The current issue and full text archive of this journal is available on Emerald Insight at:
www.emeraldinsight.com/0128-1976.htm

Qualitative validation of a financially affordable Islamic home financing model

Mohd Zaidi Md Zabri
School of Management, Universiti Sains Malaysia, Penang, Malaysia, and
Mustafa Omar Mohammed
Kulliyyah of Economics and Management Sciences, International Islamic University Malaysia, Kuala Lumpur, Malaysia

Received 10 August 2017
Revised 19 September 2017
14 January 2018
2 August 2018
27 August 2018
14 September 2018
Accepted 14 September 2018

Abstract

Purpose – This study aims to validate a potential synergistic venture between cash *waqf* (Islamic endowment) institutions (CWIs) and financial cooperatives (FCs) in the provision of affordable Islamic home financing (IHF) in Malaysia.

Design/methodology/approach – The study adopted semi-structured interviews with ten experts to validate the cash *waqf*-financial-cooperative-*mushārakah mutanāqiṣah* (CWFCMM) model. Thematic analysis technique was used to analyse the verbatim texts.

Findings – The findings show that the majority of the informants have positive perceptions of the potential of the CWFCMM model to provide financially affordable IHF products in Malaysia. Nevertheless, this study sheds light on the varying degrees of latent issues and challenges that might arise in the implementation of this model. For example, FCs need to practice the correct business model, implement good governance structures and employ the right people. Meanwhile, CWIs need to work on their accountability issues by publishing their audited accounts in mainstream newspapers, much like what is being done by non-governmental organisations such as the widely recognised Malaysian Medical Relief Society (MERCY Malaysia).

Research limitations/implications – This study interviewed a small, industry-specific number of informants in generating its findings. Time and budget constraints are some of the limiting factors in carrying out the study. Because of these factors, the generalisation of the study's findings will be limited.

Practical implications – First, the CWFCMM model offers an alternative, financially affordable IHF instrument to low- and middle-income households in Malaysia. Second, the involvement of third-sector institutions such as FCs and CWIs in the provision of IHF will reduce the burden of the government in its spending on home financing solutions for civil servants. Third, this model will harness the potential of *waqf*-based financing beyond the contemporary limited applications to mosques, graveyards and *taḥfīẓ* (Qurʾan memorization) schools.

Originality/value – This study presents an alternative IHF model that transcends the current institutional framework that is heavily dominated by Islamic commercial banks and government-owned home financing institutions. The study does not focus on a single third-sector institution but on an integration of at least two of them, CWIs and FCs, in implementing the IHF model.

Keywords *Waqf*, Islamic banking, Cash *waqf*, Islamic home financing, *Mushārakah Mutanāqiṣah*, Financial cooperatives

Paper type Research paper

Introduction

Islamic home financing (IHF) is one of the primary functions of Islamic commercial banks (ICBs). In Malaysia, it is typically based on *murābaḥah*-variants (cost plus mark-up) such as *bayʿ bi thaman ājil* (BBA) (sale contract based on deferred payment) and *tawarruq* (commodity *murābaḥah*). It is one of the largest asset classes in the Malaysian Islamic commercial banking industry's portfolios, recording a compounded annual growth of 24.84 per cent per annum *vis-à-vis* the 9.41 per cent growth of conventional home loans from June 2008 to June 2018. Specifically, from RM14.97bn in June 2008, IHF products reached RM137.67bn in June 2018, a 27.24 per cent share of total home financing (BNM, 2018).

Despite the rapid progress made and the growing maturity of ICBs, several criticisms have been levelled against the pervasiveness of debt-based IHF products such as BBA-*tawarruq* in their portfolios. This has led some scholars to argue that IHF products have strikingly similar features to their conventional home loan counterparts. Mydin Meera and Abdul Razak (2005, p. 4) contend:

> [. . .]while the BBA is practised as Sharīʿah compliant in some countries, it is, nonetheless, converging to the conventional mode where the computational formulas are similar to the conventional and where the profit rate tracks the market interest rate.

BBA-*tawarruq* home financing is also sensitive to profit-rate changes. As a result, even a relatively small increase in profit rates will affect the low- and middle-income households' ability to service their monthly instalments. For example, in a Bank of England survey that focuses on the potential impact of higher interest rates, an increase of even 2 per cent is likely to increase the number of financially vulnerable UK households from around 360,000 to 480,000 (Anderson *et al.*, 2016).

In the past couple of years, there have been growing calls from both practitioners and academics for equity-based *mushārakah mutanāqiṣah* (MM) (diminishing partnership) home financing that is closer to the normative form of the Islamic gift-economy (Mydin Meera and Abdul Razak, 2005; Haneef *et al.*, 2011). In fact, authors such as Ebrahim (2009, p. 880) even went to the extent of suggesting cooperative (equity) home financing as being "Pareto-superior" to formal home financing.

Observations show that globally, MM is being successfully practised in an FC setting, e.g. by the American Finance House LARIBA and Guidance Residential LLC in the USA and Ansar and Islamic Cooperative Housing Corporation Limited in Canada. In this framework, members provide the funds to benefit themselves (Mydin Meera and Abdul Razak, 2005, 2009; Ebrahim, 2009). This is possible thanks to the "dual bottom line" approach adopted by FCs (Zeuli and Radel, 2005; Ayadi *et al.*, 2010; Birchall, 2013). While FCs provide a cheaper home financing option to their members by offering MM, they may be able to provide returns to the investing members in the form of rentals and sale of properties.

FCs in Malaysia, on the other hand, are contemporaneously associated with Islamic personal financing – a hugely lucrative and almost risk-free business model – usually offered amongst civil servants. The current FC withdrawal from the home financing market is rather ironic given the role played by the first Islamic FC – Koperasi Belia Islam Malaysia Berhad (KBIM) – in the advancement of Islamic finance in Malaysia. It offered, among others, the first workable IHF model to Malaysian Muslims in 1977 (Itam@Ismail *et al.*, 2016). For the current FCs to revert to their original spirit of *taʿāwun* (cooperation) as formerly practiced by KBIM, they have to contend with a multitude of problems. These include lack of funds to complement their internal source of financing such as member deposits and fees, capital shares and retained earnings (Cornforth and Thomas, 1990;

Besley, 1995). These internal sources of funds are usually inadequate to finance IHF programmes of long-term maturity.

This shortcoming could conceivably be overcome by harnessing the potential of one of the most potent financing alternatives for Muslims in the past, that is, through *waqf* (Islamic endowment). In Malaysia, however, *waqf* is almost exclusively associated with endowed lands to be used for graveyards and building mosques (Shakrani *et al.*, 2003; Mustaffa and Muda, 2014). Nevertheless, there is a growing call for the more contemporaneous form of cash *waqf* to increase access to affordable financing by small- and medium-sized enterprises (Mohd Thas Thaker *et al.*, 2016) and to provide low-cost housing solutions to lower-income families (Dusuki, 2008). There is a dearth of studies to address the gap of a financially affordable IHF solution within the FC framework. The main idea of this study is to validate the potential synergy between cash *waqf* institutions (CWIs) and FCs to offer a financially affordable IHF for ordinary Malaysian households.

The remainder of the paper is structured as follows. The subsequent section will present the cash *waqf*-financial-cooperative-*mushārakah mutanāqiṣah* (CWFCMM) model specifications. The ensuing sections will elucidate the methodology used for data collection, present the findings according to the emergent themes and discuss the findings. The conclusion and potential implications of the study are presented in the last section.

