

# Proposed *waqf* crowdfunding models for small farmers and the required parameters for their application

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## Abstract

**Purpose** – Small farmers are considered one of the most affected communities worldwide due to poverty. Hence, this paper aims to study how the proposed *waqf* crowdfunding models are intended to provide alternative sources of funds for the *waqf* institutions and farmers.

**Design/methodology/approach** – The present study employed a qualitative method by analysing the relevant literature on crowdfunding, *waqf* cash, *waqf* and agriculture, together with the primary sources of the *Hadith*.

**Findings** – This paper provides the conceptual framework of two *waqf* crowdfunding model (WCM) and the required parameters for their application. It is found that crowdfunding can bring immense benefits to the agriculture sector and farmers if it is integrated with *waqf*. This system will enable underprivileged farmers to meet their necessities and participate in their country's economic development.

**Research limitations/implications** – Future research may consider a *waqf* crowdfunding integrated model targeting other businesses.

**Originality/value** – This study provides the required parameters for the application of the proposed models. Four areas were analysed and discussed: the regulatory compliance parameters, the shariah compliance parameters, the risk management parameters and, finally, *waqf* governance parameters. To the best of the author's knowledge, this is the first proposed *waqf* and crowdfunding integrated model for agricultural financing.

**Keywords** *Waqf*, Cash *waqf*, Crowdfunding, Agriculture, Small farmers, Parameters

**Paper type** Research paper

## 1. Introduction

In Africa, despite the fact that the poverty headcount ratio decreased from 53.3% in 1990 to 41% in 2013, the poor still live much further below the extreme poverty threshold compared to other regions (Union, 2017). The Islamic Development Bank (IsDB) reported that IsDB member countries are home to almost one-third of the world's multidimensional poor people, where 504 million people live in multidimensional poverty (Alpay *et al.*, 2016). The agriculture sector is one of the most powerful industries that have the potential to end extreme poverty and feed around 9.7 billion people by 2050. Growth in this industry is two to four times more effective in increasing incomes among the underprivileged population. Furthermore, this sector accounted for contributing one-third of the global domestic product in 2014

**JEL Classification** — D25, D64, N70, Q14 **KAUJIE Classification** — E22, E23, I69

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(World Bank, 2020). Since this is the issue, an alternative viable financing solution is required to enable small farmers to access funds, end poverty and address several other problems such as food security and hunger. In this sense, one of the main practised philanthropical concepts throughout Muslim history is *waqf* (Islamic endowment), which has contributed tremendously towards addressing economic and social issues in various sectors, including agriculture.

*Waqf* is a continuous charitable act that was established to serve different types of humanitarian purposes, such as community development, education, aid to the disabled and the poor and financing orphanages. Hasan (2006) affirmed the importance of *waqf* funds which have been successfully adopted and implemented in many social and human development-related fields, such as urban services, education, health and hygiene. With regards to the agriculture sector, no entity can deny its significance for its nation's livelihood. It can be a lucrative industry if it is cultivated with full dedication and commitment, considering the embedding of *waqf* assets (cash and non-cash *waqf*) and new financial technology solutions, such as crowdfunding.

The use of crowdfunding in the agricultural sector has attracted entrepreneurs and researchers worldwide. Tens of crowdfunding platforms have been established to provide fund seekers with seamless access to financial means. It is the fastest technological solution that can afford opportunities to *waqf* organisations to enhance their business process management and attract more waqifs. Yusof *et al.* (2014) argued that improved Internet banking facilities and young people of this generation, literate in information technology, are important factors in successfully promoting online *waqf* and motivating the users of Internet banking to give charity. The participation of this group would enable trustees to generate more funds in an Islamic way.

Thaker *et al.* (2018) proposed a developed “*waqf* crowdfunding model” (WCM) that has been found to finance the development of *waqf* lands and to solve the liquidity issue encountered by the *waqf* institutions. Similarly, Kuppuswamy and Bayus (2017) found that people participate in crowdfunding projects if they believe that their contributions will significantly impact beneficiaries' livelihood. Whereas other studies have revealed that project content and website quality are essential to attract users to online charities (Liu *et al.*, 2017). Therefore, according to several studies, crowdfunding is an attractive platform for the crowd to contribute to and invest in due to the quality and efficiency of the online facilities.

This study focuses on donation-based crowdfunding instead of investment crowdfunding. This is due to the fact that an integrated cash *waqf* is a philanthropical act, where the donors or the waqifs are not expecting anything in return from the beneficiaries or business owners. Second, philanthropical crowdfunding platforms are successful and efficient in raising a larger portion of funds. LaunchGood is an example of a successful donation-based crowdfunding platform that has successfully raised \$186 million in the last eight years since its establishment in 2013 [1]. The amount raised by LaunchGood is 33% larger than the amount raised by Ethiscrowd (investment crowdfunding), one of the leading real estate investment crowdfunding platforms established in 2014 [2].

