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WAQF AND ZAKAT AS PHILANTHROPIC FUNDRAISING INSTRUMENTS IN HIGHER EDUCATION: EVIDENCE FROM MALAYSIAN PUBLIC RESEARCH UNIVERSITIES

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ABSTRACT

Purpose – Since 2008, government funding for higher education institutions (HEIs) has declined globally, resulting in reduced quality, higher tuition fees, and increased reliance on philanthropic contributions. This issue has been further exacerbated by the COVID-19 pandemic, prompting many PHEIs to turn to philanthropic fundraising. This study explores how Malaysian public research universities (MRUs) utilise Islamic philanthropic instruments—specifically waqf and zakat—to support student teaching and learning. It examines the successes and challenges of these initiatives and proposes a framework for optimising the use waqf and zakat as sustainable fundraising strategies in Malaysian public higher education institutions (PHEIs).

Methodology – A qualitative case study approach was employed. In-depth interviews (both in-person and online) were conducted with nine informants from five selected MRUs, representing four key roles: vice chancellor, bursar/chief financial controller, director of university advancement office/waqf centre, and university legal advisor. Thematic analysis was conducted using both deductive and inductive coding informed by existing literature and emerging themes.

Findings – The study revealed two major outcomes: (1) MRUs have successfully mobilised waqf and zakat for fundraising, and (2) these funds have been effectively channelled to enhance teaching, learning and student welfare. Two categories of challenges were also identified: general challenges, such as

weak culture of giving and limitations within the tax regime; and specific challenges linked to governance and management of zakat, waqf, and university foundations (*yayasan*). The study proposes several initiatives to improve financial sustainability, including public awareness campaigns, tax policy reforms, strategic collaborations with State Islamic Religious Councils (SIRCs), and formalised agreements on fund allocation.

Significance – This study contributes to the growing body of knowledge on Islamic philanthropic fundraising in higher education. The insights provided offer practical implications for Malaysian PHEIs seeking to enhance financial sustainability through waqf and zakat. In doing so, it supports the broader objective of achieving Sustainable Development Goal 4 (SDG 4) on inclusive and equitable quality education.

Keywords: Waqf, zakat, philanthropic fundraising, higher education, religious instrument, funding.

INTRODUCTION

Since the 2008 Great Recession, government funding for public higher education institutions (PHEIs) has decreased globally, resulting in a decline in quality and a significant increase in tuition fees (Mitchell et al., 2017). This prolonged period of financial constraint has compelled PHEIs worldwide to diversify their revenue streams and explore alternative sources of income. Philanthropy has emerged as a viable option for securing additional financial support (Rohayati et al., 2022). The situation worsened with the onset of the COVID-19 pandemic, which disrupted recovery efforts and further strained the finances of higher education institutions. The World Bank reported that most countries—particularly emerging and developing countries—reduced funding for higher education to prioritise health and social protection measures (World Bank, 2020). Despite the passage of time since the height of the pandemic, global trends indicate that government funding for higher education has remained stagnant and, in some cases, have continued to decline (The World Bank & UNESCO, 2022).

Although the pandemic has severely impacted the higher education sector, scholars argue that it also presents a window of opportunity for institutional transformation and long-term sustainability in the post-pandemic era (Ashour et al., 2021; Friedman et al., 2020; Hodges, 2021; Lumina Foundation, 2020; Sziegat & Hong, 2020; Tsantopoulos et al., 2022). In this context, financial reform efforts increasingly point to the importance of optimising third stream income sources, particularly through endowments and philanthropic fundraising. Philanthropic fundraising typically follows two main approaches: conventional and Islamic. Conventional fundraising involves contributions from donors to endowment funds, generally with the intention of supporting educational advancement. In contrast, Islamic philanthropic fundraising utilises religiously sanctioned financial instruments such as zakat, waqf, and infaq. This study focuses specifically on the roles of zakat and waqf as alternative fundraising mechanisms for Malaysian PHEIs.

Similar to trends observed in other countries, Malaysian PHEIs are currently experiencing financial challenges with rising operational costs exceeding revenue (Cheuk et al., 2021). In response to these ongoing challenges, the Malaysia Education Blueprint 2015-2025 (Higher Education) (Ministry of Higher Education, 2016) was introduced to reform the national higher education system. Among the ten strategic shifts outlined in the blueprint, shift 5 specifically addresses the financial sustainability of PHEIs. To support this initiative, the University Transformation Programme's (UniTP) Purple Book was published, providing guidance to university administrators on generating revenue through

alternative channels—particularly business ventures and philanthropic fundraising (Ministry of Higher Education, 2016).

Within the Malaysian higher education landscape, the five designated public research universities (MRUs) are tasked with advancing the country's research and innovation agenda. However, MRUs are currently under significant pressure due to escalating costs, reduced government allocation, and limited success in generating income. Studies indicate that MRUs have yet to make substantial progress in narrowing the funding gap (Nik Ahmad et al., 2019). Nevertheless, scholars and practitioners contend that Malaysian PHEIs have undertaken several innovative efforts to diversify and apply Islamic financial instruments in addressing these fiscal challenges. Against this backdrop, the present study investigates how Malaysian public research universities (MRUs) are utilising Islamic philanthropic tools—specifically waqf and zakat—to support student teaching and learning. The study presents exploratory findings that highlight both the successful outcomes and the key challenges encountered in philanthropic fundraising through these Islamic instruments. Furthermore, it proposes a framework to guide Malaysian PHEIs in strengthening philanthropic fundraising through waqf and zakat initiatives.

Islamic Financial Instruments in Higher Education

The application of Islamic financial instruments in education—particularly in higher education—has a long-standing history. One of the earliest recorded uses dates back to 859 CE with the founding of Al-Qarawiyyin University, in Morocco, widely regarded as the world's oldest existing university (Cengic, 2020; Hoque & Abdullah, 2021; Lahlou, 2023; Merah et al., 2017). This historical evidence underscores the role of Islamic financial instruments in pioneering higher education funding systems. In the 21st-century context, Türkiye has emerged as a global leader in implementing Islamic financial mechanisms in higher education, while Malaysia has distinguished itself as a pioneer in diversifying these instruments across higher education institutions (HEIs) (Abd. Jalil, 2020; Usman & Rahman, 2021).

Among the various Islamic financial tools, zakat and waqf are the two most prominent in the context of philanthropic fundraising (Ahmad et al., 2021; Isa et al., 2016). Zakat, as one of the pillars of Islam, is a divinely mandated act of worship (*ibadah*). From an economic perspective, zakat plays a vital role in promoting social development and enhancing public welfare (Azizah et al., 2023; Suprayitno, 2020). Given that it is an obligatory practice in Islam, zakat ensures a continuous flow of funds, making it a sustainable and potentially powerful fundraising instrument for the higher education sector.

In contrast to zakat, waqf (plural: awqaf) is not an obligatory practice in Islam. Rather, it is a voluntary form of charitable endowment that plays a vital role in supporting Muslim communities, especially marginalised groups (Razak, 2020). Although not an obligatory practice in Islam, the establishment of waqf is highly encouraged in Islamic teachings, with donors promised enduring rewards in the hereafter. From a philanthropic standpoint, waqf differs significantly from conventional endowments. While typical endowments are owned and managed by individuals or institutions, a waqf is considered to be owned by Allah SWT. Its purpose is to ensure the perpetual use of donated assets for the benefit of the public and the broader community (Isa et al., 2016).