Model specifications

As discussed above, a potential joint venture between CWIs and FCs can be utilised as an alternative in providing a financially affordable IHF solution. Building on the MM arrangement, this research proposes the use of MM under joint CWI-FC initiatives.

An integrated cash waqf-financial cooperative mushārakah mutanāqiṣah model

This model is termed as the CWFCMM model. Its most important components include the *wāqif* (donors), the CWI, the FC and the joint management committee (JMC).

Wāqif. Under this model, the *wāqif* may consist of individuals, institutions, corporations and governments. *Waqf* benefits from the distribution of essentially two kinds: *waqf ʿāmm* (general endowment) and *waqf khāṣ* (specific endowment). This model will focus on the former.

Cash waqf institution. A professionally established and operating CWI will be incorporated as a subsidiary of the State Islamic Religious Council (SIRC), to be modelled after the Perbadanan Wakaf Selangor (PWS), which was incorporated by Selangor SIRC. PWS issues *waqf* certificates to raise cash *waqf* in Selangor. After the cash *waqf* fund is collected from the donor(s), CWI will first convert the cash *waqf* pool into real assets through *istibdāl*[1] as currently being practised by PWS. For example, PWS currently holds a couple of shop lots, which cost RM2.75m, in prime locations in the Selangor state capital of Shah Alam. Apart from that, PWS via its special purpose vehicle, Urus Maju Ehsan (M) Sdn. Bhd.,[2] has been tasked to develop commercial residential properties in Selangor, which is one of the most developed states in Malaysia.

In the CWFCMM model, the profit[3] from these investment ventures will be equally split into two main portions. The first portion of the profit from this venture will be used by the FC as a complementary source of funds in providing affordable IHF to its member-customers. Meanwhile, the second portion of the profit will be channelled back to the CWI to ensure its perpetuity and most importantly, its growth, and be used in other philanthropic ventures. As a *waqf* fund manager, CWI is obliged to handle the funds professionally and productively. It is to ensure that the amount does not fall below the initial or principal amount, in line with the *waqf*'s nature of perpetuity (Mohammad, 2008; Mohsin, 2013).

Financial cooperative. In this model, prior to receiving external financing from CWIs, FCs must strictly comply with *Garis Panduan Mengenai Pembiayaan Islam Oleh Koperasi* (Guideline on Islamic Financing by Cooperatives) and *Garis Panduan Tadbir Urus Syariah* (Guideline on Sharīʿah Governance) by the Malaysian Cooperative Commission (SKM). Full compliance with such guidelines will be verified by both SKM and the CWI. Besides that, the CWI is to ensure that the FC that receives its funding is technically sound and financially stable. For a start, CWIs can refer to the "Top 100 Cooperative Profiles" by SKM, which is an annual publication. However, there are other FCs which – despite their smaller size – are more technically and financially stable than those listed in the Top 100 Cooperative Profiles. For these smaller FCs, the CWI may perform its own due diligence with the help of *Angkatan Koperasi Kebangsaan Malaysia* (ANGKASA) (Malaysian National Cooperative Movement), the national umbrella body of the cooperative movement in Malaysia.

Joint management committee. The CWI and the FC, along with the SIRC, will need to form a JMC, to be modelled after the *Wakaf Selangor Muamalat*. The breakdown of the JMC is as follows:

- an advisory committee from SIRC;
- a chairman;
- a secretary; and
- a joint secretariat (comprising six members, three from the FC and three from the CWI).

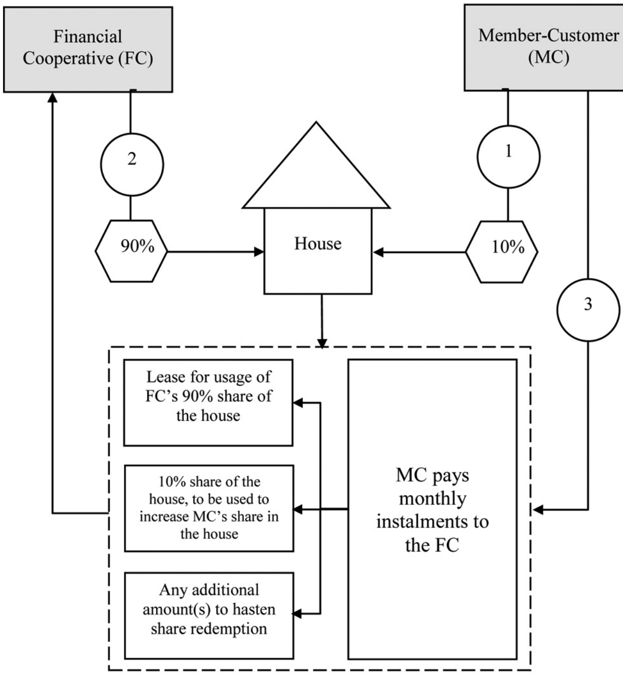
The JMC will be responsible to channel the funds to finance the FC's IHF operation. The involvement of SIRC[4] and the FC will ensure systematic management of the pooled funds.

Mushārakah mutanāqiṣah home financing arrangement. Figure 1 shows the structure of the proposed financing arrangement under the CWFCMM model. It shows the MM arrangement, which will involve three distinct contracts, namely, the contract of *shirkah* (partnership), the contract of *ijārah* (lease) and the *bay*ʿ (sale) contract. The proposed MM arrangement involves the following stages:

- Member-customer identifies the house, pays a deposit (say an arbitrary 10 per cent), submits his/her proposal and applies for the financing.
- Once the application has been approved, the FC will settle the remaining 90 per cent to the vendor. The FC then enters into a *mushārakah* arrangement with the member-customer.
- Member-customer leases the FC's share in the house. Member-customer will forgo his/her portion of the lease rental amount to buy the FC's share in the house. Apart from that, the member-customer may put an additional amount to increase his/her share redemption.
- The partnership is terminated when the member-customer owns the total share of the house, after which the title will be transferred to him/her.

Research methodology

The aim of this study is to collect extensive data, first, regarding the issues faced with the current IHF institutional framework, and second, regarding the suitability, applicability and prospects of the CWFCMM model for implementation in Malaysia. The questions presented in the interviews were designed to answer the following questions:



Source: Authors' own illustration

Figure 1. MM home financing arrangement

Q1. To what extent can the CWFCMM model effectively deal with the issues and challenges of offering a financially affordable IHF product?

Q2. To what extent would the perception of the relevant stakeholders be favourable regarding the suitability, applicability and prospects of the CWFCMM model?

This paper followed the recommendations by Guest *et al.* (2006) and Malterud *et al.* (2015) that a purposive sample of six to ten informants with diverse experiences may provide sufficient information in an interview-based study. The selection criteria for experts were based on their qualification, area of specialisation and working experience. Meanwhile, in terms of the number of informants that were chosen for the study, the authors adopted the consensus theory developed by Romney *et al.* (1986). Consensus theory is based on the principle that experts tend to agree more with each other than do novices and uses a mathematical proof to make its case. Romney *et al.* (1986) also found that small samples are sufficient in providing complete and accurate information within a particular cultural context, as long as the informants are experts in the domain of inquiry. Ten informants, representing multiple potential stakeholders in the CWFCMM model, were interviewed. The list of main topics was sent to the informants beforehand. The interview lasted about one hour on average. The interviews were recorded and transcribed verbatim. Afterwards, some fact checking was performed via email. The interviews were conducted between December

2015 and July 2016. Based on the analysis, the authors posited that data saturation (Guest *et al.*, 2006) had, for the most part, occurred by the tenth interview.

