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## Article

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# PHILANTHROPIC IMPACT OF INVESTING VIA WAQF- FEATURED UNIT TRUST FUNDS: DETERMINANT FACTORS INFLUENCING THE PARTICIPATION IN WAQF UNIT TRUST FUNDS IN MALAYSIA

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## ABSTRACT

**Purpose** — Waqf unit trust funds are a form of value-based impact investing that combines financial investment with philanthropic goals through waqf (Islamic endowment). This study uses the theory of planned behaviour (TPB) to investigate the factors that influence people's intentions to participate in waqf unit trust funds in Malaysia. Furthermore, the study investigates the function of religion as a moderator in predicting an individual's intention to engage in waqf unit trust funds.

**Design/Methodology/Approach** — Four hundred and four completed survey questionnaires have been obtained. Descriptive analysis and Partial Least Square–Structural Equation Modelling (PLS-SEM) are performed to analyse the data.

**Findings** — The findings show that an individual's intention to engage in waqf unit trust funds is influenced by attitude, subjective norms, perceived behaviour control, and moral norms. Furthermore, religiosity influences the relationship between moral norms and the intention to join in waqf unit trust funds.

**Research Implications and Limitations** — Findings from this study which focuses on Muslims' involvement in recently established waqf unit trust funds can be used by the waqf unit trust managers in Malaysia to develop appropriate marketing strategies in encouraging Muslim participation in waqf unit trust funds. Participation in waqf unit trusts is not limited to Muslims; hence, future studies can be conducted to cover a wider base of respondents among non-Muslims.

**Keywords** — Intention, Islamic finance, Philanthropic impact investing, Waqf unit trust fund

**Article Classification** — Research paper



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## INTRODUCTION

Waqf is an Islamic socioeconomic institution that encourages Muslims to leverage their innovation and creativity to generate income, providing a diverse range of goods and services to the Muslim community (Mohsin, 2013). Waqf-based institutions that are successfully revived and modernised contribute to preserving the social and environmental fabric without costing the government any money, thus significantly reducing public expenses (Ari & Koc, 2021). Being regarded as a mechanism to finance the advancement of the Muslim community, the significant role of waqf has now been integrated with various contemporary Islamic investment tools such as shares, *ṣukūk* and Islamic funds, including Islamic real estate investment trusts (i-REITS) and common unit trusts (Hodgson, 1974; Hasan & Sulaiman, 2016).

Waqf has evolved into an arm of corporate social responsibility (CSR) through various forms of innovation, which have been accommodated by updated, inclusive and comprehensive laws and regulations (Sukmana, 2020). In the contemporary world, the Muslim community has discovered that cash waqf, or its similar forms, is the most pragmatic and cost-effective method of waqf. This is especially true in the current economic conditions, where only a few individuals can afford to donate immovable assets such as land and buildings. Muslim scholars have long recognised the use of movable properties such as cash waqf and other forms of financial properties in modern waqf applications (Ambrose *et al.*, 2018). The endowment of movable assets such as cash waqf and financial assets such as unit trusts and shares are also legitimate within the Malaysian legal system. This has been recognised in the provisions of a few state enactments as well as the approval from the Shari'ah (Islamic law) point of view by the Islamic Religious Affairs Council of Malaysia.

Impact investing, a comprehensive investment strategy, is garnering increased interest from scholars and experts due to its dual objective of generating financial returns while also creating positive social or environmental outcomes. Integrating investment tools such as unit trusts and waqf is seen as a favourable innovation that can be pursued to establish a sustainable investment paradigm (Sulaiman *et al.*, 2019). On that note, a waqf-featured unit trust fund is a specific class of value-based investment that blends monetary investing with charitable objectives, thereby organically fulfilling the spirit of impact investing.

Malaysian investors are showing a growing inclination to integrate humanitarian endeavours into their investment strategy, particularly through the utilisation of waqf. The Islamic capital market has the potential to significantly improve and accelerate the growth of waqf assets in the current environment. The modern practice of accumulating wealth through cash and shares diversifies the sources of waqf funds and can enhance the flexibility of waqf management as well as increase public participation in waqf activities. In fact, the repetitive benefits generated from waqf assets are naturally congruent with the investment feature of generating sustainable returns for the shareholders.

To date, four waqf-featured unit trust funds and one wholesale fund have been launched in Malaysia. The development manifests enthusiasm for philanthropic impact investment across a wide range of groups, including investors, industrial players and regulators. The funds are professionally governed and audited, thus providing assurance to donors that the waqf is properly run by professional managers. However, since their inception in 2021, investment participation in waqf-featured unit trusts has been relatively low, which has caused great concern among the fund managers. As of 31 July 2022, the assets under management (AUM) of the four waqf unit trust

funds in the Malaysian Islamic fund management industry were recorded at MYR47.26 million (Refinitiv Lipper, 2022). As of 31 December 2023, their AUM decreased to MYR46.69 million due to the uncertain market conditions in Malaysia (Refinitiv Lipper, 2023). This amount represents only 4 per cent of the total AUM of Shari'ah-compliant unit trust funds in Malaysia, indicating the need for significant efforts to raise awareness among potential generous investors to contribute a portion of their returns as waqf.

Therefore, this study aims to investigate the factors influencing Malaysian Muslims' intention to participate in waqf unit trust funds. The study is important as it provides valuable insights to fund managers, enabling them to enhance their marketing strategies and encourage greater participation from Muslim unit holders. This, in turn, would result in a small percentage of the profit being channelled towards waqf initiatives in the future. The subsequent section presents relevant literature on impact investing, waqf unit trust funds, and the development of hypotheses. This is followed by the methodology, results, practical implications and conclusion.

## LITERATURE REVIEW

### Impact Investing

Impact investing entails making investments with the dual goal of achieving specific positive social or environmental outcomes alongside financial benefits (Islam & Scott, 2022). Another definition of impact investing as crafted by the Global Impact Investing Network (GIIN) is an investment formed to make a profit while having a beneficial, measurable influence on the society and the environment. Impact investment can be carried out in both emerging as well as developed economies and strives for income that could be below or at market rate, depending on the strategic objectives of the investor (GIIN, 2021). Impact investment might potentially coexist with non-profit organisations and traditional commercial enterprises by augmenting financial goals with a focus on certain societal ideals.