Waqf and Zakat in Malaysian Higher Education

In the context of Malaysian higher education, Malaysia is widely known for its innovative efforts to diversify Islamic financial instruments within HEIs (Abd. Jalil, 2020; Usman & Rahman, 2021). According to Rusydiana et al. (2021), Malaysia stands out as one of the most active countries in

discussions and research related to Islamic financial instruments. A bibliometric analysis conducted by Rusydiana et al. (2021) further reveals that ‘higher education’ frequently emerges as a key research focus within this area, with Malaysian institutions playing a leading role in advancing scholarly contributions on the topic. In 2016, the University Transformation Programme (UniTP) Purple Book was introduced to guide university administrators on the governance of Islamic financial instruments in higher education. However, the UniTP Purple Book primarily addresses waqf and does not extensively cover on zakat. It outlines three governance models based on the various stakeholders and legal jurisdictions across Malaysia. This is particularly significant because both zakat and waqf fall under the jurisdiction of individual state governments in Malaysia.

More specifically, the authority to manage zakat and waqf lies with each state’s State Religious Council Authority (SRCA). Zakat collection is administered by the Zakat Management Centre—an institution incorporated under the SRCA—while waqf is managed directly by the SRCA or through dedicated waqf corporations (Hasan et al., 2019; Hasbullah & Ab Rahman, 2021; Khairuddin & Ishak, 2023; Ministry of Higher Education Malaysia, 2016; Mujani et al., 2018; Usman & Ab Rahman, 2023). Studies have shown that Islamic philanthropic mechanisms such as waqf and zakat can play a significant role in addressing the financial challenges faced by PHEIs. These instruments, when effectively managed, contribute not only to financial sustainability but also to the advancement of research, education, and community development (Iswari, 2021).

METHODOLOGY

This study has two main objectives: (i) to identify the successful outcomes and challenges of waqf and zakat as fundraising instruments in higher education, and (ii) to analyse these outcomes to understand the relationships among the variables and propose a way forward. The study was conducted across five MRUs, where findings confirmed that both zakat and waqf are actively utilised as philanthropic tools in all the institutions examined.

Adopting a qualitative research design, the study relied primarily on in-depth interviews for data collection. As noted by Rutledge and Hogg (2020), the objective of in-depth interviews is to gather rich, detailed information that captures individuals’ perspectives, experiences, emotions, and interpretations of a particular issue. To gain a comprehensive understanding of philanthropic fundraising in higher education, the study conducted in-depth interviews with informants from distinct institutional roles within PHEIs, ensuring a variety of viewpoints and experiences were represented.

The four (4) informant groups were as follows:

- Group 1: Vice-Chancellor
- Group 2: Bursar/Chief Financial Controller
- Group 3: Director of University Advancement Office/Waqf Director
- Group 4: University Legal Advisor

A total of nine (9) informants from the five selected universities participated in the study. Interviews were conducted through a combination of online sessions using the WebEX platform and face-to-face meetings. Informants were selected based on their institutional roles and their years of experience dealing with philanthropic fundraising in higher education. In addition to the primary data, secondary

data was collected from relevant documentation, reports, and policy documents that were deemed credible and pertinent to the study's focus. Table 1 provides an overview of the informants in the study.

Table 1

Overview of the Informants Involved in the Study

Number	Code	Group type	Group detail
1	0102	1	Vice-chancellor
2	0104	1	Vice-chancellor
3	0204	2	Bursar/chief financial controller
4	0301	3	University advancement officer/waqf director
5	0302	3	University advancement officer/waqf director
6	0303	3	University advancement officer/waqf director
7	0401	4	University legal advisor
8	0403	4	University legal advisor
9	0404	4	University legal advisor

The primary and secondary data collected through interview sessions and documentation study were analysed using NVIVO 12 to identify relevant codes and emerging themes. This analytical process was important for establishing connections between the predefined variables and the new emerging themes. The study employed a combination of open coding, axial coding and selective coding to organise and interpret the data. Both deductive and inductive coding approaches were used: deductive coding was based on the theoretical framework obtained from the literature, while inductive coding allowed for the identification of new themes emerging directly from the data. To ensure validity of the findings, data triangulation was carried out between different types of informants and supporting documentation. Reliability was established through peer debriefing, a process in which the research findings were shared with field experts who provided critical feedback to help identify potential biases, assumptions, or inconsistencies in interpretation.

FINDINGS

This study adopted a structured coding approach, incorporating open coding to identify initial codes, axial coding to group codes into broader categories, and selective coding to develop themes. Through this process, four themes emerged:

- **Success in fundraising** and **success in distribution**, which represent the core themes of successful outcomes, and
- **General challenges** and **specific challenges**, which constituted the core themes related to challenges.

This section presents the findings based on these key themes, each of which includes specific categories and associated codes derived from the data.

Successful Outcomes of Waqf and Zakat as Philanthropic Fundraising Instruments in Malaysian Public Research Universities (MRUs)

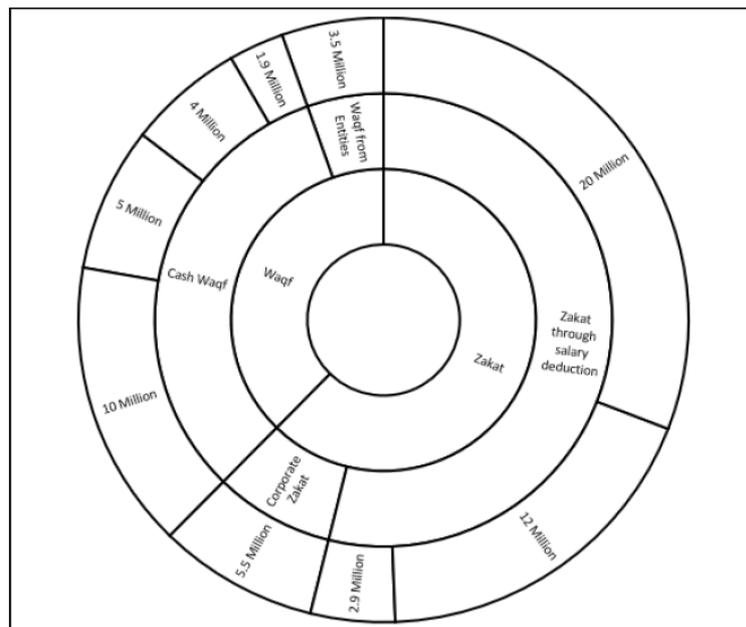
Under the core themes of successful outcomes, two sub-themes were identified in this research: (1) the success of MRUs in fundraising through waqf and zakat, and (2) the success of MRUs in distributing funds to support teaching and learning.

MRUs' Success in Fundraising through Waqf and Zakat

Success in fundraising refers to the ability of MRUs to effectively accumulate funds through waqf and zakat initiatives. This is supported by data gathered during the study, which highlights the institutions' achievements in leveraging Islamic philanthropic instrument to supplement institutional funding. Figure 1 provides an overview of MRUs' fundraising performance through waqf and zakat from 2020 to 2022.

