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Waqf-Based Crowdfunding for Non-Ruminant Livestock: A Qard al-Hasan Model for Sustainable Food Security in Malaysia

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Abstract: This study looks into the possibility of waqf-based crowdfunding as a different way to get money to help develop non-ruminant livestock, especially poultry, in Malaysia. Even though the sector is becoming increasingly important to national food security, farmers face significant financial challenges, including high capital costs and limited access to traditional financing. At the same time, waqf funds are still not being used enough in productive sectors. This study finds important legal, institutional, and operational problems by using a qualitative method that combines doctrinal and non-doctrinal analysis, such as interviews and a Focus Group Discussion (FGD). The results show that there is a regulatory gap and broken governance that make it hard to implement waqf crowdfunding. In response, the study suggests a model that combines one-time waqf funding for infrastructure with Qard al-Hasan funding for operations. This model provides a long-term, Shariah-compliant solution that helps farmers, increases access to financial services, and helps improve food security.

Keywords: *Qard, Blended Finance, and Shariah-compliant Investment, CAPEX, SDG.*

1. Introduction

Waqf is a long-standing Islamic charitable organization that has traditionally taken the form of a cash waqf, in which donors (wakifs) give money for religious, social, or economic purposes (Aldeen, Ratih & Herianingrum, 2020). In the past, cash waqf has been very important for helping communities grow and stay healthy (Ibrahim, Amir and Masron, 2013). However, even though it is well-known how important it is, it is still mostly used in traditional areas like religious infrastructure, education, and healthcare. This means that important areas like agriculture and food security are still not getting enough funding. This imbalance shows that waqf is not being used enough as a strategic socio-economic tool to deal with Malaysia's most important national problems.

In recent years, waqf crowdfunding has become more popular with both scholars and practitioners as a way to breathe new life into waqf institutions. Azganin, Kassim, and Sa'ad (2021) point out that this model broadens the traditional definition of waqf by using digital platforms to get more people involved and make better use of resources. Waqf crowdfunding differs from traditional cash waqf by incorporating financial technology (fintech) to create clear, open, and scalable ways to raise money for a wide range of social and economic projects (Suhaili & Palil, 2016). This change shows that Islamic social finance is moving away from passive giving and toward more active and involved models.

Despite its promising potential, the implementation of waqf crowdfunding in Malaysia encounters substantial structural and regulatory obstacles. These encompass restricted public awareness, technological limitations, and, more significantly, legal and institutional ambiguities (Haniff et al., 2024). Current regulatory frameworks, especially those that govern capital markets and waqf administration, don't work well with donation-based crowdfunding models. This creates a "regulatory dead zone" that makes it hard for new ideas to grow and spread. Additionally, the lack of coordination and standardization is made worse by the fact that there are many State Islamic Religious Councils (SIRCs) with different rules.

To fully realize the potential of waqf as a tool for social and economic change, these problems must be solved. Lahuri and Lutfiah (2024) point out that the ongoing funding gaps in the social, economic, and development sectors show how important it is to find new ways to finance projects that follow Shariah principles while also

improving participation, transparency, and operational efficiency. The use of waqf crowdfunding in areas that haven't been studied much yet, like agriculture, is especially interesting because it could help with high capital costs and food security issues. This changing environment makes it even more important to create a strong, legally sound, and technologically advanced waqf crowdfunding model that can meet the needs of today's society.

Research Problem

Although cash waqf has long been practiced in Malaysia, its role in addressing modern socio-economic challenges remains limited (Abd Rahman & Awang, 2018). In practice, waqf funds are still largely concentrated in traditional sectors such as religious infrastructure and education, with minimal utilisation in critical areas like agriculture and food production, particularly in non-ruminant livestock such as poultry. This is a significant gap, given that poultry is a major source of protein in Malaysia and plays an important role in national food security.

At the same time, the non-ruminant livestock sector faces serious financial challenges. Farmers require high capital investment to upgrade to modern systems, such as closed-house farming, yet many are unable to access financing due to high risks and strict lending requirements. As a result, small and medium-scale farmers are often excluded from participating in more efficient and sustainable farming practices.