Impact investments can be made in a wide range of asset classes and have diverse results. The strategy often encompasses corporate social responsibility (CSR), environmental, social and governance (ESG) investing, and sustainable and responsible investment (SRI). In Malaysia, the corporate sector is encouraged to prioritise not only material profit but also to focus on social welfare by engaging in philanthropic endowment (waqf), as suggested by Naziree (2010). The aims of each waqf-featured unit trust fund are twofold: to achieve specified social and environmental goals in addition to creating profit for the unit holders. Consequently, these funds align with the impact investing framework. However, this study does not attempt to measure the impact of these funds according to their objectives.

### Philanthropic Impact Investing via Waqf

Waqf (pl. *awqāf*) is a property that is owned by Allah, the Almighty. The corpus, regardless of its material or ethereal nature, will be perpetually preserved, and only its yield or revenue will be directed towards the welfare of all beings. Waqf, unlike regular *ṣadaqah* (charity), is considered *ṣadaqah jāriyah* (a continuous donation) because it provides ongoing and repeated benefits (Kahf, 1999). Waqf has been created as a means to address the provision of public goods and services in situations when government intervention is limited or where the government's effectiveness and competence are restricted. It is important to highlight that waqf has served as a significant and efficient means of providing financial and social assistance, particularly for individuals in the

lowest and intermediate socioeconomic strata, by helping to reduce income disparities (Ari & Koc, 2021). Waqf has made a significant contribution to Islamic civilisation from the time of Prophet Muhammad (SAW) till the present day. Throughout history, waqf has had a significant impact on various aspects of life. It has fulfilled various societal needs and facilitated economic development for the less fortunate, including the promotion of religious activities, education, healthcare, and agriculture; assistance in disaster prevention, poverty reduction, provision of food and shelter; creation of employment opportunities; and funding the establishment of public infrastructure such as hospitals, universities, research centres and libraries. The breadth of waqf's responsibilities is vital, especially in the realm of emergency disaster relief. This includes offering aid to those affected by climate change disasters, such as flood and landslide victims, as well as potential future pandemics. These are among the pressing concerns of our era. Utilising waqf-featured unit trust funds for philanthropic impact investment is essential in developing a more inclusive investment strategy that effectively benefits society.

Waqf institutions differ from other non-profit organisations that rely mostly on public donations, which do not guarantee their existence (Shaikh *et al.*, 2017). By integrating investments in waqf management, effectiveness and efficiency can be improved, leading to a sustainable return that addresses the ongoing global financial, social and environmental issues. The philanthropic role of waqf as a social safety net is to provide assistance to the impoverished and vulnerable, especially during the difficult period of economic recovery following the pandemic. This is in tandem with the value-based intermediation (VBI) initiative as well as Bank Negara Malaysia's Financial Sector Blueprint 2021–2026 to not only mainstream Islamic social finance but also enhance value-based financing that promotes impactful social outcomes.

The core principles of Shari'ah, which encompass the promotion of beneficial outcomes and prevention of harm, particularly in terms of equitable wealth circulation and distribution, are applied to the Islamic financial sector. This makes it well suited to address the increasing need for a responsible and ethical framework for financial services. Sustainable investment can additionally facilitate the allocation of greater resources towards the resolution of social and environmental issues, a crucial endeavour for global adherence to the United Nations' Sustainable Development Goals (SDGs).

### **Overview of Waqf-featured Unit Trust Funds' Development in Malaysia**

Islamic fund management (IFM) is a financial practice where individuals contribute their surplus funds to a collective entity known as a 'fund'. This fund then uses the pooled money to purchase a diverse range of equities and other types of assets with the aim of achieving specific financial goals. IFM in Malaysia offers a range of Islamic collective investment schemes, including Islamic unit trust funds, Islamic wholesale funds, Islamic exchange traded funds (i-ETFs), Islamic real estate investment trusts (i-REITs), and Islamic private retirement plans (i-PRS) (Securities Commission Malaysia, 2017). Waqf organisations can utilise the framework of i-REITs as a means to financially support the development of waqf properties (Hasan & Sulaiman, 2016).

An Islamic unit trust fund, also known as an Islamic mutual fund, offers unit trust holders the opportunity to diversify their investment by allocating it to a portfolio consisting of Shari'ah-compliant money market instruments, securities, *shukūk*, real estate, or commodities. The fund is managed by skilled fund managers who allocate the raised funds into a diversified portfolio of financial assets that comply with Shari'ah principles, depending on the fund's objectives. Due to

the involvement of proficient fund managers, the handling of these products generally results in effective risk containment (Ambrose *et al.*, 2018). Investors can generate profits from their investments through the distribution of income and/or the appreciation of capital (Hasan & Sulaiman, 2016). Sulaiman *et al.* (2019) suggest that establishing a waqf unit trust can serve as an alternative method to ensure consistent, everlasting and long-term income for waqf beneficiaries. This instrument is an innovative approach to the traditional cash waqf, as it entails contributing a portion or all of the investment returns or dividends from unit trusts for the purpose of waqf. According to the Securities Commission Malaysia's Waqf-Featured Fund Framework (2020), the endowed asset is not the unit trust itself, but rather the income or profit generated from the investment. The revenue or profits generated from the unit trust's underlying assets would then be allocated for charity or religious purposes, as specified in the waqf's terms and conditions.

In Malaysia, there are currently four unit trust funds and one wholesale fund that have integrated a waqf component into their investment strategy. The wholesale fund is specifically designed for sophisticated or high-net-worth investors. The objective of the fund is to achieve both income and capital growth by investing in diversified portfolios of Shari'ah-compliant equities, *ṣukūk*, Islamic money market instruments, Shari'ah-compliant equity-related securities, or Islamic deposits that adhere to the Shari'ah and sustainable investment principles. This represents a substantial advance in promoting and standardising investments for the improvement of the society. The list of the waqf-featured funds and their waqf purposes are summarised in **Table 1**.