Figure 1

The Success of MRUs in Fundraising through Waqf and Zakat from 2020 to 2022



Source. Data from interviews with informants.

Based on Figure 2, a total of RM64.8 million was raised by the MRUs between 2020 and 2022. Of this amount, RM40.4 million (62.34%) originated from zakat contributions, while RM24.4 million (37.65%) came from waqf contributions. These findings underscore the significant potential of Islamic financial tools in helping PHEIs bridge financial gaps.

Zakat emerged as the dominant source of fundraising, largely driven by salary deduction schemes and corporate zakat contributions. The collected zakat amount, totalling RM40.4 million, illustrates the effectiveness of structured mechanisms such as salary deductions, which facilitates consistent contributions from Muslim employees. Additionally, regional socioeconomic conditions and Muslim population density played a significant role in influencing the volume of zakat collected. For example, institutions located in economically vibrant regions such as Lembah Klang (Greater Kuala Lumpur)

reported substantially higher collections than those in less affluent areas. This disparity was highlighted by informant 0404 who remarked:

“Actually, we are left behind by the universities at Lembah Klang because the university at Lembah Klang can make collections up to RM12 million to RM20 million. Maybe because the state economic base is different.”

However, informant 0404 noted that the zakat collected by MRUs in Kelantan exceeds that of MRUs in Penang, despite Penang’s more favourable socioeconomic environment. This discrepancy can be attributed to the higher number of zakat contributors in Kelantan compared to Penang. As informant 0404 explained:

“...there are many people in Kelantan that pay zakat compared to Penang.”

In addition to individual contributions, corporate zakat—particularly from the banking sector—plays a significant role in MRUs’ fundraising success. According to informant 0404, banks are among the most significant corporate contributors to zakat in Malaysia. The informant elaborated:

“They are the ones who approach the banks. The bank will pay zakat every year. It is usually the bank that pays zakat to the religious council. The religious council will give back to the HEIs (50%). So, this is what they distribute. So, we must capture. If it is not full, we take a part of it for us too, albeit with challenges in engaging other industries due to cultural and legislative hurdles.”

On the other hand, waqf contributions amounted to RM24.4 million, with cash waqf emerging as the most significant source, accounting for over RM20 million. As noted by informant 0204, cash waqf is highly preferred among MRUs due to its simplicity and direct impact:

“Cash waqf is a special waqf. Cash waqf goes directly into the fund. Money is contributed in terms of cash. Cash waqf is much more preferable.”

The growing prominence of cash waqf is largely attributed to the convenience offered by digital platforms, such as JomPay and e-banking, which enable seamless contributions from alumni, staff, and the general public.

In addition to individual donations, other notable sources of waqf include contributions from corporations, NGOs, and state governments, and productive waqf initiatives—such as investments in healthcare services and rental properties. Uniquely in the Malaysian context, royalty figures are also among the major donors to MRUs. Informant 0303 highlighted this exceptional feature of Malaysian waqf fundraising:

“Sometimes we organise an event where we invite the Sultanah or Sultan to inaugurate the function. It is very important because this is something big. I have observed some HEIs management is embarking on. I think last year, in September or August, and we have received from this foundation (classified). We received from many including the royalties...many waqf fund, sponsorship or donation.”

These productive waqf initiatives demonstrate the potential not only to sustain but also to grow waqf funds, making them a promising avenue for ensuring long-term financial sustainability within HEIs. In this study, informant 0303 highlighted that MRUs have begun engaging with corporations experienced in managing productive waqf, seeking to adopt best practices for future implementation. One such collaboration is with Waqf JCorp, a well-established model in Malaysia. As the informant explained:

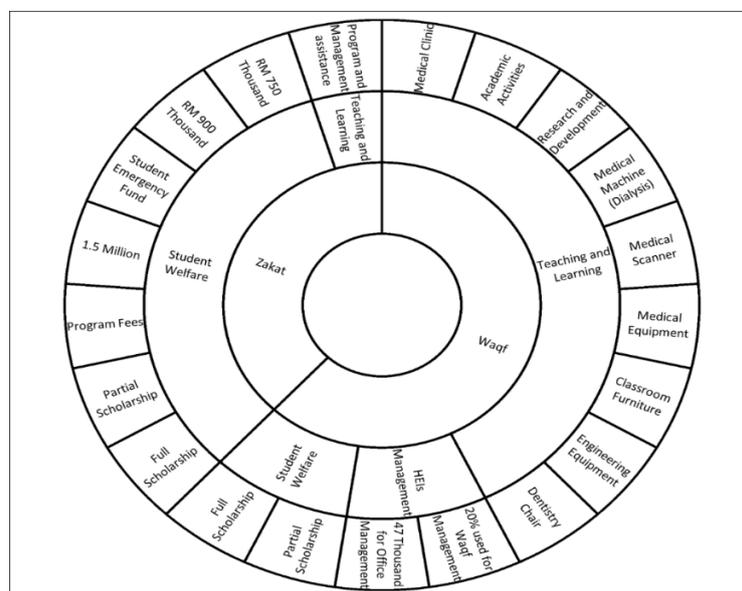
“They can operate waqf by themselves. We are tapping on that because we have already started to collaborate with Waqf JCorp. We are learning from them on how to improve the value of waqf and productive waqf so that we can emulate their model in our organisation.”

MRUs’ Success in Distributing Waqf and Zakat Funds

While the study confirms that MRUs have successfully fundraised through waqf and zakat, an equally important consideration is the effectiveness of fund utilisation, particularly in enhancing teaching and learning within these institutions. In defining the scope of teaching and learning, Awang-Hashim et al. (2023) asserts that it must encompass all elements involving lecturers and students, forming a holistic spectrum. This includes pedagogy, teaching assets and tools, physical and psychological environments, as well as the objectives of learning and instruction. Figure 2 provides an overview of the key areas in which MRUs have successfully channelled waqf and zakat funds, highlighting their tangible contributions to educational development.

Figure 2

The Successes of Malaysian Public Research Universities (MRUs) in Distributing Waqf and Zakat Funds



Source. Data from interviews with informants.

The effective distribution of waqf and zakat funds is evident in how these Islamic financial tools are strategically directed toward supporting teaching, learning, and student welfare within MRUs. Waqf funds have played a crucial role in enhancing educational infrastructure with significant allocations directed toward healthcare-related assets—including medical equipment, scanners, and university clinics—as well as classroom furniture and engineering tools. These investments align with the

institutional goals to improve the overall teaching and learning environment, ensuring that academic delivery is supported by modern, well-equipped facilities.

In contrast, zakat funds, by their very nature, are primarily allocated to support students who fall within the eight asnaf categories. These include: fuqara (extremely poor), masakin (the needy), amil zakat (zakat administrators), muallaf (new converts to Islam), riqab (those in bondage or slave), gharimin (those in debt), fisabilillah (those striving in the path of Allah) and Ibn al-sabil (stranded travellers). Informant 0301 confirmed that the zakat funds distributed to MRUs are used primarily to assist students from these categories through various welfare initiatives, educational programmes and support services:

“As for the zakat, we give close to RM1 million for welfare, activities, programmes, and management related to the students in the asnaf categories.”