Findings

This section presents the study's empirical findings. First, the issues with the current institutional framework of IHF in Malaysia are outlined. Second, this section discusses findings on the viability, prospects and challenges of the CWFCMM model as a viable alternative to the current institutional framework in offering affordable IHF.

Profile of the informants

Ten informants representing multiple stakeholders in the proposed CWFCMM model agreed to partake in the interviews. Listed in Table I is the detailed breakdown of informants' respective institutions and positions.

After the thematic analysis was performed, 4 categorical themes and 13 sub-categorical themes emerged. Table II provides the detailed breakdown.

Issues with current Islamic banking instruments

The majority of the informants agreed that there are fundamental issues with the current IHF instruments. The interview questions, along with additional probing questions, revealed two emergent sub-categorical themes: the unaffordability of debt-based IHF and limited equity-based IHF instruments offered by the ICBs. The following excerpt from an informant explained the "rationale" for this convergence between IHF and conventional home instruments, as well as its consequential effect upon ICBs:

> If we look at the current situation, the Islamic bank's profit rate always moves in tandem with conventional bank's interest rates. However, unlike conventional banks, Islamic banks [sic] suffer on the thinning profit margin, as their operating costs are relatively higher (Manager, Bank Negara Malaysia).

An informant, who has been observing the same trend within the *takāful* (Islamic insurance) industry, revealed that ICBs will nevertheless, continue their over-reliance on BBA-*tawarruq*. He further predicted that this trend will not be slowing down, at least not in the immediate future:

No.	Institution	Position
1	Bank Negara Malaysia (BNM)	Manager, Banking Supervision Department (Islamic Banking and Development Financial Institutions)
2	Koperasi Ma'ahad Tahfiz Tijarah Gombak Berhad	Vice Chairman
3	Foreign-owned Islamic banking window	Vice President II
4	Universiti Sains Islam Malaysia	Senior Lecturer/*Waqf* Researcher
5	Urus Maju Ehsan (M) Sdn. Bhd	Managing Director (Operations)
6	Perbadanan Wakaf Negeri Sembilan	Executive
7	Suruhanjaya Koperasi Malaysia (SKM)[6]	Executive Vice Chairman (Cooperative Bank and Special Supervision)
8	Malaysian-owned Islamic bank	Sharīʿah Officer, Sharīʿah Division
9	Koperasi Belia Islam Malaysia Berhad	Chief Executive Officer
10	Malaysian-owned Islamic bank	Sharīʿah Committee Member

Table I.
Profile of the informants

Table II. Categorical themes and interview questions

No.	Categorical themes	Interview questions	Sub-categorical themes
1	Issues with current IHF instruments	Why do you think debt-based instruments such as BBA-*tawarruq* continue to play an integral part in IHF by ICBs? Why do you think IHF instruments are not affordable? Why ICBs seem reluctant to offer equity-based instruments such as MM in IHF?	Debt-based IHF and its effect on affordability Lack of interest in MM home financing by ICBs
2	Issues with current IHF institutions	How can we improve the role of government home financing institutions in providing affordable IHF? Why do you think ICBs are unable to offer affordable IHF instruments to their customers?	Government home financing institutions: a non-sustainable model A conflict of interest between depositors and shareholders in ICBs
3	FCs as financially affordable IHF institutions	How do you foresee the role that can be played by FCs in offering affordable IHF to their member-customers?	Business model and strategy Good governance Risk management Regulation and supervision Human resource management
4	Operationalization of CWFCMM model	How can *waqf* funds be used to enable FCs to offer affordable IHF to their member-customers? How will the proposed CWFCMM model play a vital role in providing an affordable IHF solution to homeowners? This model incorporates a true implementation of MM that uses rental rates as supposed to the base rate used by ICBs. How will this arrangement address the financial affordability issue in IHF instruments? To operate this model, should this model involve SIRCs and/or the corporate sector? Why? What kind of challenges may arise in materialising the above CWFCMM model? In what way and how? From your point of view, what and/or which critical factors might contribute to the success of FCs in offering the CWFCMM model? How?	The mobilization of cash *waqf* funds Investment and management of *waqf* funds Institutional platform(s) of choice An urgent need for a paradigm shift for *waqf*

> It is convenient for both Islamic banks and their customers to use BBA. Therefore, whichever direction they opt for to revolutionise their instruments, it will end up offering ʿ*aqd* (contracts) that have similar characteristics as the conventional [bank]'s practice (Sharīʿah Committee Member, Malaysian-owned Islamic bank).

Although MM is acknowledged by academics, Sharīʿah scholars and practitioners alike (Mydin Meera and Abdul Razak, 2005; Haneef *et al.*, 2011), there is a lack of takers amongst ICBs themselves for MM as it is too complicated to be implemented in the truest sense, considering that it involves at least three parties to a contract. The tripartite nature of MM, for example, will only increase the financing costs such as Sharīʿah-related costs, legal as well as documentation costs for Islamic commercial banking institutions. As they are benchmarking their instrument offerings *vis-à-vis* conventional ones, any increase in cost, along with its inherent risks, will be transferred to the customers. This is done to maintain their instrument's competitiveness with conventional home loans, or even with BBA-*tawarruq* home financing for that matter. An informant further elaborated on the tedious nature of MM, as follows:

> *Mushārakah mutanāqiṣah* involves multiple contracts, so [it is] more sophisticated and complicated. It is not too friendly. Sometimes, the banks themselves do not want [to offer MM] because they do not understand it well. It is especially harder as they may incur Sharīʿah risk. From the customer's perspective, using MM incurs at least two costs in the form of fees and margins that arise from the combination of *shirkah*, *ijārah* and *bay*ʿ. BBA is a straightforward sale. There is only one margin involved (Sharīʿah Committee Member, Malaysian-owned Islamic bank).

The informant then claimed that the current MM instruments in Malaysia are in actual fact an *ijārah thumma bay*ʿ instrument (lease contract followed by ownership of asset through a sale contract), more popularly known here as AITAB:

> When people think of *mushārakah*, they think that the losses will be borne together, whereas, in fact, the *mushārakah* portion is very small and quite insignificant. Because it only comes at the beginning of the contract. After that, the contract is governed under *ijārah* which is a fixed income. It is not a pure *mushārakah* in the ideal sense. *Mushārakah* is applicable only in terms of ownership acquisition. Then the *ijārah* comes in. So, the income does not come from *mushārakah*. It comes from *ijārah* and sale. The *mushārakah* does not generate any profit. It is, in fact, an AITAB (*al-ijārah thumma al-bay*ʿ)! In my opinion, AITAB and MM are the same in terms of its economic output and its contextual relationship. There is no substantial difference between MM and AITAB. MM is not a profit-sharing contract. It falls, for me, under sale-based financing as well (Sharīʿah Committee Member, Malaysian-owned Islamic bank).

Issues with current Islamic home financing institutions

The main home financing institutions in Malaysia are ICBs and the government-owned home financing institution, Lembaga Pembiayaan Perumahan Sektor Awam (Public Sector Home Financing Board, LPPSA). As of 2015, the rate of outstanding home financing for both institutions stands at 86 and 10.5 per cent (BNM, 2016).