**Table 1: Waqf-Featured Funds and Their Philanthropic Waqf Purposes**

| Fund Type  | Fund Name                        | Waqf Purposes  |
|------------|----------------------------------|--|
| Unit trust | Makmur myWakaf Fund              | <ul style="list-style-type: none"> <li>• Healthcare</li> <li>• Education</li> <li>• Community empowerment</li> </ul>   |
| Unit trust | PMB-An-Nur Waqf Income Fund      | <ul style="list-style-type: none"> <li>• General welfare and charity</li> <li>• Management and donations to mosques</li> <li>• Human capital, development, education and entrepreneurship</li> </ul> |
| Unit trust | Kenanga Waqf Al-Ihsan Fund       | <ul style="list-style-type: none"> <li>• Healthcare</li> <li>• Education</li> <li>• Community empowerment</li> <li>• Environment</li> </ul>  |
| Unit trust | Maybank Mixed Assets-I Waqf Fund | <ul style="list-style-type: none"> <li>• Healthcare</li> <li>• Education</li> <li>• Community empowerment</li> <li>• Environment</li> </ul>  |

**Table 1: Waqf-Featured Funds and Their Philanthropic Waqf Purposes (Cont.)**

| Fund Type  | Fund Name  | Waqf Purposes  |
|--|--|--|
| Wholesale (for sophisticated/high-net-worth investors) | Emergency Waqf Musa'adah Fund of Kenanga Sustainability Series | <ul style="list-style-type: none"> <li>• Emergency assistance in the event of climate change-related disasters or future pandemics.</li> </ul> |

Source: Prospectuses of four waqf unit trust funds and one wholesale fund

## Behavioural Aspects of Investors' Contribution to Waqf Unit Trusts

The involvement of Muslim Malaysian investors in waqf-featured unit trust funds has remained relatively low since the emergence of these funds in the last year. Consequently, researchers are motivated to examine the behavioural aspects of investors' participation in waqf, specifically focusing on the factors that influence their involvement in waqf-related unit trust funds. The theory of planned behaviour (TPB) has found extensive application in several study domains, such as investigating the intention to participate in monetary waqf (Osman, 2014) and corporate waqf (Hasbullah *et al.*, 2016). The notion argues that purpose serves as a precursor to the actual behaviour. TPB examines the elements that shape an individual's real behavioural preferences towards a specific behaviour. These preferences are impacted by the individual's attitude, subjective norm and perceived behavioural control (Ajzen, 1991). The underlying factors of TPB have yet to be tested in examining the factors influencing participation in waqf unit trusts, which reflects the novelty of the study. In addition to enriching the literature in this field, the findings will serve as a wake-up call for various stakeholders, especially fund managers, waqf institutions and the general public. They will provide insights on how to diversify strategies and raise awareness about participating in waqf unit trust funds with the noble goal of achieving philanthropic impact investing through waqf.

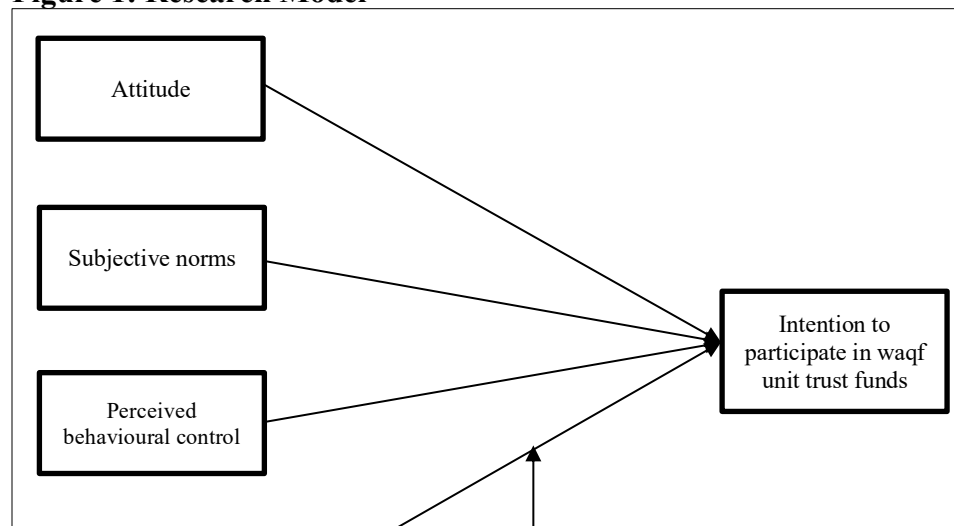
## HYPOTHESIS DEVELOPMENT

**Figure 1** illustrates the research model developed in this study. The proposed model explains the various elements that impact the willingness of Muslims to engage in waqf unit trust funds, as well as the function of religiosity in moderating the relationship between moral norms and the intention to join in waqf unit trust funds.

When assessing an individual's intention to use Islamic financial products, such as Islamic credit card (Amin, 2013; Ali *et al.*, 2017), Islamic insurance (Ab Rahim & Amin, 2011), Islamic banking (Lajuni *et al.*, 2017; Bananuka *et al.*, 2019), and personal financing (Amin *et al.*, 2011), attitude is considered the most important factor. Attitude refers to an individual's evaluation of certain concepts (Bagozzi, 1988). Put simply, an individual's overall attitude towards something or a certain activity significantly influences their intention to participate in that specific behaviour. Previous research has consistently demonstrated the substantial impact of individuals' attitude on their intention to use Islamic financial products (Md. Taib *et al.*, 2008; Lada *et al.*, 2009; Amin *et al.*, 2009). Hence, it is anticipated that attitude has an impact on the decision to participate in waqf unit trust funds. Therefore, the first hypothesis is formulated as:

H1: Attitude has a positive effect on an individual's intention to participate in waqf unit trust funds.