Accordingly, the allocation of zakat is governed by Islamic regulations, ensuring that the zakat funds remain focused on student welfare, and are directed specifically towards those who qualify under the defined asnaf categories.

The findings of this study reveal that full scholarships are awarded to students from B40 households, while partial scholarships are provided to those from M40 families who also fall under the asnaf categories. These scholarships play a pivotal role in alleviating financial burdens, enabling students to focus on their studies without the added stress of financial hardship. In addition to scholarships, zakat contributions are also utilised to fund various welfare programmes, further reinforcing the alignment of zakat distribution with the social equity objectives of PHEIs.

In contrast to zakat, waqf funds demonstrate greater flexibility in allocation. While a significant portion is directed towards supporting educational infrastructure, waqf contributions are also used to support management and operational functions within PHEIs. This includes allocations for office operations, hiring staff and enhancing the administrative efficiency of waqf initiatives. As confirmed by several informants:

“The allocation for office management fund in waqf is RM47 thousand, and this is the education waqf fund for the year 2021.” (Informant 0301)

“The same goes for waqf. Up to 20% of the waqf can be used for the management affairs. So, if the waqf contribution is huge, we can independently hire staff for waqf operations.” (Informant 0404)

This adaptability underscores the broader applicability of waqf contributions in addressing not only educational priorities but also institutional and operational needs.

Waqf and Zakat Challenges as Philanthropic Fundraising Instruments in Malaysian Public Research Universities (MRUs)

PHEIs, including MRUs, are facing unprecedented financial challenges due to increasing costs of operations and the increasing demand for quality education (Isa et al., 2016). In response, zakat and waqf have emerged as viable alternative sources of funding, offering an important supplement to traditional revenue streams. However, despite the fundraising successes highlighted earlier, this study finds that MRUs continue to encounter several challenges in leveraging waqf and zakat as sustainable

philanthropic instruments. Table 2 presents an overview of the key challenges faced by MRUs in fundraising through waqf and zakat.

Table 2

The Overview of MRUs' Challenges in Philanthropic Fundraising through Waqf and Zakat

Challenges of Philanthropic Fundraising Through Waqf and Zakat	
Specific	General
<ul style="list-style-type: none"> ➤ The university foundation has limited staff and may not operate effectively. ➤ Some states restrict the redistribution of zakat from one-off contributors affiliated with MRUs. ➤ The foundation exists in name only, with minimal impact. ➤ Wealth zakat is tied to only four asnaf categories. ➤ The foundation exists in name only, with minimal impact. ➤ Waqf that is not invested remains dormant and invisible to potential donors. ➤ Waqf and zakat are not universally understood concepts. ➤ Waqf and philanthropy are still new concepts at the university level. ➤ Tax exemption is only granted if donations support all causes—not exclusively the university. ➤ Strict waqf regulations complicate fund utilisation. ➤ Only 12.5% of collected zakat is allocated to universities in certain states. ➤ The university's foundation cannot solely support the university, even if its name is on it. ➤ Individuals within faculties who have strong personal connections may influence zakat distribution. ➤ Managing the foundation's finances remains a critical issue. ➤ Lack of government-driven initiatives to strengthen waqf practices. ➤ University management lacks sufficient expertise in waqf. ➤ There is limited understanding of waqf among stakeholders. ➤ Faculties may wield more influence than the foundation, creating potential conflicts of interest. ➤ Tax exemption is not applicable when zakat is paid directly through the university. ➤ Too many conditions exist for establishing a foundation. ➤ Loose coordination exists between central and state governments. ➤ Challenging requirements hinder the establishment and management of waqf. ➤ Strategic business units under the foundation may result in a 50% revenue loss. 	<ul style="list-style-type: none"> ➤ The culture of giving in Malaysia, particularly toward higher education, remains limited. ➤ The Malaysian tax regime does not incentivise philanthropy especially in the higher education sector. ➤ It is challenging to identify philanthropists who prioritise support for higher education initiatives. ➤ Donors are often reluctant to have their contributions used for general university expenses. ➤ Many donors expect something in return, making pure philanthropic giving less common. ➤ There is preference among some donors to contribute abroad rather than to local institutions. ➤ Current tax policies in Malaysia do not adequately support or encourage donor participation in waqf and zakat contributions.

Based on Table 2, this study identifies a range of challenges that impede the effective utilisation of waqf and zakat as philanthropic fundraising instruments within MRUs. These challenges—categorised into general and specific themes—highlight the presence of systemic, cultural, and operational barriers that must be addressed in order to unlock the full potential of these Islamic financial instruments.

One of the most pressing general challenges is the absence of a strong philanthropic culture, particularly in relation to supporting PHEIs. Donors in Malaysia often prioritise humanitarian causes or religious

institutions, such as tahfiz schools, over universities. Informants observed that this trend stands in contrast to countries such as Türkiye, where charitable traditions are deeply embedded in educational support. As informant 0301 noted:

“Our culture of giving in Malaysia is not at par with the culture in Europe and America.”

This cultural gap underscores the urgent need for targeted awareness campaigns and strategic donor engagement initiatives to foster a culture of giving that aligns with national educational priorities and broader societal development goals.

Another significant general challenge highlighted in this study is the limitation of Malaysia’s current tax regime. While zakat donations are eligible for income tax rebates, waqf contributions do not enjoy similar incentives. Several informants noted that procedural complexities further hinder HEIs from fully claiming tax benefits related to zakat contributions. Additionally, some waqf institutions face challenges in classifying waqf income, complicating their overall financial management and reporting. This issue was highlighted by informant 0302, who stated:

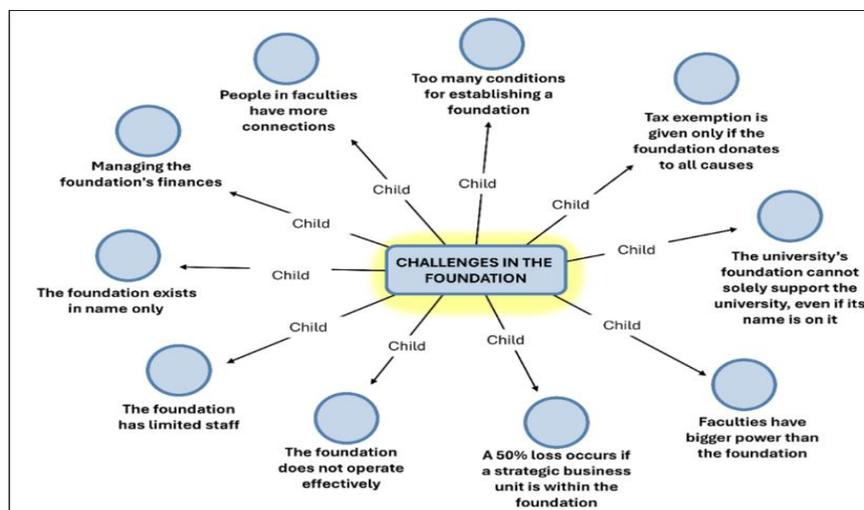
“The tax regime in Malaysia only gives rebates to zakat philanthropists but not waqf philanthropists.”