## 2. Literature review

### 2.1 Overview of *Waqf*

Al-Zubidi (1965), in his book “Sharh Al Qamus”, defined *waqf* as the preservation or holding of a specific continuous charity to forbid any use or disposition of the asset outside the defined purposes to which the property is dedicated in such a way that it cannot be sold. According to Raissoumi (2019), the contemporary definition of *waqf* is to stop or detain the

original asset and the release of its profitable returns, or it is the *Habs* [3] of the *waqf* asset where the realised benefit is distributed accordingly among the beneficiaries.

*Waqf* is considered as a pious endowment, which involves the dedication of an asset in perpetuity either for specific purposes (*waqf khas*) or for general purposes (*waqf am*) (Sait and Lim, 2005). The institution of *waqf* has played a vital role throughout Islamic history since the time of the prophet peace be upon him (PBUH) until today. This philanthropical act had a significant role in contributing to human civilisation, enhancing their educational and economic system and strengthening their religious practices.

As an innovative idea in the early Islamic period of the prophet (PBUH) in al Madinah, he (PBUH) asked if there was someone who could buy the well of water known as Bi'r Rumah and declare it as a free drinking water utility for the public (Shirazi, 2014). Furthermore, he also advised "Umar Ibn Al Khattab to give his most valuable land in Khyber as *waqf* for the needy and the poor (Kahf, 1992). Another companion who practised *waqf* was Abu Talha. This companion owned a great property of palm trees in al Madinah. In spite of Baytuha", which was his dearest property, as it was located in front of the mosque, he declared it as *sadaqah* for the will of Allah SWT (Mohsin, 2010). Furthermore, many actions have been taken by the prophet (PBUH) to eradicate poverty in al Madinah.

Throughout Islamic history, the *waqf* institutions in Muslim countries succeeded in the accumulation of *waqf* properties. Regarding *waqf* agriculture, Kahf (2015) extracted the information from registers of *awqāf* of different countries and found that a large proportion of the cultivated areas are *waqf* lands. The example of Turkey has been introduced in the paper as a country with one-third of the cultivated area being *waqf* lands, where the *waqf* revenues in the majority of the countries were most frequently spent on education in mosques, along with settling the teachers' and imams' salaries. Therefore, investing in *waqf* lands has largely enabled *waqf* authorities to generate significant returns in the agriculture sector. This statement is supported by Sadique (2010), who claimed that the investment of *waqf* properties through different financing modes could generate good returns for society. Hence, this enables *waqf* institutions to provide end beneficiaries with the required services and needs.

From another perspective on the importance of investing *waqf* for agriculture, Shafiai and Ahmad (2015) claimed that rather than depending on banking facilities, which seem to be the only flagship of the economy to introduce specific financing services for farmers, the establishment of a *waqf* trust could be considered a possible alternative instrument to activate idle agricultural lands. According to the authors, the proposed solution may be established for two purposes. The first one is to create a *waqf* trust that can overcome the issue of idle lands, and the second one is to ensure that a *waqf* administration is serving the idea of agricultural development.

## 2.2 The legality of cash *waqf*

Lahsasna (2010) defined cash *waqf* as a perpetual mobilisation of funds from donors to be invested in productive assets that provide revenues or usufruct for future consumption while taking into consideration the guidelines and policies given by donors as well as recipients. This is known as the conditions of waqif (*Shart al Waqif*) in Arabic. The most acceptable *waqf* is cash *waqf*, which is an endowment of certain amounts of money for investment; it is managed by a *waqf* manager (Mutawalli). Cizakca (1995) declared that cash *waqf* was widely used and considerably contributed to social development during the Ottoman period to such an extent that education, health care and community welfare were entirely financed by *waqf*. He further argued that cash *waqf* functioned mainly as a capital redistribution institution rather than a capital accumulation institution.

The Hanbalite and Shafi'it from the traditional school of Fiqh argued that it is not permissible to dedicate money for *waqf*, referring to gold, silver, drinks and food. The use of money for consumption is the main adopted argument. As a result, the essence of *waqf*, which is a perpetuity, does not exist in this type of movable assets (Thamali, n.d.). Nevertheless, Imam Zumar approved all movable properties, including dinar and dirham, to be dedicated as *waqf* (Mohsin, 2010). Similarly, Imam Malik approved all types of movable properties, including food and money (*Al-nuqūd*), with the condition that the subject matter should be given as a free loan (*Qard Hasan*) (Muafi, n.d.).