**Figure 1: Research Model**



Source: Authors' own

The role of subjective norms or social influence is frequently examined in studies related to intention to use Islamic financial products (Amin *et al.*, 2013). Subjective norms refer to the perceived societal pressure that influences an individual's decision to engage in or abstain from a particular action (Ajzen, 1991). The sources of perspectives can encompass viewpoints expressed by ulama (Muslim scholars), family members and peers, as well as Shari'ah board members (Md. Taib *et al.*, 2008). Findings have demonstrated that subjective norms affect the use of Islamic credit cards, financing options, and Islamic fintech in the context of a person's intention to use Islamic financial products (Md. Taib *et al.*, 2008; Lada *et al.*, 2009; Amin *et al.*, 2009). Due to its significance in the present investigation, it is anticipated that:

H2: Subjective norms have a positive effect on an individual's intention to participate in waqf unit trust funds.

Perceived behavioural control is the individual's assessment of their ability to manage and accomplish a specific behaviour, taking into account prior experiences and anticipated obstacles and challenges (Ajzen, 1991). Research on customers' willingness to use Islamic financial products has demonstrated that perceived behavioural control has a substantial impact on their intent to employ Islamic banking (Amin *et al.*, 2014; Ayyub *et al.*, 2019). In this study, it is expected that perceived behavioural control will influence an individual's intention to join in waqf unit trust funds. Consequently, the third hypothesis can be formulated as:

H3: Perceived behavioural control has a positive effect on an individual's intention to participate in waqf unit trust funds.

Moral norms refer to expectations that people will act in certain ways, and these expectations are usually social in origin (Nielsen & McGregor, 2013). Within the Islamic faith, adherents are required to participate in acts of philanthropy, and waqf is one of the forms of charitable donation, alongside *sadaqah* (voluntary acts of charity) and *infāq* (voluntary spending for good causes). Waqf yields significant advantages, not just for the individual making the endowment, but also for the broader society (Shukor *et al.*, 2017). Prior research has established a correlation between moral standards and the inclination to engage in benevolent actions such as recycling (Botetzagias



*et al.*, 2015), donating blood (Godin *et al.*, 2005; Godin *et al.*, 2007), and giving zakat (Andam & Osman, 2019). Therefore, the subsequent hypothesis is put forward as:

H4: Moral norms have a positive effect on an individual's intention to participate in waqf unit trust funds.

Waqf donation might be considered one of the most significant manifestations of ethical conduct in contemporary society, as it is a voluntary contribution made for the welfare of others. In Islam, waqf is a highly valued act of worship that will be generously repaid by Allah (SWT). In a hadith narrated by Abū Hurayrah, the Prophet (SAW) said: 'When a man dies, all his acts come to an end but three: recurring charity (*ṣadaqah jāriyah*), knowledge by which [people are] benefited, and a pious child who prays for him' (Muslim, n.d., hadith no. 1631). Waqf contributions are a commendable means of supporting the expansion of the *ummah* (Muslim nation), fulfilling an Islamic religious duty, and attaining Allah's (SWT) blessings. Qurrata *et al.* (2020) found that religion significantly and positively influences an individual's inclination to make a financial waqf donation. He argues that the main factors influencing a person's decision to make a waqf donation are the medium of information and religiosity. Empirical research conducted by Sutarso (2022) reveals that religiosity has impact on behaviour. The study additionally verified that Muslims' opinions about participating in financial waqf are impacted by their degree of religiosity. Presumably, the study's location in Surabaya, a city predominantly inhabited by Muslims, contributed to this outcome. They likely recognised the importance of waqf in the advancement of the *ummah*. Based on the previous explanation, the effect of moral standards on people's intentions to join in waqf unit trust funds is expected to be more pronounced among religious Muslims who perceive contribution to waqf as a means to attain rewards and blessings from Allah (SWT). The aforementioned statement serves as the foundation for the subsequent hypothesis:

H5: The influence of moral norms on an individual's intention to participate in waqf unit trust funds will be moderated by religiosity, such that the effect will be stronger for highly religious individuals.

## METHODOLOGY

### Sample and Procedure

The study employed an online survey to collect the data. An enumerator was appointed to distribute the survey questionnaires via social media platforms, mainly via WhatsApp and Facebook. The enumerator was provided with a comprehensive explanation of the research goals and the process for distributing the online survey questionnaires. Data collection was conducted over the course of four weeks. A total of 404 survey questionnaires were received and deemed adequate for further analysis. The IBM Statistical Package for Social Science (SPSS) version 24 software was utilised for analysing descriptive data, while the Smart PLS3.0 software was employed for conducting structural equation modelling.

### Questionnaire and Measurement

The survey questionnaire consisted of two primary components. The initial phase of the survey encompassed inquiries regarding the demographic characteristics of the respondents, including gender, age, education and income. The second section of the questionnaire consisted of inquiries regarding the factors that influenced the respondents' decision to engage in waqf unit trust funds.

The measurement of all items was conducted by the administration of a survey, where respondents were asked to rate their agreement on a five-point Likert scale, with ‘1’ representing strong disagreement and ‘5’ representing strong agreement. The measurement items were derived from previous studies with some alterations. The measurement of attitude involved the use of five items, including three items assessing subjective norms, four items assessing perceived behavioural control, 14 items assessing religiosity, five items assessing moral norms, and three items assessing purpose.

## RESULTS AND FINDINGS

### Demographic Profile of Respondents

**Table 2** illustrates the respondents’ profiles. In total, 46.5 per cent of the respondents were males and 53.5 per cent were females. The information on age demonstrated that more than half (71.8 per cent) were between 20 and 30 years, followed by respondents aged between 31 and 40 years (16.3 per cent), between 41 and 50 years (7.9 per cent), between 51 and 60 years (2.7 per cent), and between 61 and 70 years (1.2 per cent). With regard to educational background, 8.4 per cent attained secondary level education, 9.9 per cent hold a diploma or/and certificate, 71.5 per cent had a bachelor’s degree, 7.4 per cent had a master’s degree, and the remaining (2.7 per cent) had a PhD. In terms of the respondents’ income, the majority (86.2 per cent) earned below MYR3,000 while 13.8 per cent of the respondents earned above MYR3,001. Forty-six per cent of the respondents worked in the private sector, 33.2 per cent declared themselves as students, 11 per cent were employed in the government sector, while self-employed and unemployed respondents represented 5.2 per cent and 4.5 per cent, respectively.

