the inefficient and bureaucratic *Waqf* administration system?

C3.1

Political sensitivity of *Waqf*

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4

5

6

7

8

9

Extreme

Very Strong

Strong

Moderate

Equal

Moderate

Strong

Very Strong

Extreme

C3.4

Inefficient and Bureaucratic *Waqf* Administration System

How significant is improving coordination between the *Waqf* department and the government compared to increasing investment in *Waqf* structure and development projects?

C3.2

Lack of coordination between *Waqf* department and Government

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5

6

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8

9

Extreme

Very Strong

Strong

Moderate

Equal

Moderate

Strong

Very Strong

Extreme

C3.3

Lack of investment in *Waqf* structure

How significant is improving coordination between the *Waqf* department and the government compared to reforming the inefficient and bureaucratic *Waqf* administration system?

C3.2

Lack of coordination between *Waqf* department and Government

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6

7

8

9

Extreme

Very Strong

Strong

Moderate

Equal

Moderate

Strong

Very Strong

Extreme

C3.4

Inefficient and Bureaucratic *Waqf* Administration System

How significant is increasing investment in *Waqf* structure and development projects compared to reforming the inefficient and bureaucratic *Waqf* administration system?

C3.3

Lack of investment in *Waqf* structure

9

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6

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8

9

Extreme

Very Strong

Strong

Moderate

Equal

Moderate

Strong

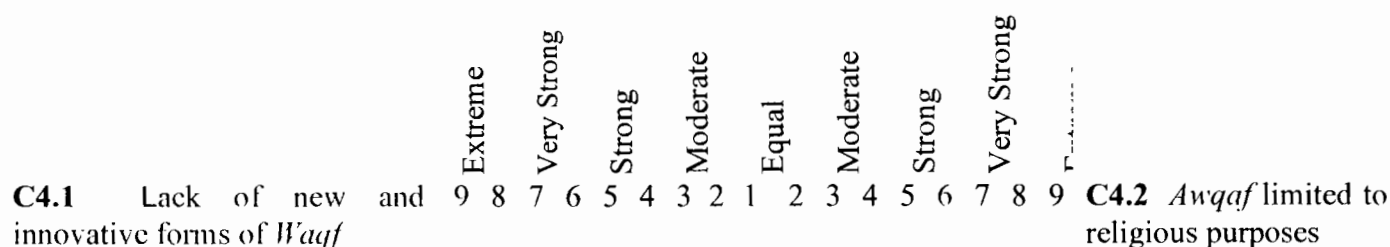
Very Strong

Extreme

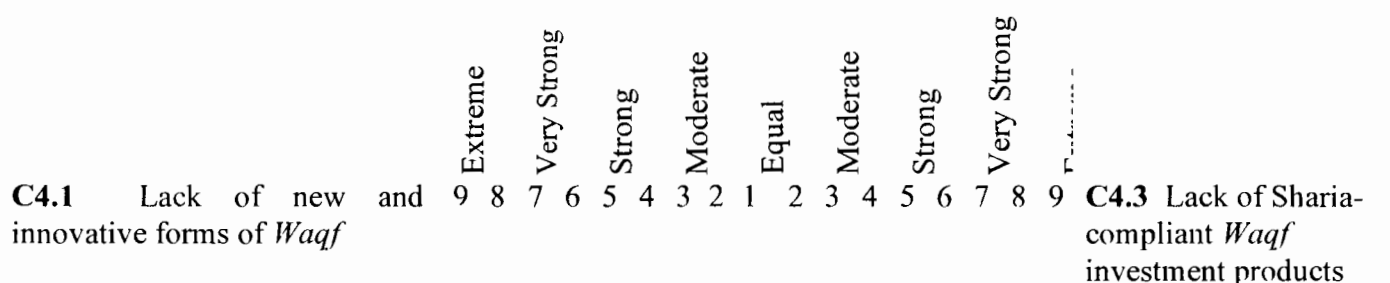
C3.4

Inefficient and Bureaucratic *Waqf* Administration System

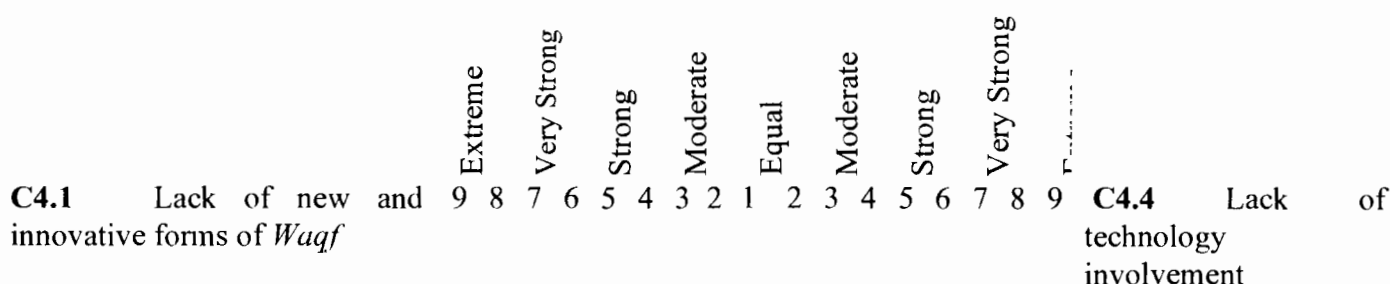
To what extent does the lack of new forms contribute to the need for modernization compared to religious limitation?



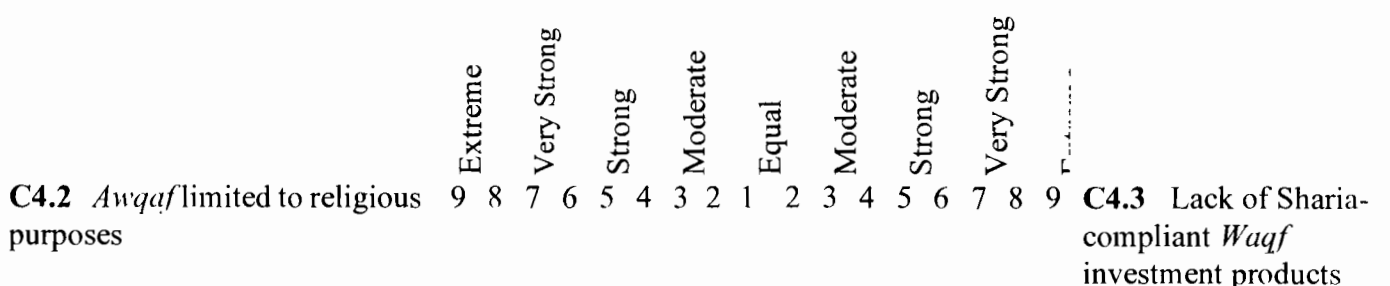
To which extent does the lack of new forms contribute to the need for modernization compared to lack of Sharia-compliant investments?



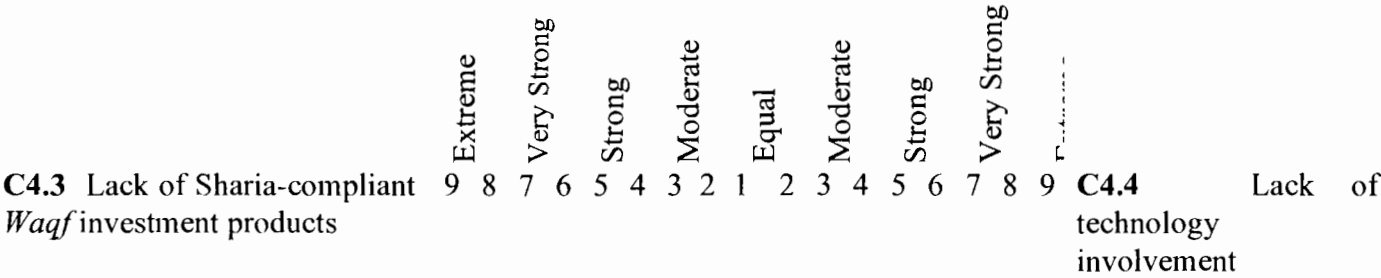
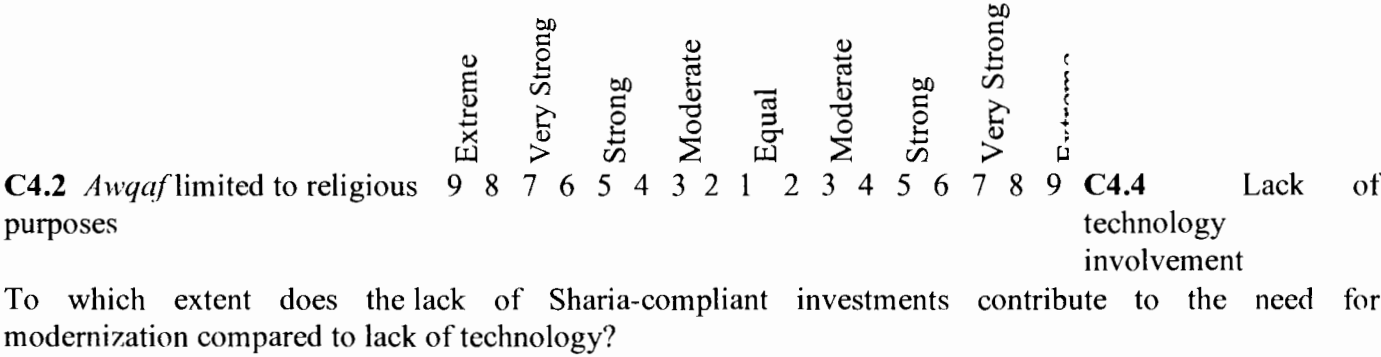
To which extent does the lack of new forms contribute to the need for modernization compared to lack of technology?