Hamza (2017) highlighted in his paper the contemporary scholars' opinion on cash *waqf*. The fifteenth Islamic Fiqh Academy conference was held in Muscat (1,425 Hijri), where a common consensus was seen among the attendees on the permissibility of cash *waqf*, providing the following arguments:

- (1) The concept of money in today's world is different from what was practised in old times.
- (2) The permissibility of using cash *waqf* in *Qard Hasan* and investments, which can be a direct investment or through the allocation of money from different *waqifs* (*waqf* founder) into the *waqf* fund pool or through the issuance of *waqf*, shares as a different option to encourage people to contribute.
- (3) Cash *waqf* should be perpetual, and its usufruct would be dedicated to society's welfare. They provided a comparative example between *waqf* of date palms and money, emphasising that if the former is permissible, then there is no issue with the latter. To elaborate, the planting of date palms will permanently provide fruits that are tantamount to cash *waqf*, where the profit will be generated from the investments, and money will grow.

### 2.3 Islamic crowdfunding: concept and principles

Crowdfunding is defined in the Oxford Dictionary as "the practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet". The World Bank (2013) described crowdfunding as an online platform for businesses and organisations to raise funds from a group of individual investors or contributors. The funds raised should range between \$1,000 and \$1 million US dollars. Similarly, IOSCO (2015) claimed that it is a use of small amounts of money obtained from a large number of individuals or organisations to raise funds for the various projects listed in an internet-based platform. Islamic crowdfunding also shares the same definition as above, except that the latter considers Shari'ah rules and principles in all its activities and operations.

The application of a crowdfunding solution is an untapped area in the context of *waqf*. Several studies found that crowdfunding platforms can address liquidity issues, specifically in the *awqāf*, as highlighted by Azganin (2019). The author selected a sample of 101 participants and interviewed fintech and *waqf* experts to examine the potential benefits of crowdfunding and blockchain in overcoming issues confronting *waqf* lands in Malaysia. The results indicated that adopting these technologies could enhance transparency and overcome the financial challenges faced by *waqf* institutions in Malaysia. Most crowdfunding businesses in the west are interest-based platforms. Hence, the need for a Shari'ah-compliant crowdfunding platform is essential. Saiti *et al.* (2018) posited differences between conventional and Islamic crowdfunding, which are presented in the following table (see Table 1).

The agriculture field is a different sector, as it is very connected to the finance industry and contributes to most economies' GDP. However, most farmers encounter a lack of

**Table 1.**  
Conventional  
crowdfunding vs  
Islamic crowdfunding

Type	Conventional crowdfunding	Islamic crowdfunding
Reward-based crowdfunding	Materialism	The concept of <i>al-Falah</i> might be included together with the achievement of the materialism concept
Donation-based crowdfunding	Humanitarianism	Through <i>waqf</i> , <i>zakāh</i> and <i>sadaqah</i> , whereas the ultimate goal is to achieve <i>al-Falah</i>
Equity crowdfunding	Angel investors and venture capitalist	Based on Islamic finance instruments, such as <i>Mushārahah</i> and <i>Muḍārahah</i> , <i>Mushārahah</i> -based crowdfunding is almost similar to equity crowdfunding. Nevertheless, the beauty of <i>Muḍārahah</i> -based crowdfunding is that the crowd investors provide total initial capital, while the company is responsible for managing business operations. The profit is shared in a pre-determined ratio, and the crowd has to bear the loss in case of a failure
Debt crowdfunding	P2P lending based on interest	Sale-based contracts such as <i>Murabahah</i> , <i>Tawarruq</i> and <i>Ijārah</i>

**Source(s):** Saiti *et al.* (2018)

financing to develop and grow their small businesses. Anshari *et al.* (2019) affirmed that in most cases, farmers possess lands, but they do not have access to the financial means to cover their operational cost, although they do approach banks or investors to buy the mechanised materials and machines. Therefore, access to financing is one of the biggest challenges faced by the farmers, especially the ones running small businesses or lacking access to loan banking services.

Huang *et al.* (2018) found that crowdfunding solutions can play a vital role in funding micro, small and medium enterprises (MSMEs). MSMEs in China are representing the vast majority of businesses that have access to crowdfunding platforms. Lee and Chiravuri's (2019) study showed that project creators (entrepreneurs), who experienced a successful raise of funds via crowdfunding platforms, tended to explore other industries in the crowdfunding market and create projects which are higher in terms of the funding need. Thus, crowdfunding opportunities give more confidence to successful enterprises with higher chances to raise more considerable funds. From a humanitarian and risk-sharing perspective, crowdfunding platforms enable a risk-sharing practice between the project developers and the crowd-investors, who focus on fostering social impact (Pratono *et al.*, 2020).

Agropay is a crowdfunding project which creates opportunities for all agribusiness actors who interact on a single platform. This platform provides specific functions for investors who can select from a wide range of agricultural projects accessible via smartphones, while the investment is made online. This platform creates competitiveness between suppliers and increases price competition, which further improves the sustainability of agriculture products. A similar digital marketplace model was presented before by Anshari *et al.* (2019). Their proposed fintech solution supports agriculture's sustainability and connects all users to a single crowdfunding and payment system-based platform, which promotes transparency, empowerment, resourcefulness and community engagement in agriculture.