This disparity in tax treatment highlights the need for policy reforms aimed at incentivising waqf-based philanthropy, thereby encouraging broader and more sustainable participation in Islamic charitable giving for higher education.

Among the specific challenges, this study also found governance and management inefficiencies within the foundations (*yayasan*) established by PHEIs. These foundations play a central role in fundraising through waqf and zakat, as outlined in the UniTP Purple Book, which proposes a foundation-based model for implementing waqf in PHEIs. Despite this strategic direction, numerous structural and operational obstacles persist. The challenges associated with foundation governance and effectiveness are illustrated in Figure 3.

Figure 3

Overview of Challenges Pertaining to the Foundation



Source. Data from interviews with informants.

Based on Figure 4, this study identifies ten challenges related to the foundation and fundraising through waqf and zakat in Malaysian PHEIs. These challenges primarily pertain to the governance and management structures of the university-affiliated foundations. Without proactive reform and commitment to change, these obstacles are unlikely to be surmountable. To address these foundational governance issue, it is essential that the foundations and the top management of PHEIs commit to institutional transformation. However, the challenges are not solely internal. The foundation also encounters external obstacles, including:

- Complex procedures for establishment,
- Concerns regarding tax exemption eligibility,
- Operational inefficiencies, and
- Confusion or limitations stemming from the use of the term ‘foundation’ in the Malaysian policy context.

These issues are closely tied to the national policy frameworks and institutional management practices of PHEIs. Hence, addressing them requires coordinated action among the three stakeholders: 1) the government, 2) the highest-level administrators of PHEIs, and 3) the management teams of university foundations.

The foundations serve a vital role in managing waqf and zakat funds. However, they often struggle with operational constraints and a disconnect between institutional goals and fundraising efforts. Difficulties in establishing and sustaining foundations further limit their ability to realise their full potential. Unless these governance and alignment challenges are effectively addressed, the transformative impact of waqf and zakat as philanthropic tools in higher education will remain constrained.

Another critical challenge identified in this study is the variation in zakat fund allocation policies across different State Islamic Religious Councils (SIRCs). The findings revealed significant inconsistencies, with some states returning only 12.5% of zakat collections to PHEIs, while others allocate up to 50%. Furthermore, the use of these funds is often restricted to only four of the eight recognised asnaf categories, thus limiting their utility for broader institutional needs. As informant 0404 noted:

“The zakat received by public HEIs varies by state, with some returning a higher percentage than others.”

To resolve this disparity, there is an urgent need for standardised policies and strategic collaboration between SIRCs and PHEIs to ensure more equitable and effective distribution of zakat resources.

In addition, the management of waqf funds presents further operational and compliance-related challenges for PHEIs. Ambiguities in waqf regulations make compliance challenging, and the lack of Shariah-compliant expertise among university personnel further inhibits optimal management. Informants highlighted the urgent need for specialised training and capacity-building, as stressed by 0303:

“Universities are not experts in waqf requirements, which hinders their effectiveness in fundraising.”

Addressing these gaps will require both comprehensive training programmes and regulatory clarity aimed at equipping university administrators with the necessary knowledge and skills to manage waqf funds effectively and in accordance with Islamic principles.

In summary, the challenges outlined reflect deep-seated issues within the cultural, policy, and operational frameworks of waqf and zakat fundraising in Malaysian public research universities (MRUs). Overcoming these barriers will require collaborative and sustained efforts among PHEI leadership, government policymakers, and religious authorities to build a robust and supportive ecosystem for Islamic philanthropic advancement in higher education.

DISCUSSION

This study highlights the effectiveness of waqf and zakat as philanthropic fundraising instruments in Malaysia's five MRUs, structured around four major themes: success in fundraising, success in distribution, general challenges, and specific challenges. Under the theme of fundraising success, the findings reveal that between 2020 and 2022, the MRUs collectively raised RM64.8 million, of which RM40.4 million (62.34%) was generated through zakat and RM24.4 million (37.65%) through waqf. The success of zakat fundraising was largely attributed to structured mechanisms such as salary deduction schemes and corporate zakat contributions, particularly from the banking sector. In contrast, waqf fundraising was driven by cash waqf, which gained traction due to its accessibility through digital platforms. Additional contributions from corporations, NGOs, royalty-linked donors, and productive waqf initiatives further strengthened these efforts. In terms of distribution, the study highlights how both waqf and zakat funds have been effectively channelled to support teaching, learning, and student welfare. Zakat allocations—guided by the eight asnaf categories—primarily provide full scholarships for B40 and partial scholarships to M40 students, thereby alleviating financial burdens and promoting educational equity. Waqf funds, on the other hand, are noted for their flexibility, supporting a wide range of needs from educational infrastructure and learning tools to operational and administrative expenses related to university management.

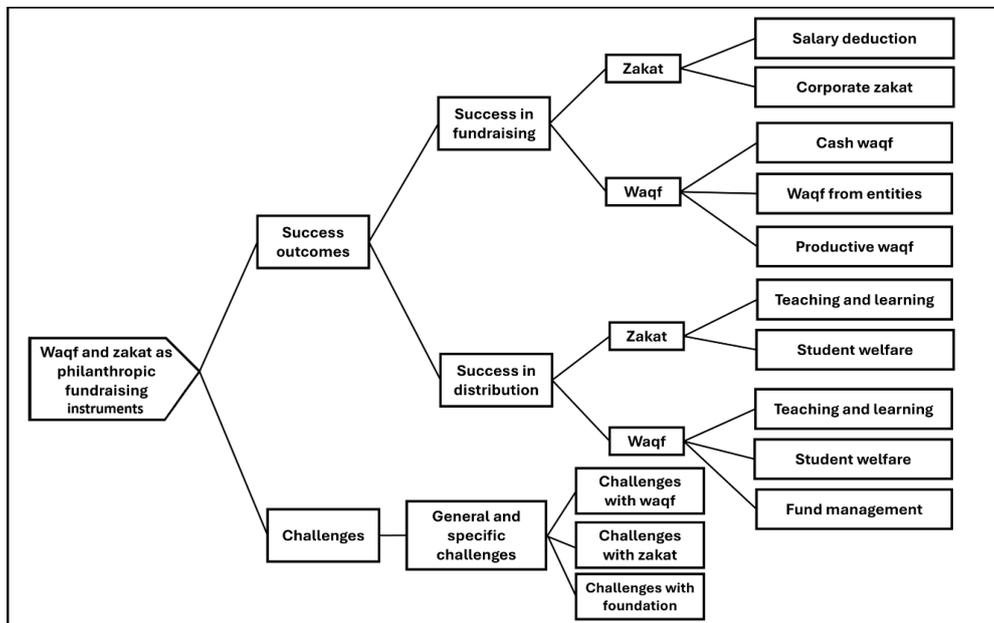
Despite these successes, the study also identified significant challenges that limit the full potential of waqf and zakat fundraising. Among the general challenges is the weak culture of philanthropic giving within Malaysian society, where donors tend to prioritise humanitarian causes or Islamic institutions such as tahfiz schools over higher education. This cultural constraint is compounded by inequitable tax incentives—where zakat enjoys tax rebates while waqf does not—discouraging broader philanthropic participation. The specific challenges are more institutional in nature. These include governance inefficiencies within university-affiliated foundations, a lack of operational capacity, and inconsistencies in policies set by SIRCs. The percentage of zakat funds allocated to PHEIs varies significantly—from as low as 12.5% to as high as 50%, depending on the state. Additionally, limited expertise in waqf management and ambiguous regulatory frameworks hinder the ability of PHEIs to utilise waqf instruments effectively and in compliance with Shariah principles. Addressing these multifaceted challenges requires a holistic and collaborative approach. Key recommendations include: policy reforms, capacity-building initiatives, and strategic collaborations to cultivate a sustainable ecosystem for Islamic philanthropy in PHEIs.