To which extent does the religious limitation contribute to the need for modernization compared to lack of Sharia-compliant investments?



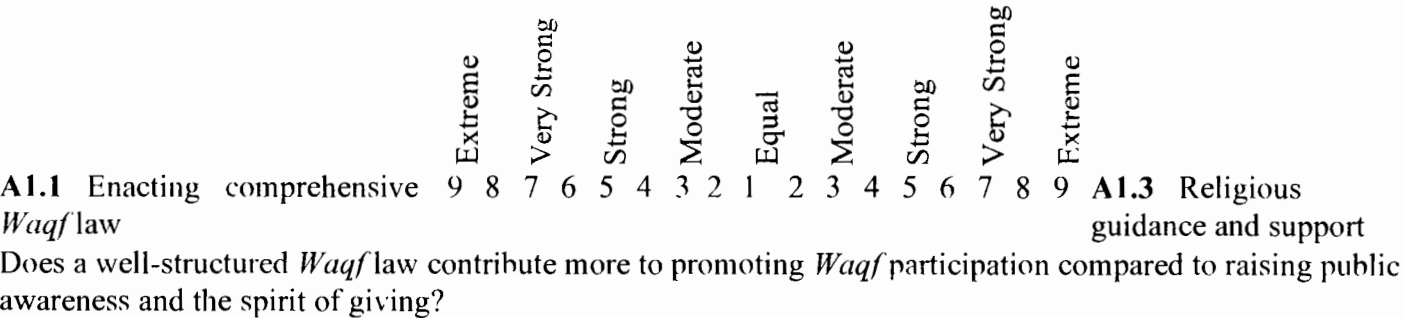
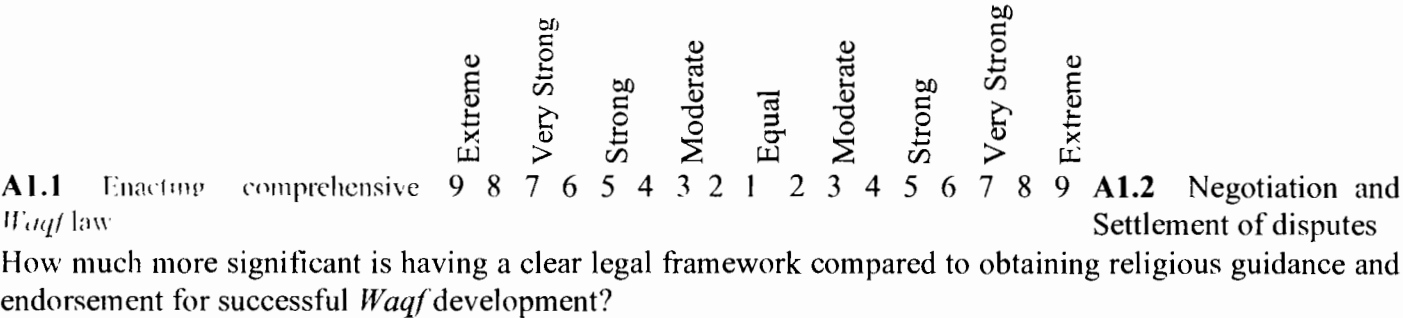
To which extent does the religious limitation contribute to the need for modernization compared to lack of technology?