The newly corporatized LPPSA is a government-funded home financing institution. Ever since its inception in 1970, the interest/profit rate charged on housing loan/IHF to all categories of civil servants has remained fixed at the financially affordable rate of 4 per cent per annum. It is the second lowest financing rate after Sabah Credit Corporation at 3 per cent, which is also a government-owned home financing institution. However, Malaysia employs 1.6 million civil servants or only about 11 per cent of the labour force (Sue-Ann, 2017). An informant noted a dangerous domino effect on the government's fiscal health if civil servants continue to rely on government-owned home financing institutions to provide financially affordable IHF solutions:

> Although the government still disburses IHF, in my opinion, it is not sustainable. If we look at my own field of research [*waqf* for higher education financing], at the end of the day, it depends entirely on the government's fiscal health and capability. Now we are seeing that the government is gradually reducing its budget for higher education. And it is not impossible for it to happen to IHF [by LPPSA] (*Waqf* Researcher, Universiti Sains Islam Malaysia).

The remaining labour force of 13.4 million has to depend mainly on the ICBs to finance their home purchases. The median profit rate charged by ICBs stood at 4.65 per cent. This has created a considerable gap for the rest of the labour force in their search for a financially affordable IHF solution. Evidently, ICBs are unable to even match the 4 per cent profit rate offered by LPPSA. This can be partly explained by Islamic economists such as Dar and Presley (2000) and Sarker (2001) who have identified the relationship between an ICB's shareholders and its investment account holders (IAH) as an "agency problem". Equity shareholders, who assume limited liability, may prefer a higher risk profile for the ICBs than do depositors. Apart from that, equity shareholders' profit potential is unlimited whereas the potential for losses is limited. IAH in ICBs, on the other hand, do not share the profits, but they disproportionately share the risks taken by the ICBs. As a result, ICBs are unable to assume the mantle of an affordable IHF institution akin to government-owned home financing institutions.

Financial cooperatives as a financially affordable Islamic home financing institution: capacity and capability

Several authors have highlighted the possibility of FCs as a financially affordable IHF institution (Mydin Meera and Abdul Razak, 2009; Ebrahim and Sheikh, 2016). That being said, for FCs to be a viable alternative to the already-established ICBs and the government-owned financing institutions, all informants unanimously believe that cooperatives must develop their internal capacity and capability to offer financially affordable IHF. Their responses can be sub-categorically divided into five critical components: business model and strategy, good governance, risk management, regulation and supervision and human resource management. The following sections elaborate on these critical components.

Business model and strategy. SKM, in its National Cooperative Blueprint 2002-2020, has outlined financial services as one of its national key economic areas (NKEA) (Suruhanjaya Koperasi Malaysia, 2010). The same report, however, encourages FCs to branch out into newer financial services instruments such as *ar-rahn* (Islamic pawn broking), instead of heavily depending on Islamic personal financing instruments as their key economic driver. An informant stressed the danger of over-relying on Islamic personal financing as a mainstay of their business model, as well as the way forward for these FCs:

> Yes, 90 per cent of [financial] coops give [Islamic] personal financing (IPF). It will weaken/ruin our economy, increasing household debt. [This way] you are not going to contribute to nation building. We want to control this. IPF is a very profitable business as it is a guaranteed payment system by ANGKASA. The concept needs to change. The portfolio needs to be diversified. The composition needs to be gradually reduced. We now have 90 per cent of IPF, then the target would be 70 per cent, and afterwards, 50 per cent. (Executive Vice Chairman, Malaysia Cooperative Societies Commission).

For many years, issues such as lack of capital in most FCs typically characterised the cooperative movement in Malaysia (Banerjee *et al.*, 1994; Birchall, 2013). These problems have resulted in poor financial performance, cash flow mismanagement and non-compliance with the Cooperative Societies Act 1993 and its related by-laws and legislation (Bidin, 2007; Othman *et al.*, 2014). As a result, it is even more difficult for FCs to acquire the sheer volume of funds needed to be a viable alternative institution offering financially affordable IHF. However, an informant revealed that there is one potential source of funds that can be tapped by FCs:

> Currently, we have 13,000 cooperative societies. Their funds are mostly being deposited in commercial banks. However, commercial banks are not disbursing enough financing. Their requirements are also quite stringent. What we have proposed in our discussions is for these deposits to be pulled out and put into cooperative banks or FCs. These are immediate funds [accessible by FCs] (Executive Vice Chairman, Malaysia Cooperative Societies Commission).

However, if current FCs are to transform themselves into cooperative banking institutions, the same informant highlighted the importance of not losing track of their original mission – that of helping their fellow cooperative members (Griffiths and Howells, 1991; Birchall, 2012):

> We have enough of that [referring to commercial banks]. We have enough cooperative banks. There is no need for direct competition. Because the market is too small. So, the value proposition of a new cooperative bank is to help the underserved market-those who are turned away from commercial banks-but based on Islamic concepts. People who have the potential but are unable to obtain formal financing (Executive Vice Chairman, Malaysia Cooperative Societies Commission).

Nonetheless, it was heartening to note that an informant (who works with an FC) is open to the idea of implementing MM if the FC has a financially affordable source of funds at hand.

> We still have home financing instruments, but we cannot disburse them anymore as we have cash flow problems. We can only give out personal financing (PF) as it is in smaller amounts. The fund is just not there. If we do have the fund, for example, a "free fund", we would be delighted to give out IHF to our members. If we have the fund, there will be nothing to stop us from implementing the real cooperative spirit-that of helping out our members (Chief Executive Officer, Koperasi Belia Islam Malaysia Berhad).

Good governance. Unlike investor-owned firms such as ICBs, FCs differ from other enterprises in their concept, organizational structure, governance and equity management (Birchall, 2012; Othman *et al.*, 2014). Most notably, FCs are characterised by their "one member, one vote" feature regardless of one's investment or active participation in policy setting, including selecting board members (International Co-operative Alliance, 2017). In some FCs, and especially in the case of Malaysia, their members tend to appoint politicians and/or influential public figures to be their board members (Jalil *et al.*, 2012). Despite this, to ensure that good governance is practised in FCs, a vice executive chairman of SKM revealed the way forward, albeit a slight departure from the normative, "one member, one vote" cooperative principle:

> We tell them [FCs] that there is no shortcut. You have to strengthen your corporate governance. That's why we need to ensure that Cooperative Board Members (CBM), at least three of them are our appointees-members who have the experience and qualification in managing a [cooperative] bank. It is because the current cooperative system in choosing their CBM is based on popular vote. You have to be a candidate [for CBM]. If you lobby, then you will be one. We need to modify our current guideline, granting the right for SKM to appoint permanent CBMs. Then we will be able to overcome a major problem in FCs-that of authorised signatories. The current system will result in different CBMs in three years. Asset managers are not willing to deal with a business entity that does not have authorised signatories (Executive Vice Chairman, Malaysia Cooperative Societies Commission).

Risk management. Unlike investor-owned firms such as ICBs, FCs, just like any other not-for-profit financial institutions, emphasise the need to maximise "members' surplus" (Canning *et al.*, 2014; Goglio and Alexopoulos, 2014). Therefore, they usually undertake different risk profiles than that of ICBs. An executive vice chairperson of SKM stressed the importance of the following risk management requirement:

> If FCs want to secure deposits from non-members, this is when we are going to come in [to supervise]. We need to make sure they have the capability, strong corporate governance, and strong risk management to manage this fund. We do not want people to lose their deposits. You need to have the system, the expertise. We will be doing stress tests. We do not want them to merely finance business ventures. We expect them to help cooperative members as well (Executive Vice Chairman, Malaysia Cooperative Societies Commission).