The thematic network illustrated in Figure 4 presents the interconnectedness between the positive outcomes and the challenges faced by MRUs in employing waqf and zakat as philanthropic fundraising

instruments. The construction of this thematic network is grounded in both primary and secondary data, ensuring a robust triangulation process.

Figure 4

A Thematic Network of Waqf and Zakat as Philanthropic Fundraising Instruments in MRUs



Source. Data from interviews with informants.

Figure 4 shows the thematic network of waqf and zakat as philanthropic fundraising instruments in MRUs, organised into two major themes: successful outcomes and challenges. The following discussion highlights the key findings from each theme, beginning with the success outcomes.

Successful Outcomes of Waqf and Zakat as Philanthropic Fundraising Instruments in Public Research HEIs in Malaysia

Success in fundraising

A key finding under the theme of successful outcomes is the effectiveness of zakat fundraising, which was shown to be strongly influenced by the locality of the HEI and the density of the Muslim population in the vicinity. This observation aligns with the findings of Paizin (2022), who reported that the state of Selangor and the Federal Territory of Kuala Lumpur recorded the highest zakat collection rates nationwide. Paizin (2022) further argued that zakat collection is closely linked to the socioeconomic status of a state. Thus, HEIs and MRUs located in socioeconomically advantaged areas should leverage this context by actively promoting philanthropic practices through zakat to increase their institutional zakat fundraising capacity.

The second key point under the successful outcomes theme is the promising yet underutilised potential of waqf fundraising through philanthropy. This study highlights a significant disparity of 24.7% between zakat (62.34%) and waqf (37.65%) contributions raised by PHEIs. These findings are consistent with previous studies by Hasbullah and Ab Rahman (2021), Negasi (2017), Usman and Ab

Rahman (2023), and Usman and Rahman (2021). Therefore, Malaysian PHEIs should intensify efforts to strengthen philanthropic initiatives that promote waqf contributions.

The third key point is that, despite this fundraising gap, MRUs have shown notable success in increasing waqf collections through philanthropic means. This underscores the need for PHEIs to strategically focus on two main types of waqf fundraising: cash waqf and productive waqf. The strong performance of cash waqf, which generated over RM20 million, is consistent with the Ministry of Higher Education Malaysia's (2016), recommendation to prioritise cash waqf due to its flexibility, ease of management, and scalability. Similarly, Usman and Ab Rahman (2023), note that most PHEIs that implement waqf channel their fundraising through online platforms, such as JomPay and e-banking, enabling broader and more convenient public participation. Moreover, the study's findings reflect the growing role of productive waqf, which involves reinvesting donations into profitable ventures like healthcare services and property rentals. This approach resonates with insights from Hassan et al. (2020),

Success in Distribution

The effective distribution of waqf and zakat funds underscores their potential to improve educational outcomes and student welfare. However, the first key point emerging from this study is the strict limitations placed on zakat distribution, which confines its usage to beneficiaries within the asnaf categories. This restriction prevents HEIs from allocating zakat funds to broader institutional purposes, even if they indirectly support students. The focus of zakat allocations on student welfare particularly through scholarships for students from B40 and M40 households is consistent with the findings of Pitchay et al. (2020). However, their study also revealed that some PHEIs are authorised to distribute zakat to only three out of eight asnaf categories. In response, Pitchay et al. (2020) proposed the HOPE model, which advocates for expanding zakat eligibility to include seven out of eight asnaf categories, adding amil zakat (zakat administrators), muallaf (new converts to Islam), gharimin (those in debt), and ibn al-sabil (stranded travellers). Enabling PHEIs to distribute zakat across a broader range of asnaf categories to alleviate financial hardship for a wider spectrum of students, thereby promoting greater educational equity.

In contrast, the second key point relates to the greater flexibility of waqf funds. Waqf contributions can be allocated to a wide range of purposes including educational assets such as healthcare equipment, classroom furniture, and engineering tools, which directly enhance the quality of teaching and learning. Moreover, waqf funds can also support operational and management needs, an advantage supported by Isa et al. (2016), who emphasised waqf's versatility in addressing both administrative and infrastructural needs of PHEIs. Similarly, Usman and Ab Rahman (2023) advocated the use of waqf funds to address institutional management needs, positioning waqf as an alternative and sustainable source of funding for higher education.

General Challenges

Culture of Giving

The most significant challenge faced by PHEIs in Malaysia when raising funds through waqf and zakat is the underdeveloped culture of giving, particularly in relation to higher education. This constitutes the first key point under general challenges. In this study, four informants clearly highlighted issues surrounding Malaysia's culture of giving. Informant 0102 noted that the fundraising success of HEIs in Türkiye stems from a deeply ingrained charitable culture rooted in Islamic tradition and civilisation, a

sentiment echoed by Usman and Ab Rahman (2023) and Wira et al. (2023). In contrast, Malaysian Muslims—despite being the majority population and demonstrating a general inclination towards philanthropy—tend to prioritise humanitarian causes or religious institutions, such as tahfiz schools (Quranic institutions), over contributing to PHEIs. This sentiment was reinforced by informants 0301 and 0204, who emphasised the need for Malaysian Muslims to expand their philanthropic focus to include support for higher education. Therefore, identifying donors who are passionate about higher education is critical and recommended, as this can significantly support PHEIs in their fundraising efforts. Moreover, informant 0401 highlighted the importance of identifying and engaging philanthropists who are specifically passionate about higher education. Targeting donors with a strong affinity for academic advancement could enhance fundraising efforts and cultivate a more sustainable donor base.

Tax Regime

As MRUs work to strengthen a culture of philanthropy, one significant challenge they face is Malaysia's tax regime. Malaysia is a unique Muslim-majority country that provides income tax rebates to Muslims who pay zakat (The Inland Revenue Board of Malaysia, 2023). However, based on in-depth interviews with the informants, many expressed that the current tax regime poses a challenge for MRUs in raising funds through both zakat and waqf. Thus, the tax regime emerges as the second key issue under the category of general challenges.

One informant (0302) noted that while zakat contributions are eligible for tax rebates, similar incentives are not extended to waqf philanthropists or waqf institutions within Malaysian PHEIs. Additionally, as highlighted by informant 0404, although tax benefits do exist for zakat contributors, the stringent procedures involved restrict MRUs from fully assessing these benefits. This means that MRUs may not always be able to claim the full rebate amount. These procedural obstacles have also been discussed in previous research by Takril and Othman (2020), Muhamad et al. (2018), Razak (2020) and Azman (2011).