Part B: Alternatives (Solutions)

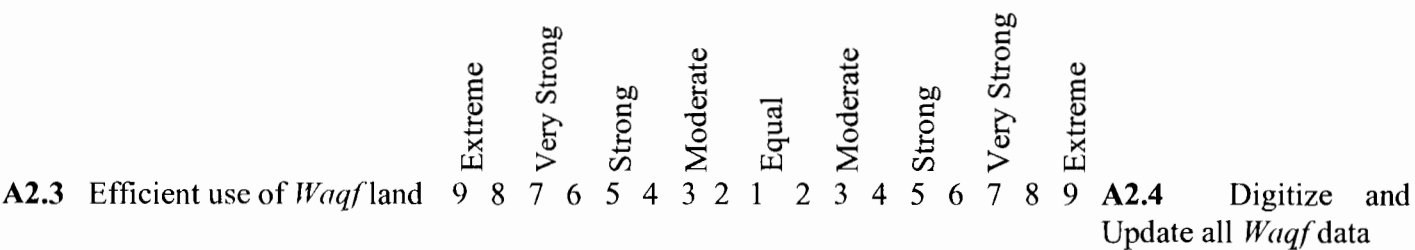
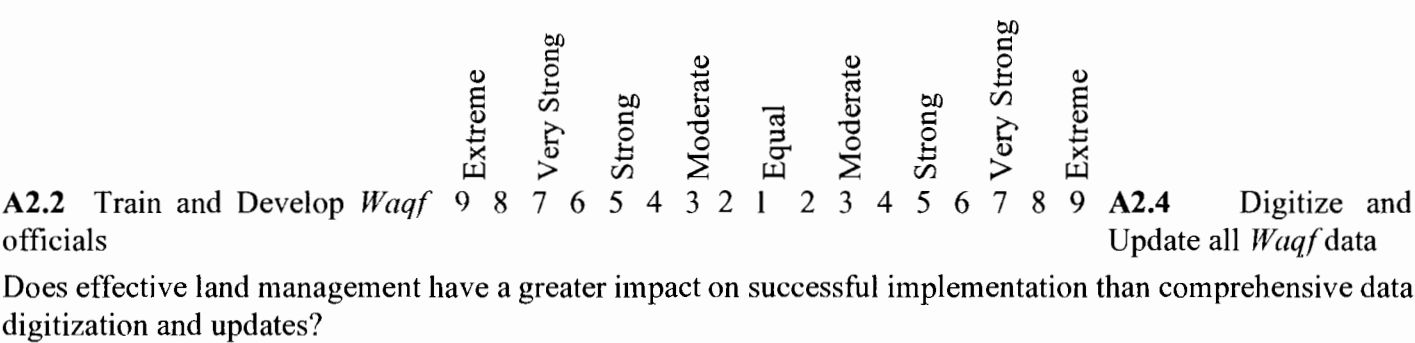
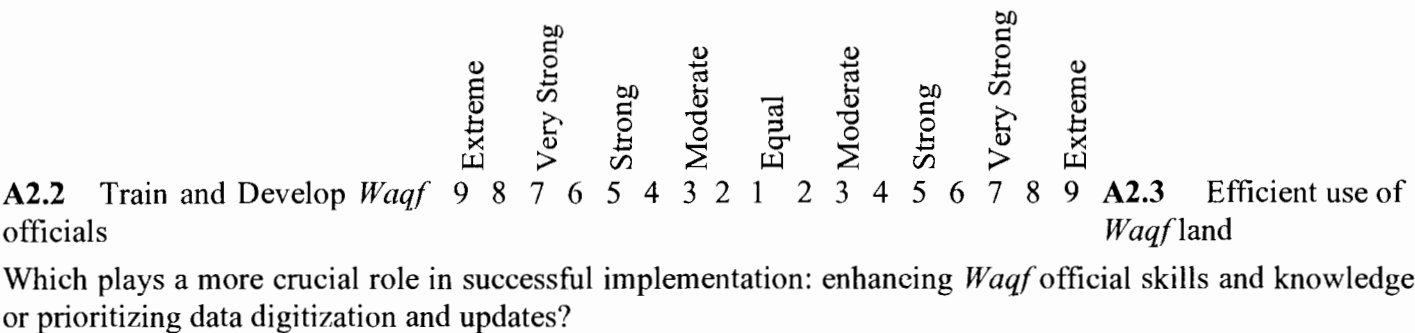