Regulation and supervision. A number of informants emphasised the importance of SKM playing a more proactive role in the development of FCs in general:

> Eventually, these cooperative banks will come into our purview. They have moved into shadow banking. They are, in fact, commercial banks. In order to enforce their collective governance structure (cooperative societies), you need to have a strong regulatory body to oversee their operations (Manager, Bank Negara Malaysia).

The same informant cautioned that SKM still has a long way to go in developing its supervisory capabilities:

> There was one instance when we went into the field with SKM to develop its supervisory capability, as we did the supervisory activities together. The first few days, they were with us [BNM]. Then they disappeared. The big issue here is governance and capacity. And the expertise in manning Islamic financing operations: who are their Sharīʿah committee members? (Manager, Bank Negara Malaysia).

One informant proposed a way for FCs to deal with issues or problems in implementing this model:

> You get the annual general meeting (AGM) to approve a very loose approval. Do not be specific. That is the only way to do it. If there is a query from SKM, you will say, "We have already got the resolution". But the resolution is not specific. Let's say if you want to set up this [CWFCMM model]. You go to the AGM and say, "We want to set up housing investment portfolios. We want to raise RM10 million. And these are the flows that we are going to adhere to". Get it approved by the AGM and pass it to SKM (Vice Chairman, Koperasi Ma'ahad Tahfiz Tijarah Gombak Berhad).

An informant revealed one major difference in the governance structure between BNM and SKM – perhaps explaining the root cause of the above-highlighted shortcomings:

> I am seconded from Bank Negara. We are different. We do not report to the Ministry [of Finance]. We are totally independent. Bank Negara reports to the Minister of Finance, not to the Ministry itself. Currently, we, the SKM are subject to policies that are determined by the Ministry [of Domestic Trade, Cooperatives and Consumerism]. I am not one to say that that is wrong. It is only that the Ministry has different priorities [as compared to us]. They have their own agenda in helping out villagers and fishermen (Executive Vice Chairman, Malaysia Cooperative Societies Commission).

Human resource management. To operate the CWFCMM model, FCs need to hire sophisticated, professional management to deal with the increasingly complex, specialised, and unique IHF products. For example, there is a need for additional education and training regarding IHF instruments, sound asset/liability management and various risk management techniques to be given to the FC's management team. An informant reveals the dire need for such training:

> The project is as viable as the persons running it. Viability rests on the people. They can "twist and turn". For me, that is the top priority. Then only you can say about return on investment (ROI), resources, and other aspects. They are not even able to compute ROI, return on equity (ROE), return on assets (ROA)! (Vice Chairman, Koperasi Ma'ahad Tahfiz Tijarah Gombak Berhad).

In the case of FCs, it has been generally argued that lack of good managers makes it difficult for these types of businesses to survive (Basterretxea and Albizu, 2011). In general, FCs are facing an uphill battle to attract and retain valuable managers as salaries, material incentives and career structures do not compare with those of ICBs. One informant gave the following example of the huge pay gap between FCs and their commercial banking counterparts:

> When we talk about human capital, one of the big limitations is their inability to match other sectors. For example, Bank Negara is paying my [remuneration] package. That's why I don't mind coming here [SKM]. Besides that, the training is just inadequate. Although Cooperative College Malaysia (CCM) does play its part, it needs improvement. When it comes to new sectors, are they capable of taking cooperatives to the next level? (Executive Vice Chairman, Suruhanjaya Koperasi Malaysia).

Operationalisation of cash waqf-financial-cooperative-mushārakah mutanāqiṣah model: the way forward

This study proposes the mobilisation of CWIs to act as a complementary source of funds to FCs. Most of the informants shared their concerns on the *modus operandi* of the CWFCMM model and, more importantly, the way forward to operationalise this model. This "CWFCMM operationalization" theme emerged from six questions, as mentioned earlier in Table II. The majority of the informants affirmed the suitability of the CWFCMM model in assisting the average Malaysian household to own a house through a financially affordable IHF product. Below are the respondents' views that were generated from the interviews:

> I agree wholeheartedly with this model. Because this method can truly mobilise funds from the public. But Malaysians cannot see past this. If we look at Turkey, for example, their *waqf* is very much "alive" amongst them. Take another example, Oxford University, even though they are non-Muslims, the "spirit of *waqf*" exists (Chief Executive Officer, Koperasi Belia Islam Berhad).

> We need to implement this [model] as the risk is well shared. It is good for the community and is really within cooperative principles (Vice Chairman, Koperasi Ma'ahad Tahfiz Tijarah Gombak Berhad).

As the proposed CWFCMM model can be implemented, the informants were further queried about the finer details of the workings of the model. In response, the informants raised several issues relating to the *modus operandi*. The subsequent views derived from the interviews were collated into the following sub-categorical themes: mobilisation of cash *waqf* funds, investment and management of cash *waqf* funds, the preferred institutional platform, and the urgent need for a paradigm shift for *waqf*.

Mobilisation of cash waqf funds. One of the fastest ways to mobilise cash *waqf* funds is via mandated salary deductions by Muslim civil servants. An informant from an SIRC incorporated company that manages *waqf* cited an example from the state of Sarawak:

> If we get Muslim civil servants to agree to a mandated, monthly salary deduction even at RM1 or RM5, I do not think that they would mind that at all. Our fund will increase dramatically (Executive, Perbadanan Wakaf Negeri Sembilan).

An informant then cited one local example of *waqf* fund mobilisation where the SIRC is engaging in initiatives to harness the expertise and heighten the awareness of *waqf* in universities (Echchabi *et al.*, 2015) by appointing universities to be their *waqf* collection agents:

> We have been working together with a university on *mutawalli* (trustee) appointment. We can simultaneously educate them on matters pertaining to *waqf* (Executive, Perbadanan Wakaf Negeri Sembilan).

Another informant stressed the need for the government to go an extra mile by encouraging its government-linked companies (GLCs) to facilitate cash *waqf* mobilisation:

> Since they [government] are no longer capable of providing affordable IHF directly to the people, they need to play a facilitator's role instead. If they cannot provide yearly contributions [to the fund], they need to encourage their GLCs to do so. It means, instead of normal contribution through their CSR, they can donate to this [cash *waqf*] fund. The Islamic brotherhood spirit is better embodied here [in *waqf*] (*Waqf* Researcher, Universiti Sains Islam Malaysia).

Investment and management of waqf funds. Some SIRCs are keen to convert their cash *waqf* funds into real assets through the Sharīʿah practice of *istibdāl*. One of them, however, has added an extra element of "*waqf* multiplication". Here is how it is done:

> Once we have the *waqf* lands to be developed, we will first put a "value" on them. Although we have them for free, we will put a value on them anyway. Say ten acres of land valued at RM2 million. Then, we will account them for the gross development costs (GDC). After we have developed them, whatever proceeds we get, we will not merely replace their land, but we will add say, another 2 to 3 acres on top of that 10-acres (Managing Director, Urus Maju Ehsan (M) Sdn. Bhd.).

An informant shared an exciting prospect with the cash *waqf* investment vehicles, besides the real estate option, which seems to be the default option for many SIRCs:

> We are moving towards equity and unit trust. Real estates are being implemented right now. But both equity and unit trust are still in the prototyping stage (Sharīʿah officer, Malaysian-owned Islamic bank).