Azganin (2019) sheds light on the challenges confronting the development of idle *waqf* lands in Malaysia and proposed a financial technology solution to overcome the mentioned issues. A semi-structured interview and survey were adopted to explore the extent of crowdfunding and blockchain application in the *waqf* development field. Although some legal and operational challenges were highlighted in the study, the results showed a possible significant impact of crowdfunding in raising funds and financing different *waqf* properties

in Malaysia. Furthermore, the author found that the blockchain solution would potentially enhance the transparency element within *waqf* institutions.

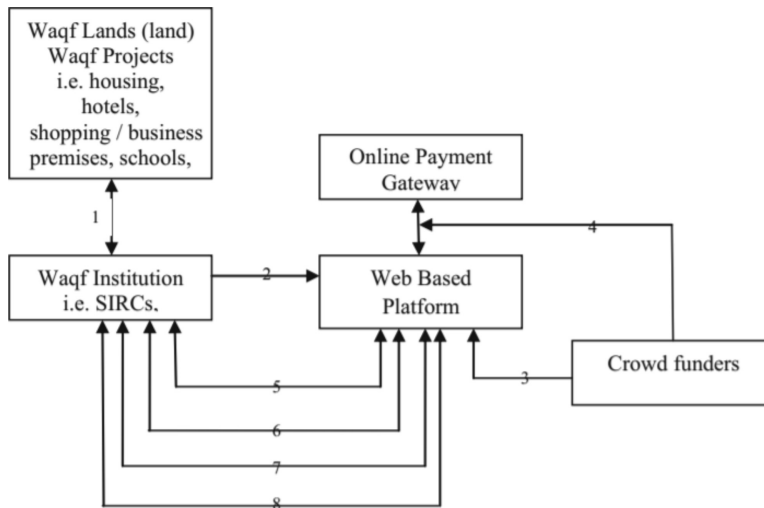
Similarly, Thaker and Pitchay (2018) proposed a *waqf* crowdfunding model (WCM) to develop *waqf* lands in Malaysia, as shown in Figure 1. The study found that the model can help *waqf* institutions overcome the liquidity challenges and find alternative sources of funds through an online crowdfunding platform, which will ultimately finance different *waqf* land projects. The proposed model is unique, as it introduces the concept of cash *waqf* as an essential feature of the platform, in which the raised cash *waqf* is to be converted into illiquid assets such as hospitals and buildings.

Meanwhile, another *waqf* crowdfunding platform named “Hasanah Crowdfunding Model” [4] was discussed and analysed by Nasution and Medias (2020). The Wakaf Hasanah project has played a vital role in financing and developing various *waqf* projects in Indonesia. Fifty-three *waqf* projects have been financed through this platform, with a total fund of more than three billion rupiahs. According to this platform, and as illustrated in Figure 2, the parties involved are the project manager (*nāzīr*), *waqf* founders, and the platform operator.

Although the recent literature suggested crowdfunding as an alternative source of funds for various sectors, the different factors and parties impacting the actual application of these models in the industry need to be discussed, focusing on the essential role of the communities and the regulatory bodies in transforming theories into practice.

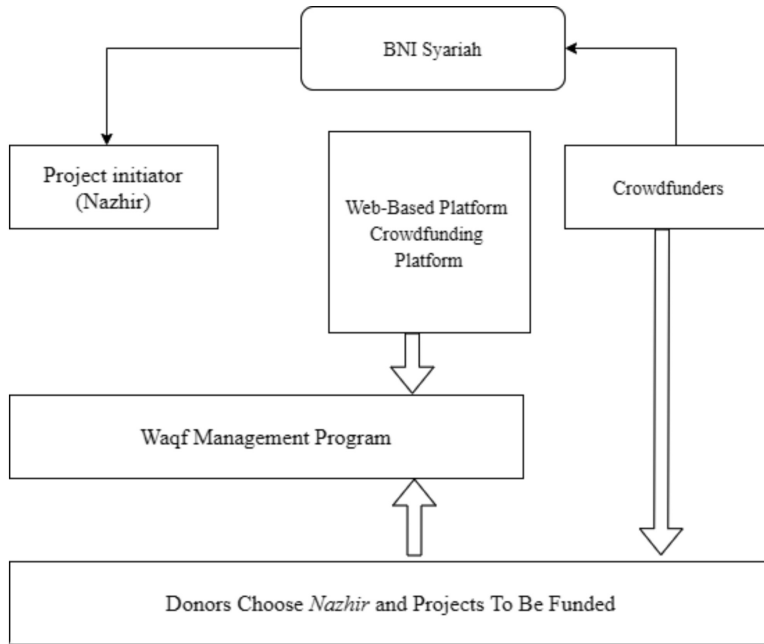
### 3. Methodology

This research is qualitative in nature and uses document research as the main source of analysing related papers, journal articles and other published sources. This method aims to analyse the theoretical data from primary resources, such as *Hadīth*, and secondary sources, such as books and other published articles. The research includes contemporary and classical Sharī'ah views on *waqf*, particularly cash *waqf* and Islamic crowdfunding, to identify and explore the themes related to the models which were used to formulate the conceptual framework of the new models. Based on a literature review procedure, this study explores and