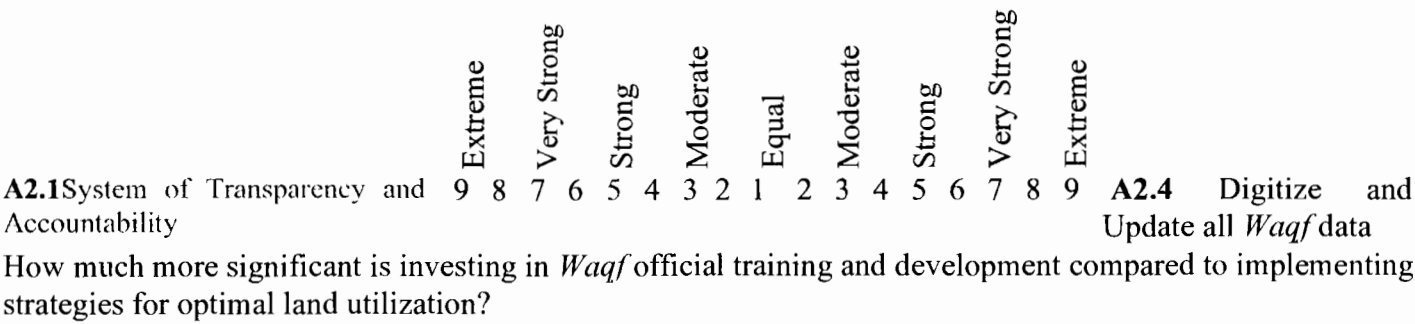
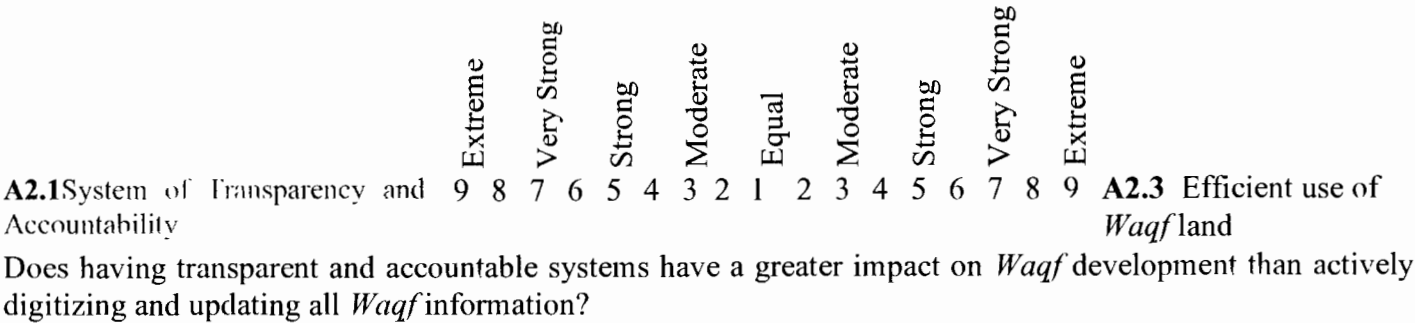
Alternatives for Problematic Waqf law