One informant, on the other hand, preferred for the CWI to opt for a safer investment vehicle in the form of *ṣukūk* (Islamic investment certificates) and Islamic fixed deposits to stay true to the perpetuity nature of *waqf*:

> *Ṣukūk* is more secure due to its fixed-income nature. These [equity and unit trust] vehicles incur higher risks. They [fixed-income investment vehicles] are more suitable to the nature of *waqf*. Take equity for example. What if the Securities Commission downgrades some of the counters in our portfolio to Sharīʿah non-compliant? Then we will have to withdraw our funds and perform income-purification processes. Does the nature of the capital market have its ups and downs? If it does go up, it augurs well for the *waqf* fund. But what if it goes down? (Sharīʿah Committee Member, Malaysian-owned Islamic bank).

Institutional platform: State Islamic Religious Council or corporate? The informants were asked about their views regarding the institutional platform to establish the CWFCMM model. They were asked whether the CWFCMM model should be operated under the SIRC, as an SIRC entity or as a corporate entity. The majority of informants mentioned that the

CWFCMM model should be operated as a separate entity to that of the SIRC and should be modelled after the corporate sector. Below is one of the respondents' views:

> It is high time that we revisit this rule [SIRC as the sole *waqf* trustee]. If we continue to do so, it will surely impede the potential for *waqf* to grow (Chief Executive Officer, Koperasi Belia Islam Malaysia Berhad).

Another informant advocated a different direction altogether, citing the example of the current joint venture between Selangor SIRC and Bank Muamalat Malaysia Berhad. By doing so, SIRCs will be able to overcome the widely held negative perception amongst *waqf* donors – notably, the issue of lack of trust and accountability (Ihsan and Mohamed Ibrahim, 2011):

> I prefer a combination of corporate and sole trustee [institutions] as we can harness expertise from both parties. This is a very good approach to carrying out this [model]. If we were to put everything into the SIRCs' hands, it will do more harm than good. For example, if we look at the element of trust, I have yet to see an annual *waqf* report-a good measurement of accountability by these SIRCs. That is why corporate *waqf* is circumventing this. They tend to do away with SIRC's involvement altogether (*Waqf* Researcher, Universiti Sains Islam Malaysia).

Waqf: an urgent need for a paradigm shift. A large number of informants agreed on the dire need for a paradigm shift from the old mentality of *waqf* – from land for mosques and graveyards (see, Shakrani *et al.*, 2003; Mustaffa and Muda, 2014) – to a more contemporary form of cash *waqf*:

> The mentality of *waqf* is for mosques and graveyards-for the afterlife. What we currently have [of *waqf* property] is not big enough to "revolutionise" cooperatives. However, we do need this kind of [CWFCMM] model to help out our [FC] members (Executive Vice Chairman, Malaysia Cooperative Societies Commission).

> The public is only interested in endowing their lands for graveyards and mosques. When we talk about commercialization, they are somewhat apprehensive (Executive, Perbadanan Wakaf Negeri Sembilan).

However, there is a long way to go in realising this model, considering the concern expressed by one informant regarding a surprisingly basic need, that of full-time staff:

> Staffing is my biggest concern. I am the only one who has been appointed as full-time, permanent staff. My other staff are what we called "*sukarelawan dakwah*" (voluntary preacher) appointees by SIRC. They are being paid allowances instead of full salary. We have seven staff. If even half of us went out there [to do promotional activities], then our basic task at hand [of running the office] would not be completed (Executive, Perbadanan Wakaf Negeri Sembilan).

Discussion

The findings from this study are novel in that they are a description of the applicability, suitability and sustainability of the potential venture between CWIs and FCs towards achieving an affordable IHF provision. The narratives in this study also showed that even the ICB practitioners share the same sentiments on the prevailing issues and problems that have been "plaguing" the overall IHF institutional framework. A case in point, most informants have noted the same "mirror effect" of IHF instruments to their conventional home loan counterparts, especially the BBA-*tawarruq* home financing, which is widely discussed in the literature. For example, as argued by Mydin Meera and Abdul Razak (2009, p. 3):

> [. . .]due to arbitraging activities, the BBA has converged to the conventional mode where the computational formulas are similar to the conventional and where the profit rate tracks the market interest rate. Instead of charging the customer interest, financiers charge a profit rate that is dependent on the market interest rate.

At least two other informants have attributed this substantial similarity to the dual-banking structure. Both informants argued that ICBs need to bear costs that are unique to them, namely, the Sharīʿah-related costs. It involves at least an additional layer of the operational structure, including documentation, contract execution, governance and remedial action upon Sharīʿah non-compliant events. As a result, financially unaffordable IHF instruments offered by ICBs are in danger of compromising one of ICBs' novel objectives, namely, to implement "a just and equitable distribution of wealth" (Farook, 2007).

As a relatively new IHF instrument available in the Malaysian market that was first introduced in 2006, academics and practitioners alike are seeing MM as a more affordable alternative to BBA-*tawarruq* (Mydin Meera and Abdul Razak, 2005, 2009; Smolo and Hassan, 2011). Presently, however, only 6 out of 16 ICBs are willing to offer MM. This rather low number of ICBs that offer MM is in tandem with Mydin Meera and Abdul Razak's (2005) argument that MM is less attractive for ICBs since its true implementation would yield lower profits. At least three informants who are actively involved in the industry seemed to be in agreement with Mydin Meera and Abdul Razak's (2009) assessment regarding the complexity of contracts for the genuine implementation of MM. Ultimately, if this trend persists, it will render IHF instruments as financially unaffordable options to potential homebuyers.

Apart from that, MM offered by ICBs in Malaysia revealed a divergence from the original MM framework as practised by FCs in North America. This is because they use the exogenously determined base financing rate or the base rate (Mohd Ali *et al.*, 2012; Isamail *et al.*, 2013; Shuib *et al.*, 2014). MM by these FCs, on the other hand, use endogenously determined rental rate as a benchmark. One informant who is also a Sharīʿah advisor even went as far as alluding that MM, as practised by ICBs in Malaysia, is an "AITAB in disguise". The informant further argued that the *mushārakah* (partnership) portion in the MM in Malaysia only comes at the beginning of the contract and mimics AITAB for the remainder of its financing duration. Therefore, MM instruments currently offered by ICBs have digressed from the normative form of MM by FCs. As a result, they are exposing Malaysian homeowners to a financially unaffordable IHF arrangement as even a slight profit rate increase will eventually lead to a higher debt-service ratio (Anderson *et al.*, 2016).

Previous work suggests that issues such as the lack of capital, conventional activities, weak structure, and the absence of good corporate governance in some cooperatives typically characterised the FC movement in Malaysia (Bidin, 2007; Othman *et al.*, 2014). As revealed by the then Minister of Domestic Trade, Cooperatives and Consumerism (KPDNKK) Datuk Seri Ismail Sabri Yaakob, most of the internal audit committees appointed by members of FCs in Malaysia have failed to discharge their fiduciary duties, functions and responsibilities (Jalil *et al.*, 2012). An informant who is also a cooperative board member suggested that FCs tend to appoint board members from among politicians and/or public figures who usually lack expertise as compared to their incumbent management team.

Therefore, to overcome the above-mentioned issues, one of the National Cooperative Policy's (NCP) strategic cores is to empower FCs through effective monitoring and enforcement activities (Suruhanjaya Koperasi Malaysia, 2010). The Malaysian Cooperative Societies Act (2007) governs IHF, just like other types of Islamic financing instruments. Bank Negara Malaysia supervisory officers are seconded to SKM to help with the overall

FCs' supervisory activities. However, at least three of the informants agreed that there is a huge gulf in supervisory capabilities and qualities between SKM and BNM.