Source(s): Thaker and Pitchay (2018)

Figure 1.  
Proposed WCM



Source(s): Nasution and Medias (2020)

Figure 2.  
Hasanah  
crowdfunding  
platform

determines various important aspects of cash *waqf* and its possible integration with Islamic crowdfunding technology. The data analysis is done by adapting and reviewing the existing models, which are either impractical or lack important features necessary for successful implementation.

For the Shari'ah basis analysis of *waqf* crowdfunding models and the parameters, the paper refers to *waqf* standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and few articles that highlight the Shari'ah governance framework in *waqf* as well as Islamic crowdfunding. The following section discusses the conceptual framework of *waqf* assets and cash *waqf* crowdfunding models as a viable alternative financing solution for farmers.

#### 4. *Waqf* and Islamic crowdfunding proposed models

Agriculture is the main backbone to achieve food security in a country, and its development relies on finding alternative modes of financing to help farmers manage their financing hurdles. *Waqf* asset and cash *waqf* crowdfunding models are introduced in this study to achieve the following two main objectives. The first one is to encourage people to donate cash for agriculture development purposes, whereas the second is to enhance farmers' performance to grow their businesses and multiply their revenue.

The *waqf* asset and cash *waqf* fund collection model uses an online platform (crowdfunding) that is accessible to every potential donor. The participants can choose between the numerous listed projects on the platform and donate to the ones of their preference. Besides, the payment gateway solution integrated into the model enables the users to participate via an online platform from any part of the globe.



4.1 *Waqf asset crowdfunding model*

In this diagram, the *waqf* institution plays the role of platform manager and creates various agricultural projects of movable and immovable assets in the platform. The donors choose agriculture projects of their interest and assist farmers in financing their businesses. Meanwhile, the profit generated from the projects is distributed between *waqf* institutions and small farmers based on an agreed portion (Refer to Figure 3).

4.1.1 *Diagram flow explanation.*

Step 1: Farmers engage with the *waqf* institution (platform manager) to provide them with the required documents and project’s details.

Step 2: The *waqf* institution acts as a platform manager and conducts due diligence on different registered projects.

Step 3: The *waqif* (donor) contributes cash towards movable and immovable *waqf* agriculture assets listed in the platform.

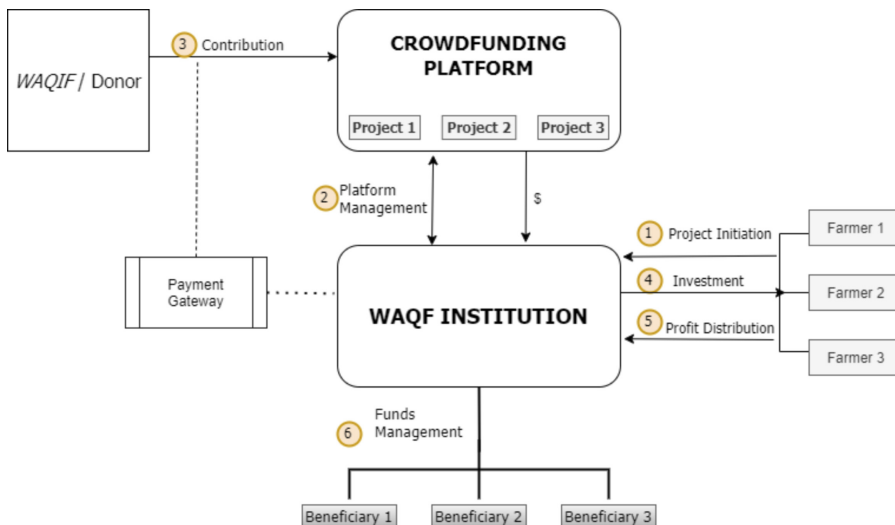
Step 4: The *waqf* institution engages in an agreement, such as *Salam*, *Istisnā'*, *Hikr*, or leasing and distribution of funds to farmers.

Step 5: Profit payout/rental payment distribution to the *waqf* institution is carried out.

Step 6: The *waqf* institution disburses the profit generated from agricultural projects to the beneficiaries.