**Table 2: Profile of Respondents**

| Demographic Variables | Category    | Sample (N=404) |              |
|-----------------------|-------------|----------------|--------------|
|                       |             | Frequency      | Per cent (%) |
| Gender                | Male        | 188            | 46.5         |
|                       | Female      | 216            | 53.5         |
| Age                   | 20–30 years | 290            | 71.8         |
|                       | 31–40 years | 66             | 16.3         |
|                       | 41–50 years | 32             | 7.9          |
|                       | 51–60 years | 11             | 2.7          |
|                       | 61–70 years | 5              | 1.2          |

**Table 2: Profile of Respondents (Cont.)**

| Demographic Variables | Category                   | Sample (N=404) |              |
|-----------------------|----------------------------|----------------|--------------|
|                       |                            | Frequency      | Per cent (%) |
| Education             | Secondary school and below | 34             | 8.4          |
|                       | Diploma or/and Certificate | 40             | 9.9          |
|                       | Bachelor Degree            | 289            | 71.5         |
|                       | Master                     | 30             | 7.4          |
|                       | PhD                        | 11             | 2.7          |
|                       |                            |                |              |
| Monthly Income        | Below MYR1,000             | 152            | 37.6         |
|                       | MYR1,001–2,000             | 60             | 14.9         |
|                       | MYR2,001–3,000             | 136            | 33.7         |

|                   |                    |     |      |
|-------------------|--------------------|-----|------|
| <b>Occupation</b> | MYR3,001–4,000     | 26  | 6.4  |
|                   | MYR4,001–5,000     | 6   | 1.5  |
|                   | MYR5,001 and above | 24  | 5.9  |
|                   | Government         | 45  | 11.1 |
|                   | Private sector     | 186 | 46.0 |
|                   | Self-employed      | 21  | 5.2  |
|                   | Unemployed         | 18  | 4.5  |
|                   | Student            | 134 | 33.2 |
|                   |                    |     |      |

Source: Authors' own

### Partial Least Squares (PLS) Path Modelling

In this study, PLS path modelling using the SmartPLS 3.0 software (Ringle *et al.*, 2015) was utilised to examine the measurement and structural model as it does not require normality assumption and survey research is typically not normally distributed (Chin *et al.*, 2003). As recommended by Anderson and Gerbing (1988), a two-step approach to test the model developed was followed. The two-step approach requires the researcher to establish a valid measurement model before testing the structural model.

### Assessment of the Measurement Model

For the measurement model, loadings, average variance extracted (AVE) and composite reliability (CR) were assessed. The values of loadings should be  $\geq 0.5$ , the AVE should be  $\geq 0.5$  and the CR should be  $\geq 0.7$ . As shown in **Table 3**, the AVEs are above 0.5 and the CRs are all higher than 0.7. The loadings were acceptable with the exception of Mor11 (0.688), Rel13 (0.537), Rel14 (0.548), Rel11 (0.582), Rel12 (0.547), Rel10 (0.565), Rel9 (0.622), Rel8 (0.667), and Rel7 (0.674), which had low loadings value and were deleted.

The discriminant validity of the model was subsequently evaluated using the Heterotrait-Monotrait (HTMT) ratio of correlations. As shown in **Table 4**, all HTMT values were between 0.85 and 0.90, indicating that the constructs were distinct (Henseler *et al.*, 2015).

**Table 3: Measurement Model**

| Construct Items  | Loadings<br>>0.7 | AVE<br>>0.5 | Composite<br>Reliability<br>>0.7 | Cronbach<br>Alpha<br>>0.7 |
|--|------------------|-------------|----------------------------------|---------------------------|
| <b>Attitude</b>  |                  |             |                                  |                           |
| Participating in waqf unit trust funds is beneficial (Att1)  | 0.717            | 0.648       | 0.902                            | 0.864                     |
| Participating in waqf unit trust funds is rewarding (Att2)   | 0.764            |             |                                  |                           |
| I have a positive perception of waqf unit trust funds (Att3) | 0.852            |             |                                  |                           |
| Participating in waqf unit trust funds is a good idea (Att4) | 0.863            |             |                                  |                           |
| I like waqf unit trust funds (Att5)                          | 0.819            |             |                                  |                           |
| <b>Subjective Norm</b>                                       |                  |             |                                  |                           |

|   |       |       |       |       |
|---|-------|-------|-------|-------|
| Most people who are important to me think I should participate in waqf unit trust funds (SubjNorm1)       | 0.869 | 0.746 | 0.898 | 0.830 |
| My friends would think I should participate in waqf unit trust funds (SubjNorm2)                          | 0.851 |       |       |       |
| It is expected of me that I should participate in waqf unit trust funds (SubjNorm3)                       | 0.871 |       |       |       |
| <b>Perceived Behavioural Control</b>  |       | 0.675 | 0.893 | 0.840 |
| I have the financial resources to donate waqf through unit trust funds (Pbc1)                             | 0.827 |       |       |       |
| I have the ability to donate waqf through unit trust funds (Pbc2)   | 0.815 |       |       |       |
| I have the knowledge to donate waqf through unit trust funds (Pbc3)                                       | 0.826 |       |       |       |
| Participating in waqf unit trust funds is within my control (Pbc4)  | 0.819 |       |       |       |
| <b>Moral Norm</b>   |       |       |       |       |
| I think it is egoistic not to contribute to waqf unit trust funds at least once (Moral2)                  | 0.745 |       |       |       |
| Contributing money conforms to my principles (Moral3)   | 0.744 |       |       |       |
| I think that not contributing to waqf unit trust funds is egoistic (Moral4)                               | 0.777 |       |       |       |
| I would feel guilty if I do not contribute to waqf unit trust funds (Moral5)                              | 0.808 |       |       |       |
| <b>Intention</b>  |       |       |       |       |
| I will choose waqf unit trust funds as a way for my charity (Int1)  | 0.774 | 0.671 | 0.911 | 0.877 |
| Overall, I plan to participate in waqf unit trust funds (Int2)  | 0.808 |       |       |       |
| I will recommend waqf unit trust funds to my friends (Int3)   | 0.829 |       |       |       |
| My general intention to participate in waqf unit trust funds is high (Int4)                               | 0.863 |       |       |       |
| I will think about opting for waqf unit trust funds (Int5)  | 0.819 |       |       |       |
| <b>Religiosity</b>  |       |       |       |       |
| I often read books and magazines about my faith (Rel1)  | 0.729 | 0.541 | 0.876 | 0.830 |
| I make financial contributions to religious organisations (Rel2)  | 0.731 |       |       |       |
| I spend time trying to grow in understanding of my faith (Rel3)   | 0.790 |       |       |       |
| Religion is especially important to me because it answers many questions about the meaning of life (Rel4) | 0.740 |       |       |       |
| My religious beliefs lie behind my whole approach to life (Rel5)  | 0.700 |       |       |       |
| I enjoy spending time with others who share my religious affiliation (Rel6)                               | 0.717 |       |       |       |