To what extent will a comprehensive *Waqf* law have a greater impact on *Waqf* development compared to efficient dispute resolution mechanisms?



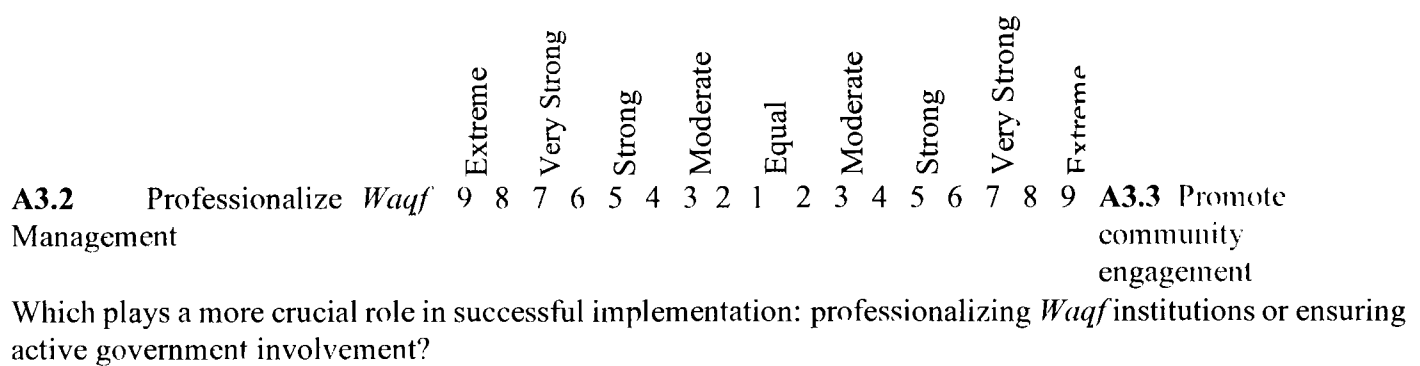
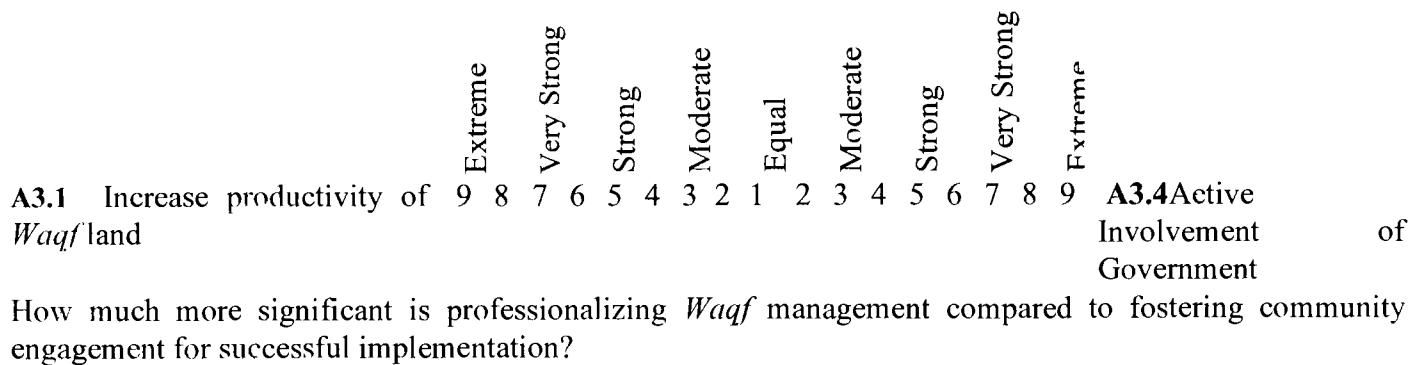
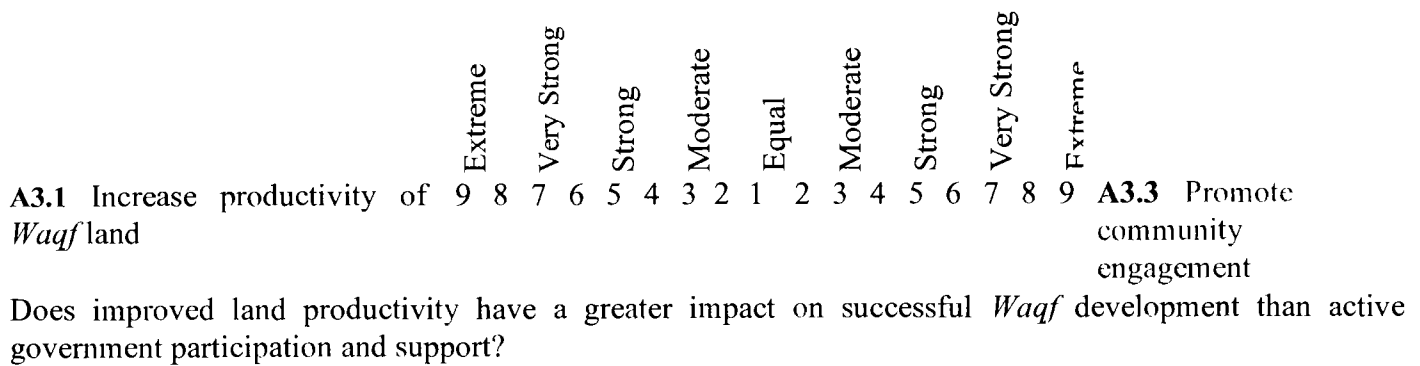
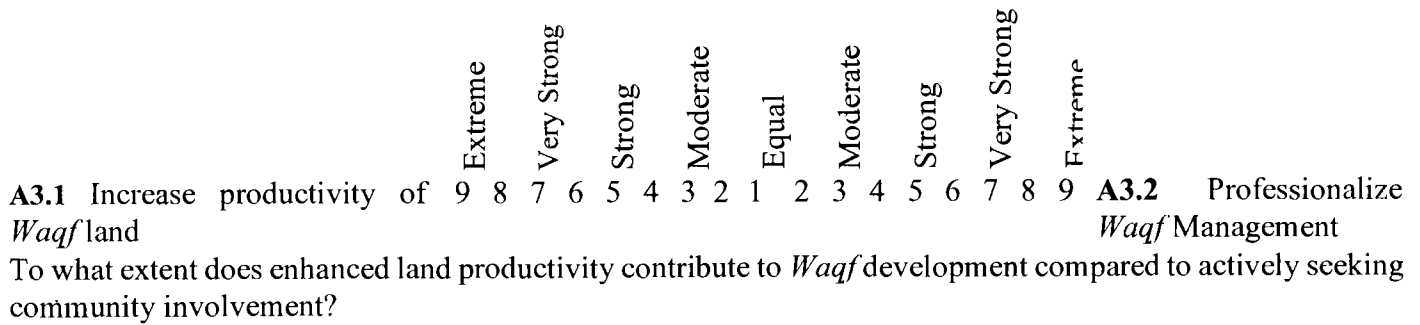


To what extent does improved transparency and accountability contribute to *Waqf* development compared to targeted efforts toward efficient land management?