In the NCP 2010-2020, it was reported that the majority of the cooperatives are small in size and, most importantly, in capital or source of finance (Suruhanjaya Koperasi Malaysia, 2010). As of now, most cooperatives are dependent on internal resources of capital. Although some exceptions are to be made for some FCs, they tend to disburse their external sources of funds (mostly from ICBs) in the form of Islamic personal financing. As a result, for FCs to become financially affordable IHF providers, there is a need for a synergistic joint venture between them and CWIs.

It was demonstrated by the findings that the overwhelming majority of the informants were open to the idea of implementing the CWFCMM model, albeit with some adjustments to its operationalization aspects. However, most of the informants expressed their concern on issues related to accountability (or lack thereof) amongst SIRCs in *waqf*-asset management. Each SIRC is the sole trustee of *waqf*-related matters in its state. Although respondents are open to the implementation of this model, they alluded to an urgent need for a paradigm shift amongst Malaysian Muslims regarding *waqf* from the old mentality of associating *waqf* with the exclusive application of endowed lands for graveyards, mosques and *taḥfīẓ* schools. They also called for use of cash *waqf* and the commercialisation of *waqf* lands.

Conclusion

This study assessed the suitability of a potential venture between CWIs and FCs in the provision of financially affordable IHF in Malaysia. This study contributes theoretically to the FC and Islamic finance literature by demonstrating their unique value proposition in helping the marginally excluded low- and middle-income Malaysians to affordably own a house. Despite its huge potential, this research has managed to shed light on the various potential challenges that might arise out of this model. FCs have a long way to go in proving themselves as a viable alternative to the current institutional IHF framework. FCs need to be operated via the correct business model, implement good governance structures, acquire the right tools and employ the right people for the job at hand. On the other hand, CWIs need to continuously work on their accountability-governance-positive image issue. One of the best ways for them to do so would be to publish their audited accounts in the mainstream newspapers, much like what is being done by one of Malaysia's well-known non-governmental organisations – the Malaysian Medical Relief Society (MERCY Malaysia)[5]. Future studies should use more samples (preferably mixed methods) for generalisation purpose because this study used a small sample, and therefore, generalising its findings will be restricted.

Notes

1. The literal meaning of *istibdāl* is "changing, exchanging or desiring to change". However, it contemporaneously refers to "the purchase of other lands to be endowed as replacement by the *waqf* administrator using the proceeds of the sales of the original *waqf* lands" (Salleh *et al.*, 2015, p. 45).
2. Urus Maju Ehsan (M) Sdn. Bhd. is a *waqf* property developer in the state of Selangor. It is a wholly owned subsidiary of Perbadanan Wakaf Selangor (PWS).
3. The CWFCMM model will be using the profit rate charged by the Public Sector Home Financing Board (LPPSA) at 4 per cent as a benchmark for an affordable Islamic home financing rate.

4. SIRCs are the sole *waqf* trustees in Malaysia, as enshrined in the Ninth Schedule (State List-List II) of the Federal Constitution.
5. MERCY Malaysia is a volunteer relief organization that provides mostly medical and humanitarian services both locally and abroad. It is one of the few NGOs that publishes its annual reports in the mainstream media. These include, among others, audited financial statements.
6. SKM or Malaysia Cooperative Societies Commission is the governing agency of all cooperative societies in Malaysia. It is under the purview of the Minister of Domestic Trade, Cooperatives and Consumerism.

References

Anderson, G., Bunn, P., Pugh, A. and Uluc, A. (2016), "The bank of England/NMG survey of household finances", *Fiscal Studies*, Vol. 37 No. 1, pp. 131-152.

Ayadi, R., Llewellyn, D.T., Schmidt, R.H., Arbak, E. and Pieter De Groen, W. (2010), *Investigating Diversity in the Banking Sector in Europe: Key Developments, Performance and Role of Cooperative Banks*, Centre for European Policy Studies, Brussels.

Banerjee, A.V., Besley, T. and Guinnane, T.W. (1994), "The neighbor's keeper: the design of a credit cooperative with theory and a test", *The Quarterly Journal of Economics*, Vol. 109 No. 2, pp. 491-515.

Basterretxea, I. and Albizu, E. (2011), "Management training as a source of perceived competitive advantage: the Mondragon cooperative group case", *Economic and Industrial Democracy*, Vol. 32 No. 2, pp. 199-222.

Besley, T. (1995), "Nonmarket institutions for credit and risk sharing in low-income countries", *The Journal of Economic Perspectives*, Vol. 9 No. 3, pp. 115-127.

Bidin, Y.H. (2007), "Positioning knowledge management as key success factor in the growth of cooperatives in Malaysia", *Asian Academy of Management Journal*, Vol. 12 No. 1, pp. 69-82.

Birchall, J. (2012), "The comparative advantages of member-owned businesses", *Review of Social Economy*, Vol. 70 No. 3, pp. 263-294.

Birchall, J. (2013), *Resilience in a Downturn: The Power of Financial Cooperatives*, International Labour Organization, Geneva.

BNM (2016), *Bank Negara Malaysia Annual Report 2015*, Bank Negara Malaysia, Kuala Lumpur, available at: www.bnm.gov.my/index.php?ch=en_publication&pg=en_ar&ac=22&en (accessed 28 August 2018).

BNM (2018), *Monthly Statistical Bulletin June 2018*, Bank Negara Malaysia, Kuala Lumpur, available at: www.bnm.gov.my/index.php?ch=en_publication&pg=en_msb&lang=en&mnth=6&yr=2018 (accessed 28 August 2018).

Canning, D., Jefferson, C.W. and Spencer, J.E. (2014), "Optimal credit rationing in not-for-profit financial institutions", *International Economic Review*, Vol. 44 No. 1, pp. 243-261.

Cornforth, C. and Thomas, A. (1990), "Cooperative development: barriers, support structures and cultural factors", *Economic and Industrial Democracy*, Vol. 11 No. 4, pp. 451-461.

Dar, H.A. and Presley, J.R. (2000), "Lack of profit loss sharing in Islamic banking: management and control imbalances", *International Journal of Islamic Financial Services*, Vol. 2 No. 2, pp. 9-12.

Dusuki, A.W. (2008), "Banking for the poor: the role of Islamic banking in microfinance initiatives", *Humanomics*, Vol. 24 No. 1, pp. 49-66.

Ebrahim, M.S. (2009), "Can an Islamic model of housing finance cooperative elevate the economic status of the underprivileged?", *Journal of Economic Behavior and Organization*, Vol. 72 No. 3, pp. 864-883.

Ebrahim, M.S. and Sheikh, M. (2016), "Debt instruments in Islamic finance: a critique", *Arab Law Quarterly*, Vol. 30 No. 2, pp. 185-198.

Echchabi, A., Eddine, H., Oussama Houssem Eddine, C. and Ayedh, A.M. (2015), "Awareness about *waqf* among Algerian students: an exploratory study", *Journal of Islamic Business and Management*, Vol. 5 No. 1, pp. 1-13.

Farook, S. (2007), "On corporate social responsibility of Islamic financial institutions", *Islamic Economic Studies*, Vol. 15 No. 1, pp. 31-46.

Goglio, S. and Alexopoulos, Y. (2014), "Editorial: cooperative banks at a turning point?", *Journal of Entrepreneurial and Organizational Diversity*, Vol. 3 No. 1, pp. 1-8.