Source: Authors' own

**Table 4: Assessment of Discriminant Validity**

|                                  | 1     | 2     | 3     | 4     | 5     |
|----------------------------------|-------|-------|-------|-------|-------|
| 1. Attitude                      | 0.805 |       |       |       |       |
| 2. Intention                     | 0.554 | 0.819 |       |       |       |
| 3. Moral Norm                    | 0.252 | 0.465 | 0.769 |       |       |
| 4. Perceived behavioural control | 0.477 | 0.563 | 0.385 | 0.822 |       |
| 5. Subjective norm               | 0.465 | 0.541 | 0.385 | 0.571 | 0.864 |
| 6. Religiosity                   | 0.396 | 0.401 | 0.263 | 0.457 | 0.735 |

Source: Authors' own

## Assessment of the Structural Model

The path coefficient estimates, which signify the hypothesised relationships among the constructs, were obtained. As such, the bootstrap procedure ( $n=402$ , sample=5000) was applied, as proposed by Hair *et al.* (2017). **Figure 2** provides the full estimates of the structural model along with **Table 5**, which describes the result of the proposed structural model with regard to the path coefficient standard error and t-statistics. The results revealed a significant positive relationship between attitude and intention ( $b = 0.273$ ,  $t = 5.326$ ,  $p = 0.000$ ), hence supporting H1. The results also show a positive relationship between subjective norm and intention ( $b = 0.174$ ,  $t = 2.667$ ,  $p = 0.008$ ) and a positive relationship between perceived behavioural control and intention ( $b = 0.211$ ,  $t = 3.595$ ,  $p = 0.000$ ), thus H2 and H3 were supported. The results also show a positive relationship between moral norms and intention ( $b = 0.196$ ,  $t = 4.090$ ,  $p = 0.000$ ), which supports H4.

This study utilised the product indicator approach in Partial Least Square–Structural Equation Modelling (PLS-SEM) to test the moderation effect and find out how strong the effect of religiosity is as a moderator on the relationship between moral norms and intention. The product indicator method was used since the moderating variable (i.e., religiosity) was continuous in nature (Rigdon *et al.*, 2017). As shown in **Table 5**, religiosity moderates the relationship between moral norms and intention ( $b = 0.082$ ,  $t = 2.420$ ,  $p = 0.016$ ), hence H5 was supported.

**Table 5: Direct Relationships for Hypothesis Testing**

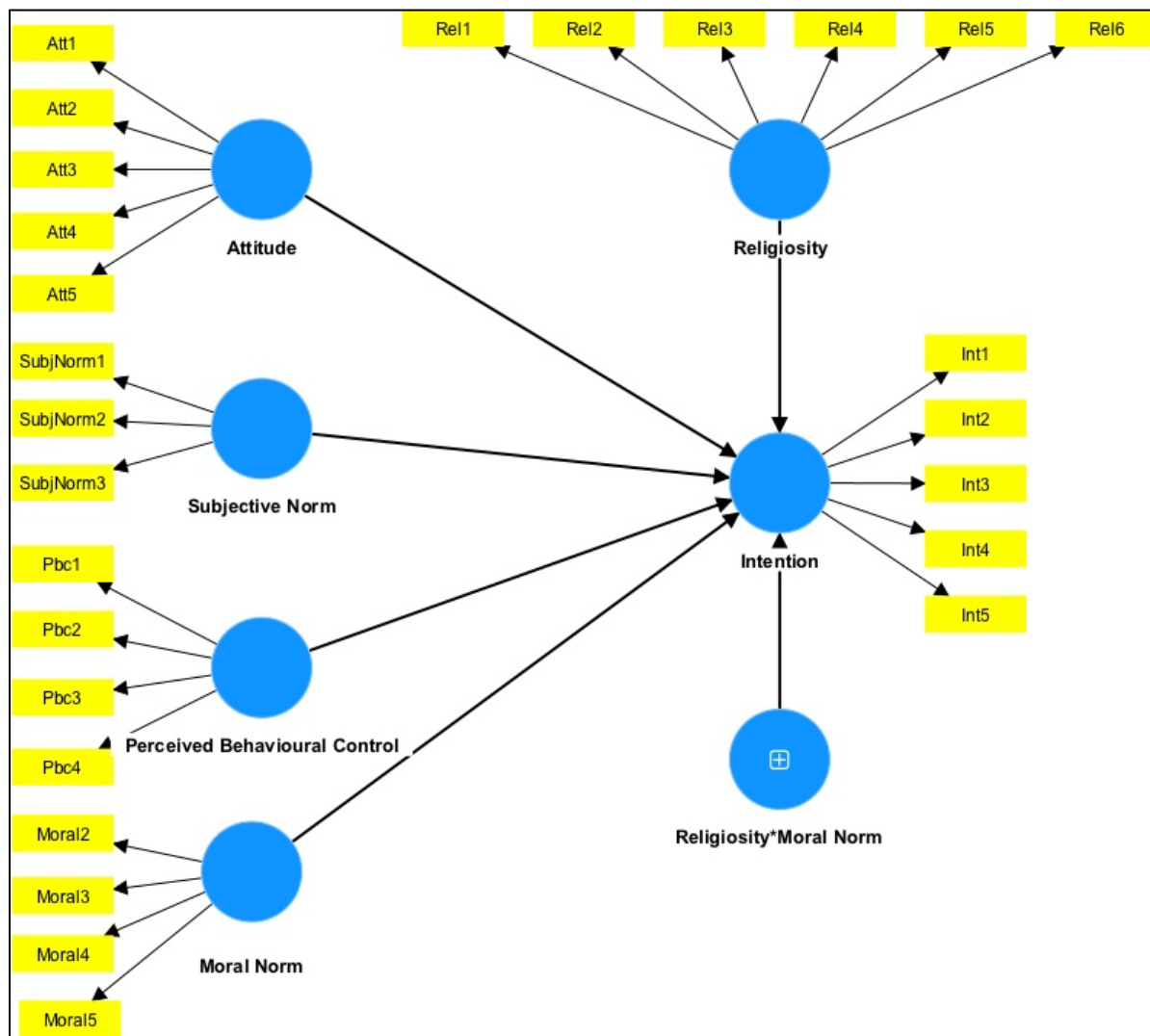
| Hypotheses                                   | Std Beta | Std Error | t-values | p-values | 5% (LLCI)* | 95% (ULCI)** | Decision  |
|--|----------|-----------|----------|----------|------------|--------------|-----------|
| H1 Attitude → Intention                      | 0.273    | 0.274     | 5.326    | 0.000    | 0.190      | 0.358        | Supported |
| H2 Subjective norm → Intention               | 0.174    | 0.173     | 2.667    | 0.008    | 0.063      | 0.278        | Supported |
| H3 Perceived behavioural control → Intention | 0.211    | 0.211     | 3.595    | 0.000    | 0.118      | 0.320        | Supported |
| H4 Moral norm → Intention                    | 0.196    | 0.197     | 4.090    | 0.000    | 0.117      | 0.275        | Supported |
| H5 Moral norm*Religiosity → Intention        | 0.082    | 0.082     | 2.420    | 0.016    | 0.029      | 0.139        | Supported |