## Alternatives for *Waqf* System

How much more impactful will increasing land productivity be compared to professionalizing *Waqf* management for *Waqf* development?





A3.2

Professionalize Waqf Management

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4

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2

3

4

5

6

7

8

9

Extreme

Very Strong

Strong

Moderate

Equal

Moderate

Strong

Very Strong

Extreme

A3.4

Involvement of Government

Active

Does community engagement have a greater impact on successful implementation than active government participation and support?

A3.3

Promote community engagement

9

8

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6

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4

3

2

1

2

3

4

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6

7

8

9

Extreme

Very Strong

Strong

Moderate

Equal

Moderate

Strong

Very Strong

Extreme

A3.4

Involvement of Government

Active

Alternatives for modernizing *Waqf* practices

How important is establishing social investment banks compared to developing Sharia-compliant *Waqf* products for *Waqf* development?

A4.1

Establish Social Investment Banks

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8

9

Extreme

Very Strong

Strong

Moderate

Equal

Moderate

Strong

Very Strong

Extreme

A4.2

Develop Sharia-compliant *Waqf* Products

How important is establishing social investment banks compared to embracing technology for *Waqf* development?

A4.1

Establish Social Investment Banks

9

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5

4

3

2

1

2

3

4

5

6

7

8

9

Extreme

Very Strong

Strong

Moderate

Equal

Moderate

Strong

Very Strong

Extreme

A4.3

Embrace Technology

How important is establishing social investment banks compared to introducing a new form of *Waqf* for *Waqf* development?

A4.1

Establish Social Investment Banks

Extreme

Very Strong

Strong

Moderate

Equal

Moderate

Strong

Very Strong

Extreme

A4.4

Introduce New Form of *Waqf*

How important is developing Sharia-compliant *Waqf* products compared to embracing technology for *Waqf* development?

A4.2

Develop Sharia-compliant *Waqf* Products

Extreme

Very Strong

Strong

Moderate

Equal

Moderate

Strong

Very Strong

Extreme

A4.3

Embrace Technology

How important is developing Sharia-compliant *Waqf* products compared to introducing a new form of *Waqf* for *Waqf* development?

A4.2

Develop Sharia-compliant *Waqf* Products

Extreme

Very Strong

Strong

Moderate

Equal

Moderate

Strong

Very Strong

Extreme

A4.4

Introduce New Form of *Waqf*

How important is embracing technology compared to introducing a new form of *Waqf* for *Waqf* development?