4.2 *Cash Waqf crowdfunding model*

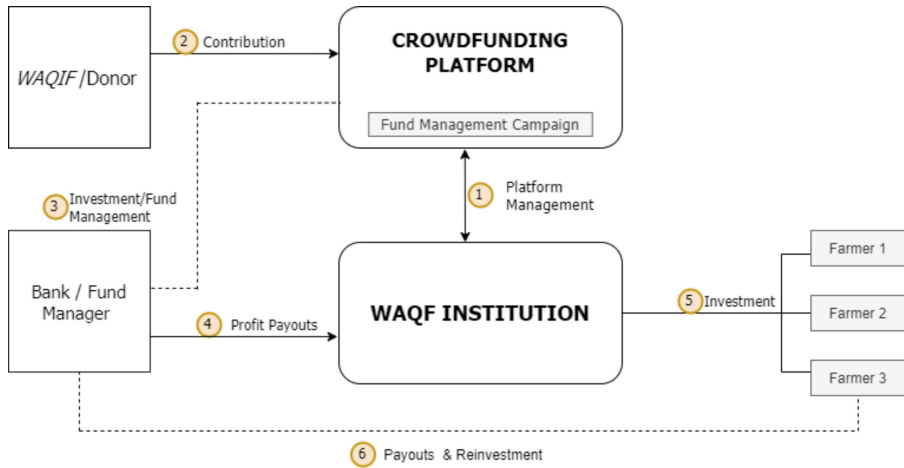
In this diagram, the *waqf* institution assigns a partnering fund manager to invest the cash *waqf* collected from donors. The profit generated from the listed pool of funds will be channelled to farmers, but prior to this, an investment agreement is to be agreed upon and signed between the *waqf* institution and the beneficiary. The cash *waqf* concept is utilized here to facilitate the financing of farmers (refer to Figure 4).



**Figure 3.**  
The *waqf* asset crowdfunding model

Source(s): Author’s own elaboration





**Figure 4.**  
Cash waqf  
crowdfunding model

**Source(s):** Author's own elaboration

#### 4.2.1 Diagram flow explanation.

Step 1: The *waqf* institution manages the platform and creates an agricultural pool of funds in the platform.

Step 2: The *waqif*/donor contributes cash *waqf* to the campaigns (pool of funds) listed in the platform.

Step 3: On behalf of the *waqf* institution, the partnering portfolio manager invests the money raised from the crowd.

Step 4: There is a regular profit payout from fund managers to the *waqf* institution.

Step 5: The *waqf* institution distributes funds to the farmers and engages in an investment agreement.

Step 6: The payouts gained from the investment with farmers are reinvested and managed by the fund manager.

The proposed models differ in terms of structure and the financing model. To illustrate, the first model (Figure 3) serves as a fundamental economic project where the finances are moving directly from benefactors to the beneficiaries to fund several listed agricultural businesses. Nevertheless, contributions in the second model (Figure 4) are kept with a partnering fund manager, who is assigned with the management of these funds. At the same time, profits generated from the investments are distributed to the platform operator, who will ultimately channel it to the farmers. Both models share the same purpose, which is to provide alternative sources of funds for the empowerment of small farmers.

### 5. Required framework for the application of the *waqf* crowdfunding proposed models

Crowdfunding is an alternative financing model that has been introduced in the market post-global financial crisis in 2008. Many entrepreneurs seek financing from these platforms due

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to the difficulties faced while requesting financing loans from banks. Developing economies tend to face more of such issues (Bruton *et al.*, 2015). An end-to-end framework is required for the successful application of the previously discussed models. Thus, this paper suggests the parameters needed for different stakeholders and platform managers. This model's parties are *waqf* institutions, Shari'ah committee, farmers or business owners and fund managers. The proposed parameters are divided into four sections, as illustrated in the following table (see Table 2).

## 6. Conclusion

Limited financial resources are one of the main challenges encountered by small farmers, which can be tackled using crowdfunding – an alternative financing solution that has been practised in different parts of the globe. According to various studies, this new innovative solution has successfully bridged financing between benefactors and fund seekers in multiple businesses and projects. Nevertheless, there is a lack of studies on using the *waqf* concept in crowdfunding to develop the agriculture sector. Less attention has been paid to offer a viable model that can overcome or address liquidity issues. Thus, this study was conducted to help enrich the literature by shedding light on the potential of crowdfunding as an innovative financial solution that can help small farmers and *waqf* institutions meet their financial needs. The focus was on developing two different *waqf* crowdfunding models and the required parameters for their application. The *waqf* asset crowdfunding model serves as a platform that matches *waqifs* with farmers looking for other funds sources. The *waqf* institution acts as a platform manager. It creates an underlying agreement with fund seekers, who will run the project and distribute profits based on a pre-determined portion.

Similarly, the cash *waqf* crowdfunding model is a platform, which presents a pool of fund campaign for people to contribute towards. The platform raises cash *waqf* and assigns a fund manager to invest the money. Subsequently, the profit generated is channelled to farmers, who will ultimately run the project and share their profits back with the *waqf* institution. Finally, the pay-outs from farmers will be reinvested with the fund manager to grow funds.