Source: Authors' own

\*LLCI: Lower limit confidence interval

\*\*ULCI: Upper limit confidence interval

**Figure 2: Results of the Structural Model**



Source: Authors' own

The  $R^2$  value assessment, also called the coefficient of determination, is another important criterion that the PLS-SEM model suggests (Hair *et al.*, 2011; 2018; Henseler *et al.*, 2015).  $R^2$  shows how much variation in the dependent variables can be explained by one or more predictor variables (Hair *et al.*, 2018).  $R^2$  values range from 0 to 1, with 1 being the highest (most accurate) predictive accuracy score (Hair *et al.*, 2017). Therefore, the rule of thumb within the scholarly marketing articles is that 0.75, 0.50 and 0.25 are generally described as substantial, moderate and weak respectively (Hair *et al.*, 2017). In the present study, the  $R^2$  value for intention is 0.514. This means that 51 per cent of the difference in intention can be explained by attitude, perceived behavioural control, subjective norm, and moral norms. Thus, keeping in view the threshold of  $R^2$  being greater than 0.1, the  $R^2$  value of 0.514 is deemed acceptable (Falk & Miller, 1992).

The effect size of the predictor constructs may be determined by using Cohen's  $f^2$ . The effect size  $f^2$  defines how an independent latent variable shift is greatly affected by a change in  $R^2$  from the dependent latent variable, where it shows the power that contributed to an endogenous

construct in explaining an exogenous construct (Ramayah *et al.*, 2018). Generally, the  $f^2$  values of 0.35, 0.15, and 0.02 are respectively considered as large, medium, and small in assessing the effect size (Cohen, 1988). **Table 6** shows that all the constructs have a small effect size. Thus, it can be concluded that all the relationships have a small effect in determining the  $R^2$  for intention.

**Table 6: Effect Size**

| Constructs                    | F Square | Effect Size Rating |
|-------------------------------|----------|--------------------|
| Attitude                      | 0.114    | Small              |
| Perceived behavioural control | 0.044    | Small              |
| Subjective norm               | 0.039    | Small              |
| Moral norms                   | 0.083    | Small              |

Source: Authors' own

## DISCUSSION

This study intends to examine the determinant factors that affect participation in waqf unit trust funds in Malaysia. The findings confirm that attitude is positively related to the intention in contributing to waqf unit trust funds. This implies that an individual's positive attitude towards waqf unit trust funds has a major impact on their willingness to contribute to the waqf fund. The findings corroborate earlier studies indicating that attitude significantly influences an individual's inclination to engage in Islamic financial products (Md. Taib *et al.*, 2008; Lada *et al.*, 2009; Amin *et al.*, 2009). If a significant number of investors perceive the waqf fund as the most suitable unit trust for their needs, it will result in a higher level of participation in waqf unit trust funds. Furthermore, this study reveals that the individual's intention to participate in waqf unit trust funds is determined by subjective norms. This discovery demonstrates that the social influence exerted by one's environment, including family and friends, significantly impacts an individual's decision to participate in waqf unit trust funds.

The positive relationship between perceived behavioural control and an individual's intention to participate in waqf unit trust funds implies that the value of waqf funds has fostered a favourable perception of individuals' behaviour. This, in turn, leads to a higher number of individuals contributing to waqf unit trust funds. The study's findings indicate that individuals' moral norms are significantly related to the intention to participate in waqf unit trust funds. Previous studies have shown that moral norms have a positive influence on the intention to perform kindness in donating blood, recycling and almsgiving (zakat) (Godin *et al.*, 2005; Botetzagias *et al.*, 2015; Andam & Osman, 2019). An individual's moral norm vis-à-vis the waqf fund plays a crucial role in deciding their intention to participate in waqf unit trust funds. The waqf unit trust fund can yield significant benefits for both the endower and the wider society if there are positive expectations associated with it (Shukor *et al.*, 2017).