A4.3

Embrace Technology

Extreme

Very Strong

Strong

Moderate

Equal

Moderate

Strong

Very Strong

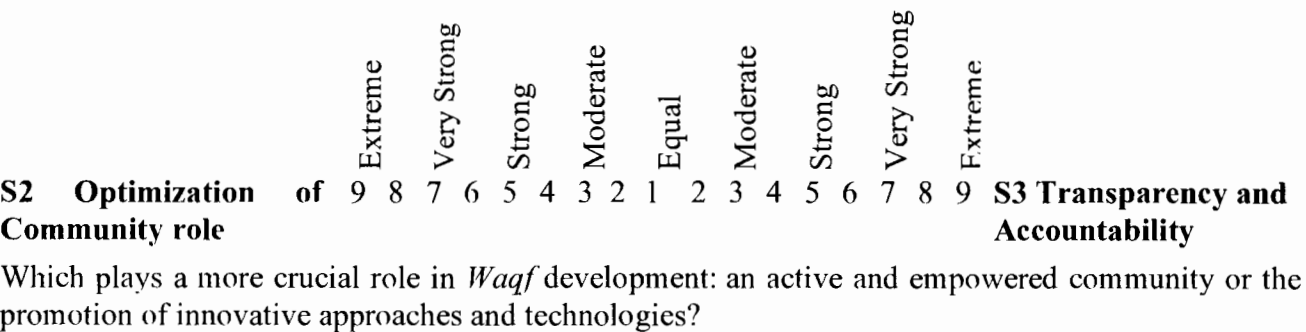
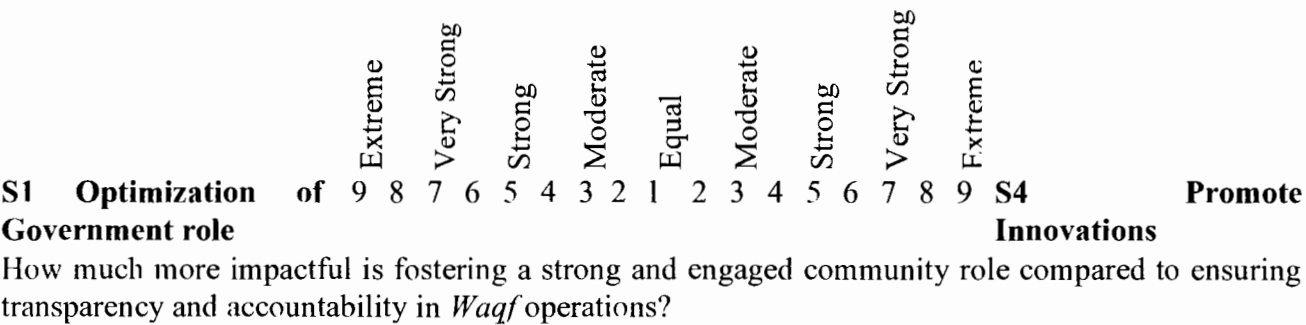
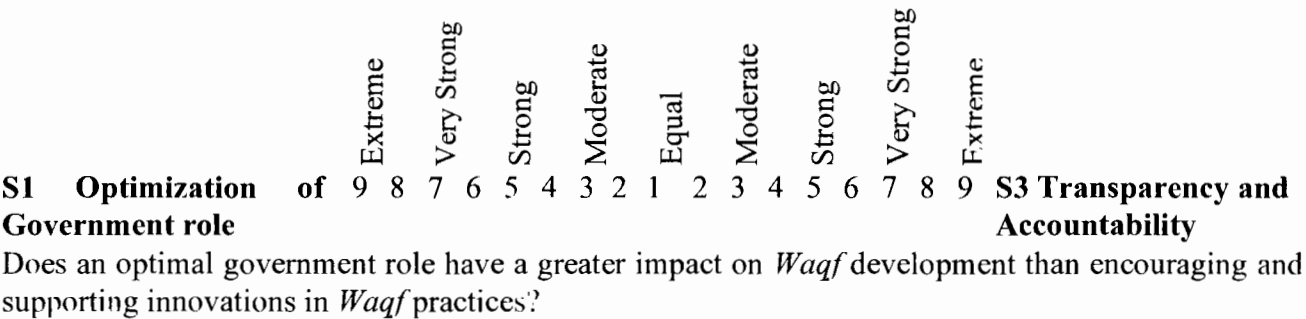
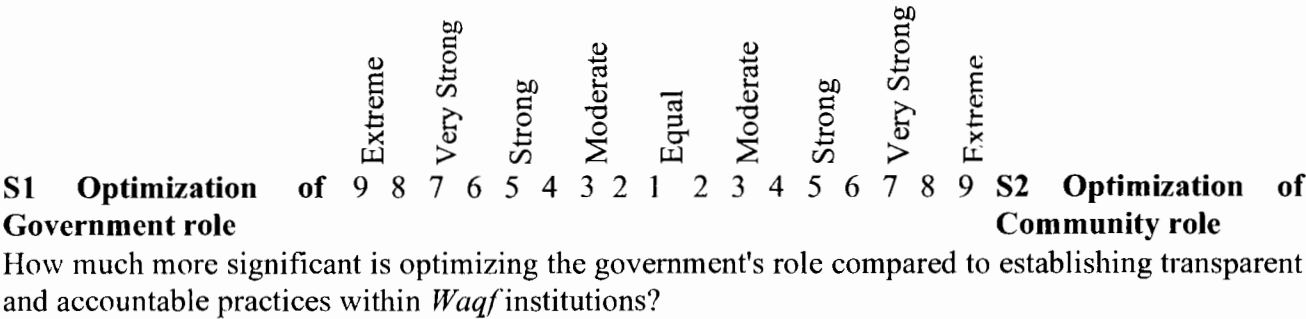
Extreme

A4.4

Introduce New Form of *Waqf*

Part C: STRATEGIES

To what extent will an optimal government role have a greater impact on *Waqf* development compared to an optimal community role?



		S2 Optimization of Community role																		S4 Promote Innovations																																																														
		Extreme									Very Strong									Strong									Moderate									Equal									Moderate									Strong									Very Strong									Extreme								
		9		8		7		6		5		4		3		2		1		2		3		4		5		6		7		8		9		S4 Promote Innovations																																														

Does transparent and accountable governance have a greater impact on *Waqf* development than actively promoting and adopting innovative ideas and practices?

**S3 Transparency and Accountability**      **S4 Promote Innovations**

### Additional comments

**Please feel free to provide any additional comments or suggestions you may have about the ANP model**