The dedication of *waqf* assets is allowed according to several authentic *Hadiths* of the prophet (PBUH). Similarly, this study found that cash *waqf* is considered a permissible financing instrument that can be effectively utilised on its integration with crowdfunding. This paper's uniqueness lies in the proposed *waqf* asset and cash *waqf* crowdfunding models to facilitate the flow of funds from the group of *waqifs* to the *waqf* institution or the trustee (*Mutawalli*) and then to the final recipients of funds (farmers). Moreover, the required parameters and frameworks have been proposed to manage *waqf* movable and immovable assets effectively. Thus, this study suggests a sustainable and viable solution to address the financial issues faced by farmers. The models can serve as a real vehicle towards developing the agricultural sector through a viable online platform that encourages small and large donations among the global community members.

One of the limitations of this study is that it falls under the category of investment or charity-based crowdfunding. It does not explore the possible adoption of equity-based crowdfunding solutions (ECSs). Although the suggested parameters would be the same for ECSs, the financials, products' modules and projects' structures will be treated differently. Secondly, the primary focus of this study is on financing of agricultural projects. Hence, further research is required to explore the application of different crowdfunding modules in other sectors.

**Table 2.**  
Required frameworks  
and parameters for the  
implementation of the  
models

Parameters	Parameter description
Parameter 1: Regulatory compliance parameters	<p>1/1 – The legal procedure will be treated from two aspects: The crowdfunding licensing requirement and anti-money laundering (AML) financial crimes compliance</p> <p>1/1/1 – In certain countries, the crowdfunding platform manager, which is the <i>waqf</i> institution in this case, must apply for a crowdfunding licence or money collection permit to start raising funds from the public</p> <p>1/1/2 – The <i>waqf</i> institution must comply with the anti-money laundering and financial crimes acts, which can be realized through a “know your customer” (KYC) procedure, which needs to be run on the benefactors as well as beneficiaries</p> <p>Abiding by local <i>waqf</i> regulations of project management, fund management and partnership engagement requirements with external bodies is mandatory. The <i>waqf</i> institution must ensure that all transactions and agreements are in line with these regulations <a href="#">Zetzsche and Preiner (2018)</a></p> <p>2/1 – The investment activities of <i>waqf</i> assets and cash <i>waqf</i> fund management should be in line with the Shari’ah principles. These activities can be attained through the following practices</p> <p>2/1/1 – The <i>waqf</i> institution must assign an internal and external Shari’ah committee that will be responsible for ensuring the Shari’ah compliance of all transactions</p> <p>2/1/2 – The Shari’ah requirements and guidelines set by the authoritative bodies within a particular jurisdiction must be thoroughly practiced in order to protect <i>waqf</i> assets from losses. If there is no specific law in a country, the <i>waqf</i> institution must comply with the <i>waqf</i> standards issued by <a href="#">AAOIFI (2018)</a></p> <p>2/1/3 – Regarding the cash <i>waqf</i> crowdfunding model, a Shari’ah-compliant fund manager must be assigned to invest the cash <i>waqf</i> on behalf of the <i>Mutawalli</i></p> <p>2/1/4 – Concerning the <i>waqf</i> asset crowdfunding model, the Shari’ah committee must check and review the following</p> <p>2/1/4/1 – The fund collection procedure</p> <p>2/1/4/2 – Determining the Islamic finance model or the underlying agreement is suitable for each project type (e.g. <i>Salam</i>, <i>Istisna</i>, <i>Hikr</i> and leasing)</p> <p>2/1/4/3 – Checking if the marketing words used in the content create any misrepresentation or misleading information for the crowdfunder/<i>Waqf</i></p> <p>2/1/4/4 – Ensuring the investment information received from the project owner or fund manager is accurate</p> <p>2/1/4/5 – Reviewing the financials and any other related details needed to guarantee the full practice of Sharia principles <a href="#">Rosly (2010)</a>, <a href="#">Yuningsih and Muhammad (2020)</a></p>
Parameter 2: Shari’ah compliance parameters	<p>(continued)</p>