Consistent with previous insights, informant 0404's assertion concurs with that of informant 0403, who emphasized the difficulty of obtaining tax relief even for MRU foundations—institutions actively involved in managing waqf and zakat. Informant 0403 pointed out that although a foundation may bear the exclusive name of an MRU, it is still required to serve students from other universities in order to qualify for tax benefits. This condition effectively restricts the foundation's eligibility for tax relief unless it changes its name to one that is not directly affiliated with the MRU. As a result, relying on waqf and zakat as primary revenue streams become untenable for MRUs, as noted by informant 0302, unless there is a change in the tax regime. These findings reinforce the argument that Malaysia's tax regime presents a general challenge in philanthropic fundraising for MRUs. To address these obstacles, the Malaysian government and MRUs' top management must collaborate on policy reforms, supported by strategic planning, and strong political will. Only then can philanthropic fundraising through waqf and zakat be fully leveraged as a sustainable funding mechanism for PHEIs.

Specific Challenges

This study identifies three major specific challenges faced by Malaysian PHEIs in philanthropic fundraising through zakat, waqf, and their affiliated foundations.

Governance and Management of the Foundation

The findings reveal that PHEI foundations face a range of challenges, which can be categorized into three domains: governance, structural limitations, and power dynamics. Governance issues include operational inefficiencies, limited human resources, and financial management risks. Some foundations exist in name only, lacking the administrative capacity to manage funds effectively. These concerns are consistent with those raised by Muhamad Don and Osman (2020) who reported similar governance shortcomings in waqf management within higher education settings. Structurally, foundations encounter bureaucratic hurdles and restrictive tax policies, and regulations that prevent them from focusing solely on university-related needs. This dilution of purpose significantly reduces their effectiveness in fundraising. Abd. Hanan et al. (2023) similarly noted that improving internal control mechanisms could help foundations navigate bureaucratic constraints more efficiently. Additionally, power dynamics between faculties and foundations further exacerbate the problem. Faculties often maintain stronger external networks and exert greater influence, including in fundraising efforts, thereby overshadowing the role and authority of foundations. This imbalance limits the ability of foundations to function as the central body for philanthropic initiatives. Addressing these challenges require the strengthening of governance frameworks, the simplification of structural and regulatory processes, and improved coordination between faculties and foundations. Such efforts are essential to optimize the potential of philanthropic fundraising for the long-term sustainability of higher education institutions.

SIRC-MRUs' Zakat Percentage Policy

Malaysian public research universities (MRUs) have demonstrated notable success in securing zakat contributions. However, a significant challenge arises from discrepancies between the zakat funds collected and the amount redistributed by the State Islamic Religious Councils (SIRCs). These inconsistencies hamper the effectiveness of MRUs' philanthropic fundraising efforts. For instance, informant 0404 noted that one MRU raised RM2.7 million in zakat contributions in 2020 but received only 50% of that amount for redistribution, with only marginal improvements in subsequent years. The situation is further complicated by state-level policy variations, where some SIRCs return as little as 12.5% of collected zakat to MRUs due to restrictions limiting zakat allocation to just four asnaf categories. This finding echoes the study by Pitchay et al. (2020), who proposed expanding eligibility from three to seven asnaf categories under the HOPE model. Pitchay et al. (2020) projected that such an expansion could increase zakat reimbursements to 87.5%, thereby enhancing the financial viability of MRUs.

Another obstacle is the non-recognition of zakat payers associated with MRUs—particularly one-off zakat contributors—as valid sources for fund redistribution. For example, informant 0404 highlighted that while the Selangor SIRC allows full corporate zakat management by MRUs, which significantly benefits these institutions, other states do not offer the same level of support or autonomy. These discrepancies underscore an urgent need for MRUs to establish formal agreements, such as Memoranda of Agreement (MOA) or Memoranda of Understanding (MOU), with respective SIRCs to standardise and clarify zakat allocation policies. Without such agreements, the uneven policies across states will lead to unequal zakat collection and distribution, thus limiting the transformative potential of zakat funds in supporting Malaysia's higher education sector.

Management of Waqf Funds

The final key challenge identified in this study concerns the management of waqf funds within MRUs. Despite efforts to raise funds through waqf initiatives, MRUs face several challenges, particularly in the redistribution of funds by SIRC. Findings indicate that certain SIRC do not return the full amount of waqf funds raised by HEIs. Informant 0404 explained that cash waqf, in particular, shares some administrative characteristics with zakat in that a portion is retained by the SIRC. However, this retained amount is generally lower than that associated with zakat. Supporting this claim, Usman and Ab Rahman (2023) found that one PHEI in Malaysia received approximately 85% of the cash waqf it had generated. However, this is not consistent across institutions, as other HEIs reported receiving significantly smaller portions of their raised waqf funds. Hence, it is imperative that the PHEIs' management engage proactively with SIRC to ensure that philanthropic waqf funds raised by the institutions are equitably and promptly returned for the benefit of all stakeholders.

A second specific challenge identified is the stringent waqf requirements. According to informant 0204, these requirements present a critical challenge, particularly from the perspective of government regulations. This challenge is compounded by the lack of waqf-related knowledge among fundraising personnel within MRUs. Both informants, 0303 and 0204 noted that not only are university staff unfamiliar with waqf principles and procedures, even members of the university's higher administration possess limited understanding of waqf fund management.

Given this knowledge gap, it is imperative that the government takes proactive steps to streamline and simplify waqf requirements, recognising its dual function as both a financial and religious instrument for PHEIs. At the institutional level, PHEIs must prioritise the development of competent personnel who are well-versed in waqf administration in accordance with Shariah principles. This includes ensuring that all legal, procedural and ethical stipulations are properly fulfilled.

Islamic Philanthropic Fundraising Instruments for Supporting Teaching and Learning

The integration of waqf and zakat as philanthropic fundraising instruments within MRUs presents significant implications for advancing teaching and learning. This study provides empirical evidence that both instruments contribute not only to institutional financial sustainability but also directly enhance educational quality, improve student access, and strengthen academic infrastructure.

Zakat contributions play a pivotal role in supporting student welfare—an essential pillar of the teaching and learning ecosystem. The findings indicate that zakat funds are utilised for full and partial scholarships, programme fees, emergency financial assistance, and monthly living allowances. These targeted financial aids help alleviate the economic burden faced by students, particularly those from B40 households and asnaf backgrounds, thereby enabling them to focus more effectively on their academic pursuits. Supporting this, a study by Mat Daud and Wahid (2024) confirm that zakat-based financial aid significantly contributes to improved learning outcomes by improving student readiness and academic performance—particularly among undergraduate students in Malaysian universities. Notably, student readiness was found to mediate the relationship between zakat assistance and academic success, underscoring the importance of such aid in empowering students to fully engage in their education. By meeting students' basic needs and fostering academic preparedness, zakat enhances student engagement, promotes retention, and improves academic achievement. Ultimately, this contributes meaningfully to equitable access and educational success in higher education.