The study confirmed that religiosity plays a moderating role in influencing the connection between moral norm and the intention to engage in waqf unit trust funds. The results demonstrate that religiosity significantly and positively influences an individual's decision to make a financial waqf contribution (Qurrata *et al.*, 2020). Waqf is a form of worship that is highly regarded and will be greatly rewarded by Allah (SWT). Research has demonstrated that the influence of moral norms on individuals' intention to participate in waqf unit trust funds is more pronounced among devout Muslims who feel motivated to contribute waqf in order to receive rewards and blessings from Allah (SWT).

## PRACTICAL IMPLICATIONS

Participation in waqf unit trust funds has been relatively low since the inception of this waqf product approximately a year ago in 2023. Thus, it is important to get strong support and wide participation of investors in achieving the philanthropic objectives embedded in each fund to ensure the success of impact investing. Increasing awareness about waqf unit trust funds is crucial for individuals to understand the power of combining investment and charity. It requires a well-rounded strategy that combines informative communication, targeted outreach, and collaboration with key stakeholders.

The results of this study suggest a number of practical initiatives that can be introduced by waqf institutions and investment fund companies to encourage Muslim participation in waqf unit trust funds. Findings from this study show that an individual's attitude, subjective norms, perceived behavioural control and moral norms play important roles in influencing them to participate in waqf unit trust funds. As such, partnering with religious institutions and community organisations can help reach a broader audience and foster trust as well as confidence in the concept of waqf unit trust and its benefits. Investment fund companies could promote waqf unit trust funds at mosques or during religious gatherings such as Friday sermons to raise awareness on the newly launched waqf product. The imam at the mosque could provide information on waqf unit trust funds, as the opinions of Muslim scholars have significant importance among Muslims. Furthermore, the promotion of waqf unit trust funds at mosques or religious gatherings would effectively incentivise religious individuals to engage in such funds, as religious individuals are more inclined to participate in religious activities (Worthington Jr. *et al.*, 2003) and exhibit a greater intention to participate in waqf unit trust funds.

One possible course of action is to actively involve community leaders such as politicians and social influencers in promoting the use of waqf unit trust funds and increasing awareness of their potential as a sustainable and meaningful social finance model. In addition, it is crucial to consistently engage with the community by organising educational seminars, workshops and awareness campaigns to provide in-depth knowledge about the concept of waqf unit trusts. Testimonials from beneficiaries of waqf unit trusts could be influential in gaining support and establishing credibility, as individuals are typically motivated by the experiences and accomplishments of others (Akhter *et al.*, 2023). Implementing a targeted marketing campaign that highlights the impact of waqf on community development and social welfare will effectively enhance awareness and stimulate enthusiasm in participation (Nadya *et al.*, 2023).

Utilising social media, digital platforms, or dedicated websites to promote waqf has proven effective in reaching a broader spectrum of individuals (Ismail *et al.*, 2023). Such websites would enable individuals to obtain knowledge and resources and be apprised of success stories pertaining to waqf unit trust funds. Additionally, it is worth considering the potential of religious apps in promoting individuals' involvement in waqf unit trust funds. This initiative possesses the capacity to extend its reach to a broader audience and offer increased opportunities for individuals to participate in novel financial products that incorporate the waqf feature. Leveraging digital marketing tools such as email marketing and search engine optimisation can enhance the visibility of charitable investments like waqf unit trust funds (Ismail & Rasool, 2021). The creation of user-friendly online and mobile platforms, coupled with offering personalised financial planning services, will ensure accessibility and enhance individuals' confidence in participating.



Moreover, collaborating with local media outlets to showcase articles, interviews and documentaries regarding waqf unit trusts would help amplify the message and generate extensive awareness. For instance, the fund managers could partner with local radio stations to effectively communicate with the public and deliver trustworthy information and engaging narratives that emphasise the significance and influence of waqf unit trust funds.

In a nutshell, to effectively raise awareness and promote participation in waqf unit trusts, it is crucial to adopt a comprehensive strategy that encompasses informative communication, targeted outreach, collaboration with relevant stakeholders, incentives and promotions, as well as the sharing of success stories and personal testimonials (Kunhibava *et al.*, 2023).

## CONCLUSION

In conclusion, this study has examined the factors that influence individuals' intention to participate in waqf unit trust funds, shedding light on the dynamics of Islamic philanthropic investments in Malaysia. The findings of this study have significant implications for both academia and practice in the field of Islamic finance. The present study confirms the results of previous research (Godin *et al.*, 2005; Md. Taib *et al.*, 2008; Lada *et al.*, 2009; Amin *et al.*, 2009; Botetzagias *et al.*, 2015; Andam & Osman, 2019) by demonstrating that attitudes, subjective norms, perceived behavioural control, and moral norms have an impact on individuals' intention to participate in waqf unit trust funds. Moreover, individuals' intention to participate in waqf unit trust funds is influenced by their level of religiosity. This study shares certain limitations that are comparable to those found in other investigations.

The primary emphasis of this study is the participation of Muslims in newly established waqf unit trust funds. The findings can be utilised by waqf unit trust managers in Malaysia to develop effective marketing strategies to promote Muslim engagement in waqf unit trust funds. Participation in waqf unit trusts is not limited to Muslims; hence, future studies can be conducted to cover a wider base of respondents, including non-Muslims. Furthermore, future research should investigate the elements that influence an individual's actual behaviour in contributing to waqf unit trust funds, as well as their intention to continue participating in such funds. Additionally, further investigation should examine the impact of characteristics such as credibility and reputation of waqf institutions and fund managers that can influence the public to participate in waqf unit trust funds.

To sum up, by participating in waqf unit trust funds, individuals can contribute to initiatives such as education, healthcare and poverty alleviation. Moreover, investing in waqf unit trust funds enables individuals to satisfy their religious and ethical obligations by engaging in charitable activities through a reliable and transparent financial instrument that embeds the waqf feature.

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## **DECLARATION**

### **Credit Authorship Contribution Statement**

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The authors declare that they have no known competing financial interest or personal relationships that could have influenced the research work.

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### **Data Availability**

None

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### **Appendix**

None