Parameters	Parameter description
Parameter 3: Risk management parameters	<p>3/1 – The establishment of the risk management framework is required to maximise the <i>waaf</i> institution projects' success and ensure that the perpetuity element exists in all movable (including cash <i>waaf</i>) and immovable <i>waaf</i> assets. This part will be divided into two sections: The first one will discuss the general required parameters for the effective adoption and management of a crowdfunding platform for both models, while the second would shed light on the policies needed for each practical model</p> <p>3/1/1 – General requirements</p> <p>3/1/1/1 – The <i>waaf</i> institution must have a comprehensive risk management process to identify, measure, evaluate and monitor all types of risks related to managing the crowdfunding platform and projects</p> <p>3/1/1/2 – The <i>waaf</i> institution needs to establish a comprehensive risk management policy to identify and mitigate the external macroeconomic environment risks affecting the raising of funds from local and international donors</p> <p>3/1/1/3 – The <i>waaf</i> institution should understand and mitigate the possible risks associated with financial crimes and terrorism funds</p> <p>3/1/1/4 – The platform manager must create terms and conditions sheet to be shared with and signed by the other party (<i>waafif</i> donor). The related policies, such as disclaimer and indemnification. Most importantly, the agency agreement needs to be taken into account by the <i>waaf</i> institution, which acts as an agent on behalf of the <i>waaf</i> to manage the funds</p> <p>3/1/1/5 – The business owners who seem to breach the terms and conditions of the underlying agreement should be blacklisted from requesting funds</p> <p>3/1/2 – Specific requirements</p> <p>3/1/2/1 – The <i>waaf</i> asset crowdfunding model</p> <p>3/1/2/1/1 – To avoid abusing the financial crimes and fund terrorism acts, proper due diligence needs to be conducted on farmers or funds recipients</p> <p>3/1/2/1/1 – There should be a periodic follow-up on the project progress and funds usage</p> <p>3/1/2/1/2 – The <i>waaf</i> institution must perform <i>Istibdal</i> on the <i>waaf</i> assets listed in the platform if it does not realize the purpose of <i>waaf</i></p> <p>3/1/2/1/3 – The <i>waaf</i> institution must conduct necessary due diligence on the beneficiaries receiving the funds. This procedure is crucial to avoid ineligible financing of the entities involved in illegal activities or abuse of funds</p> <p>3/1/2/2 – Cash <i>waaf</i> crowdfunding model</p> <p>Capital protection must be the first objective of the partnering fund manager to ensure that the perpetuity of the cash <i>waaf</i> is achieved</p> <p>3/1/2/2/1 – An effective portfolio management practice is highly recommended by placing cash <i>waaf</i> in low-risk investment instruments, such as Sukuk funds</p> <p>3/1/2/2/2 – The fund manager must be responsible for managing cash <i>waaf</i> funds and should be held accountable for any abuse or breach of the contract with the <i>waaf</i> institution <a href="#">Sulaiman et al. (2019)</a>, <a href="#">Lo (2001)</a></p>

(continued)

Table 2.

Parameters	Parameter description
Parameter 4: <i>Waqf</i> governance parameters	<p>4/1 – Transparency is the key factor in the full protection of <i>waqf</i> assets, and the adoption of global governance principles is crucial to success (Daud, 2019)</p> <p>4/2 – Accountability to the <i>waqf</i>/donors: <i>Mutawalli</i> must provide adequate information and project updates to donors. Moreover: the sharing of opinions and suggestions with the crowd is highly recommended to improve the services (Siswantoro <i>et al.</i> (2018)</p> <p>4/3 – The disclosure of the project details is essential for building trust with <i>waqf</i>/s/donors and fulfilling the element of sincerity required by Allah SWT (Daud, 2019). The details include sharing information, such as farmers’ profiles, targeted beneficiaries and risks associated with the projects’ plans and campaigns’ timeline</p> <p>4/4 – The <i>Mutawalli</i> must be fully responsible and act professionally, showing Islamic behaviour principles</p> <p>4/5 – The selection of farmers must be based on qualifications and experiences in the field. In the meantime, conflicts of interest, if any, should be disclosed to the board (Siswantoro <i>et al.</i> (2018)</p> <p>4/6 – The <i>waqf</i> institution must create an internal corporate governance guideline containing severe punishments for those who are involved in corruption or misuse of funds</p> <p>4/7 – The <i>waqf</i> institution is exposed to information asymmetry when dealing with fund managers or farmers. Hence, they must ensure that they receive accurate reports and project details</p> <p>4/8 – The <i>waqf</i> institution must assign a new department that must be responsible for managing the crowdfunding platform. Moreover, the team should be experienced and qualified in handling funds collection and investment procedures</p> <p>4/9 – The roles and responsibilities of the employees in the organisational chart must be clearly defined</p>

Source(s): [6]: Author

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## Notes

1. See <https://www.launchgood.com/>
2. See <https://ethis.co/id/>
3. *Habs* is an Arabic word that literally means to hold, detain, or stop something from movement. *Habs* and *waqf* are used interchangeably. In fact, some countries like Morocco use the word *Habs* or *Hubus* instead of *waqf*.
4. According to the Google play store, BNI Syariah, in collaboration with the *nāzīr* institutions, run the Wakaf Hasanah Program. The platform manages *waqf* projects where the distribution of *waqf* funds is done by transferring funds to each *waqf* project account no. and through all BNI Syariah e-Banking channels. Retrieved from: <https://play.google.com/store/apps/details?id=id.co.bnisyariah.wakafhasanah&hl=en&gl=US>
5. The author created the models based on previous models and the literature data discussed in different articles.
6. An intensive research and review of the literature have been conducted to explore the different factors affecting the implementation of the models and the possible requirements needed for successful project kick-off. The authors analysed the relevant literature to establish a unique and new framework for *waqf* and agriculture development.

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