Griffiths, G. and Howells, G. (1991), "Britain's best kept secret? An analysis of credit unions as an alternative source of credit", *Journal of Consumer Policy*, Vol. 13 No. 4, pp. 443-461.

Guest, G., Bunce, A. and Johnson, L. (2006), "How many interviews are enough?: an experiment with data saturation and variability", *Field Methods*, Vol. 18 No. 1, pp. 59-82.

Haneef, R., Kunhibava, S. and Smolo, E. (2011), "*Musharakah mutanaqisah* and legal issues: case study of Malaysia", *ISRA International Journal of Islamic Finance*, Vol. 3 No. 1, pp. 93-124.

Ihsan, H. and Mohamed Ibrahim, S.H. (2011), "WAQF accounting and management in Indonesian WAQF institutions: the cases of two WAQF foundations", *Humanomics*, Vol. 27 No. 4, pp. 252-269.

International Co-operative Alliance (2017), "What is a co-operative?", available at: http://ica.coop/en/what-co-operative (accessed 24 December 2017).

Isamail, M.Z., Tamkin, J. and Abu Husin, M.F. (2013), "Analisis kritikal terhadap pembiayaan semula perumahan secara islam melalui kontrak *musharakah mutanaqisah* [critical analysis on Islamic home refinancing via *musharakah mutanaqisah* contract]", *Jurnal Teknologi*, Vol. 64 No. 1, pp. 100-109.

Itam@Ismail, M.I., Hasan, R. and Alhabshi, S.M. (2016), "Shariah governance framework for Islamic co-operatives as an integral social institution in Malaysia", *Intellectual Discourse*, Vol. 24, pp. 477-500. Special Issue: Islamic Banking and Finance.

Jalil, Z., Hamid, H. and Rohim, S.N. (2012), "Penjana ekonomi Negara [national economic generator]", *Utusan Malaysia, 15 July*, available at: www.utusan.com.my/utusan/rencana/20120715/re_01/penjana-ekonomi-negara (accessed 24 December 2017).

Malterud, K., Siersma, V.D. and Guassora, A.D. (2015), "Sample size in qualitative interview studies: guided by information power", *Qualitative Health Research*, Vol. 26 No. 13, pp. 1753-1760.

Mohammad, M.T.S. (2008), "Sustaining the means of sustainability: the need for accepting wakaf (*waqf*) assets in Malaysian property market", in The 14th Annual Conference of the Pacific Rim Real Estate Society, Kuala Lumpur, pp. 1-17.

Mohd Ali, H., Markom, R. and Jamal, J. (2012), "A reappraisal of the legality and viability of sales and partnership concepts in Islamic home financing", *Pertanika Journal of Social Science and Humanities*, Vol. 20, pp. 121-129. Special Issue.

Mohd Thas Thaker, M.A.B., Mohammed, M.O., Duasa, J. and Abdullah, M.A. (2016), "Developing cash *waqf* model as an alternative source of financing for micro enterprises in Malaysia", *Journal of Islamic Accounting and Business Research*, Vol. 7 No. 4, pp. 254-267.

Mohsin, M.I.A. (2013), "Financing through cash-*waqf*: a revitalization to finance different needs", *International Journal of Islamic and Middle Eastern Finance and Management*, Vol. 6 No. 4, pp. 304-321.

Mustaffa, N. and Muda, M.Z. (2014), "Pengurusan wakaf pendidikan di institusi pengajian tinggi Malaysia: Satu sorotan literatur [management of *waqf* for education in Malaysian higher learning institutions: a review of the literature]", *International Journal of Islamic and Civilizational Studies*, Vol. 1 No. 1, pp. 45-57.

Mydin Meera, A.K. and Abdul Razak, D. (2005), "Islamic home financing through *musharakah mutanaqisah* and *al-bay' bithaman ajil* contracts: a comparative analysis", *Review of Islamic Economics*, Vol. 9 No. 2, pp. 1-27.

Mydin Meera, A.K. and Abdul Razak, D. (2009), "Home financing through the *musharakah mutanaqisah* contracts: some practical issues", *Journal of King Abdulaziz University-Islamic Economics*, Vol. 22 No. 1, pp. 3-27.

Othman, A., Mansor, N. and Kari, F. (2014), "Assessing the performance of co-operatives in Malaysia: an analysis of co-operative groups using a data envelopment analysis approach", *Asia Pacific Business Review*, Vol. 20 No. 3, pp. 484-505.

Romney, A.K., Weller, S.C. and Batchelder, W.H. (1986), "Culture as consensus: a theory of culture and informant accuracy", *American Anthropologist*, Vol. 88 No. 2, pp. 313-338.

Salleh, K., Hamid, N.A., Harun, N. and Ghani, M.N. (2015), "Compulsory acquisition of *waqf* land by the state authorities: compensation versus substitution", *Pertanika Journal of Social Science and Humanities*, Vol. 23, pp. 39-50. Special Issue.

Sarker, M.A.A. (2001), "Islamic business contracts, agency problem and the theory of the Islamic firm", *International Journal of Islamic Financial Services*, Vol. 1 No. 2, pp. 01-15.

Shakrani, M.S.B., Noor, M.S.Z. and Ali, J. (2003), "Tinjauan isu-isu yang membataskan penggunaan wakaf dalam pembangunan ekonomi ummah di Malaysia [a survey of issues that impede the utilization of *waqf* for socio-economic development in Malaysia]", *Jurnal Syariah*, Vol. 11 No. 2, pp. 73-98.

Shuib, M.S., Daud, M.Z. and Sulaiman@Mohamad, A.A. (2014), "Isu dalam pembiayaan perumahan: analisis perbandingan produk berasaskan *musharakah mutanaqisah* dan konvensional [home financing issues: an analysis of *musharakah mutanaqisah*- and conventional-based products]", *Jurnal Teknologi*, Vol. 66 No. 1, pp. 67-78.

Smolo, E. and Hassan, M.K. (2011), "The potentials of *musharakah mutanaqisah* for Islamic housing finance", *International Journal of Islamic and Middle Eastern Finance and Management*, Vol. 4 No. 3, pp. 237-258.

Sue-Ann, C. (2017), "Cover story: unsustainable cost of civil service", *The Edge Malaysia Weekly, 27 April*, available at: www.theedgemarkets.com/article/cover-story-unsustainable-cost-civil-service (accessed 28 August 2018).

Suruhanjaya Koperasi Malaysia (2010), *Dasar Koperasi Negara 2002-2020 [National Cooperative Policy 2002-2020]*, Suruhanjaya Koperasi Malaysia, Kuala Lumpur.

Zeuli, K. and Radel, J. (2005), "Cooperatives as a community development strategy: linking theory and practice", *The Journal of Regional Analysis and Policy*, Vol. 35 No. 1, pp. 43-54.

About the authors

Mohd Zaidi Md Zabri, PhD, is a Lecturer at the School of Management, Universiti Sains Malaysia (USM), Penang, Malaysia. He holds a PhD in Islamic Banking and Finance from International Islamic University Malaysia (IIUM). Mohd Zaidi Md Zabri is the corresponding author and can be contacted at: zaidizabri@gmail.com

Mustafa Omar Mohammed, PhD, is an Associate Professor and the Head of the Department of Economics, Kulliyyah of Economics and Management Sciences, IIUM. He holds a PhD in Finance from Universiti Sains Malaysia (USM), Penang, Malaysia.