Complementing the role of zakat, waqf funds significantly strengthen academic infrastructure and elevate the quality of instructional delivery in MRUs. These funds support the procurement of critical resources including medical equipment such as medical scanners and dialysis machines, dentistry and engineering tools, and classroom furniture. In addition, waqf also finances academic activities, research and development initiatives, and teaching assistance programmes, all of which are integral to promoting experiential learning and applied knowledge. A study by Norhafezah Yusof et al. (2020) revealed concerns among lecturers regarding financial constraints in running community-based academic programmes such as service learning initiatives. In this context, waqf presents a promising solution, as it is a community-sourced fund that can be reinvested into educational programmes that directly benefit the community. This alignment reflects the potential use of Islamic philanthropic models to meet the evolving demands of modern higher education while remaining rooted in communal values.

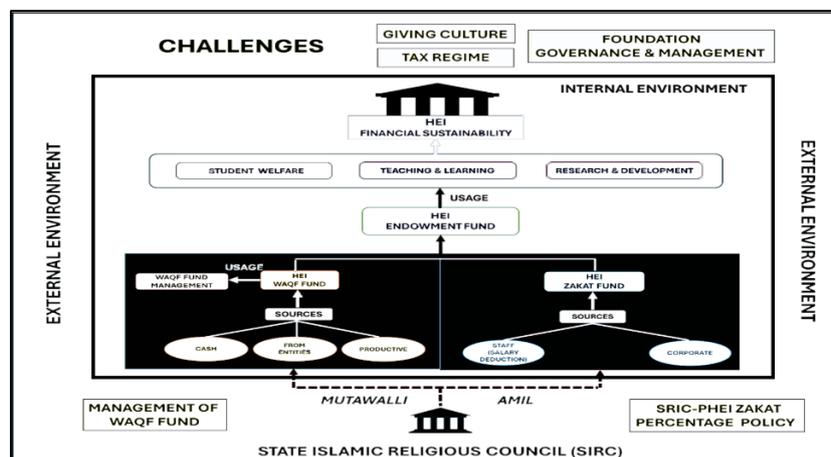
The strategic utilisation of zakat and waqf in MRUs clearly enhances teaching and learning outcomes by fostering a more well-resourced, inclusive, and equitable educational environment. Collectively, these instruments enable the development of high-cost academic infrastructure, provide financial assistance to students, and enhance instructional capacities— thereby advancing Sustainable Development Goal 4 (SDG 4) on quality education. To optimise the long-term impact of waqf and zakat, this study recommends that MRUs: establish clear policies and accountability frameworks for the governance of philanthropic funds; strengthen institutional collaboration with SIRC to formalise the allocation of zakat and waqf for academic innovation and promote greater awareness among university leadership and academic staff regarding the strategic potential value of Islamic philanthropy in achieving educational equity and institutional excellence.

Waqf and Zakat Framework as Philanthropic Fundraising Instruments for PHEIs in Malaysia

This study contributes to the theoretical discourse on Islamic philanthropy by extending the application of waqf and zakat within the context of HEIs. It aligns with the work of Worth et al. (2020), who emphasised the importance of strategic donor engagement and innovative fundraising models— particularly productive waqf—as sustainable educational funding avenues. Additionally, the findings underscore the necessity for a hybrid framework that integrates waqf and zakat with contemporary financial strategies, thereby advancing theoretical insights into their roles in promoting the financial sustainability of HEIs.

Figure 5

The Framework of Waqf and Zakat as Philanthropic Fundraising Instruments in PHEIs in Malaysia



As illustrated in Figure 5, the proposed framework positions waqf and zakat as strategic philanthropic fundraising instruments tailored to meet the needs of PHEIs and support their financial sustainability. The framework is grounded in a comprehensive analysis of waqf and zakat practices across Malaysian MRUs and captures the dynamics between internal and external environments that influence governance. It also incorporates the key challenges encountered in the successful implementation of these instruments.

This framework can be adopted by not only other Malaysian PHEIs but also by institutions in other countries with similar socio-religious and policy environments. This represents the primary practical implication of the research. Another key implication lies in addressing policy inconsistencies in zakat distribution by advocating for the expansion of eligible asnaf categories. Broadening the categories would enable increased zakat allocations to MRUs and other public universities. This approach provides a clear pathway for SIRC to increase the proportion of funds disbursed to MRUs—ensuring stronger financial support for underprivileged students, student welfare and institutional needs. This study also reveals an untapped potential in philanthropic fundraising, particularly through digital cash waqf and productive waqf. Additionally, the findings emphasise the importance of establishing formal agreements—such as Memoranda of Agreement (MOA) or Memoranda of Understanding (MOU)—between MRUs and SIRC to standardise zakat management and reduce discrepancies in allocation policies across states. This research ultimately promotes collaboration between educational and religious institutions, fostering better alignment toward shared developmental goals. Furthermore, it underscores the potential of zakat and waqf not only as mechanisms for financial stability but also as powerful instruments to advance social equity in higher education.

CONCLUSION

This study highlights the financial challenges currently faced by Malaysian PHEIs and underscores the potential of Islamic financial instruments—waqf and zakat—as viable alternative sources of income and tools for philanthropic fundraising. The findings reveal that MRUs have made commendable progress in raising funds through these instruments. However, their full potential as sustainable income generators is hindered by several challenges, including a limited culture of giving to HEIs, restrictive tax regimes, inconsistent zakat policies between State Islamic Religious Councils (SIRC) and PHEIs, and governance issues related to waqf and zakat fund management.

Islamic philanthropic instruments such as waqf and zakat also serve as powerful enablers in advancing teaching and learning within MRUs. Zakat funds contribute directly to student success by providing crucial financial assistance—scholarships, living stipends, and emergency aid—thus enabling students from economically disadvantaged backgrounds to fully engage in academic pursuits. Concurrently, waqf supports the development of academic infrastructure and hands-on learning experiences through investments in specialized equipment, facilities and community-based educational programmes. Together, waqf and zakat foster a more equitable, inclusive and enriched educational environment, aligning Islamic philanthropic practices with contemporary goals of higher education. By alleviating financial barriers for students and enhancing institutional capacity, these instruments demonstrate their transformative potential in addressing funding gaps while supporting Malaysia's broader agenda of educational excellence and social equity.

Therefore, the way forward for all Malaysian PHEIs is increase public awareness about the importance of contributing to higher education through waqf and zakat. In parallel, it is essential for PHEIs to

deepen their understanding of Malaysia's tax regime and how it can support philanthropic fundraising efforts. Strategic collaborations, particularly through formal agreements such as MOA or MOU with SIRC, must also be prioritised. Furthermore, PHEIs should ensure that waqf and zakat funds are managed by qualified personnel with a solid understanding of Shariah principles and financial management. Equally important is the effective establishment and governance of PHEI foundations, ensuring they fulfil their intended purpose as vehicles for philanthropic fundraising. To support this ecosystem, the Malaysian government must play a proactive role in facilitating enabling policies—particularly in regulation, tax incentives, and intergovernmental collaboration—since zakat and waqf are under the jurisdiction of SIRC, which operate at the state level.

While this study focuses on Malaysian PHEIs, specifically the MRUs, future research should explore the philanthropic landscape of Malaysian private HEIs. Additionally, further research could investigate the potential of productive zakat and productive waqf as sustainable fundraising mechanisms. Finally, the role of emerging technologies in Islamic philanthropy warrants exploration—not only in the form of digital waqf and zakat applications, but also through innovative tools such as blockchain and alternative digital platforms that could enhance transparency, efficiency and donor confidence.

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