Waqf crowdfunding has been proposed as a possible way to enhance the potential for better resource mobilisation through digital platforms and public involvement. However, its application in Malaysia is still in its infancy. Some of the issues affecting its application include public awareness, lack of technological integration, and most importantly, the lack of a clear legal framework for its application (Haniff et al., 2024; Qurrata et al., 2021). For example, existing laws such as Equity Crowdfunding (ECF) are only applicable to profit-based crowdfunding and not donation-based crowdfunding. Moreover, existing State Waqf Enactments do not clearly outline the application of waqf funds in high-risk activities such as livestock farming.

As a result, there is a disparity between the potential and application of waqf crowdfunding in supporting the development of non-ruminant livestock. Therefore, there is a need to explore the potential for the application of waqf in supporting the development of non-ruminant livestock. This includes developing an appropriate model that is effective in mobilising resources, supporting farmers, and contributing to food security, while adhering to Shariah principles.

Objectives of the Study

This study aims to examine the role of modernisation of cash waqf in resolving current socio-economic challenges, especially in the development of non-ruminant livestock such as poultry. The specific objectives of this study are as follows:

- To examine the limitations of traditional cash waqf in resolving current socio-economic challenges in Malaysia, especially in the development of non-ruminant livestock.
- To examine the possibility of waqf crowdfunding and blended finance as a new mode of resource mobilisation for public participation in the development of non-ruminant livestock.

2. Literature Review

Waqf is traditionally used for the development of society, education, health, and infrastructure development in Islamic society, especially in Ottoman society (Avedta, 2023). Nevertheless, the effectiveness of waqf in resolving modern socio-economic challenges in Malaysia is limited due to government intervention and the lack of independence in the management of waqf institutions (Syamsul & Munir, 2023). Waqf is a useful tool for society and for making donations.

The introduction of cash waqf (CW) has created a more flexible option compared to the traditional waqf system because it allows the funds to be mobilized and utilized more productively. In Malaysia, the management of CW is handled by the State Islamic Religious Councils (SIRCs), indicating the possibility of generating more income in a Shariah-compliant manner (Daud, 2019). Nevertheless, the system is still restricted by legal and administrative issues that hinder the full utilization of waqf (Abdullah, Basir, & Abdul, 2022).

To further enhance the waqf system, the waqf institutions must be governed better, more transparently, and more efficiently in managing finances. In this regard, the introduction of fintech and Equity Crowdfunding (ECF) provides new avenues for the waqf system to be more modernized and made more accessible, transparent, and participatory (Haniff et al., 2023). This could transform the waqf system from a passive charity into a more defined and effective system.

ECF can assist small businesses or social initiatives through Shariah-compliant contracts, i.e., mudharabah or musharakah. This, therefore, presents an opportunity for the Waqf-Equity Crowdfunding (Waqf-ECF) model, which can raise funds more efficiently, especially for sectors with significant impact, e.g., non-ruminant development. A sustainable waqf system, therefore, requires good governance, the efficient application of technology, and the engagement of the community to achieve an effective balance between spiritual and financial objectives.

However, ECF is not considered an appropriate model for non-ruminant livestock, e.g., poultry. This is because the sector is prone to risks, e.g., diseases or price volatility. These risks make it an unattractive investment opportunity. In addition, the application of ECF is subject to regulations by the Securities Commission, which may pose bureaucratic challenges. Moreover, it is not an appropriate model due to its investment-based nature, which does not align with the charitable objective of waqf.

3. Research Methodology

This research employed a qualitative research design to assess the development of the waqf crowdfunding model in the context of non-ruminant livestock, such as poultry, in Malaysia. This research design is appropriate to this research as it seeks to understand the gaps in the laws and the challenges in the institutions, which may not be achieved using a quantitative research design.

This research process follows a systematic process of carrying out a literature review, legal analysis, data gathering, and developing a model, validated by a Focus Group Discussion (FGD) with subject matter experts.

Data Collection Methods

The doctrinal method entails examining the relevant legal and regulatory environment, including the Capital Markets and Services Act 2007 (CMSA 2007), Securities Commission Guidelines on Recognized Markets (2021), Guidelines on Islamic Funds with Waqf Features (2020), State Waqf Enactments, and the Bank Negara Malaysia Shariah Governance Framework (2019). This is necessary to determine the legal gaps and limitations in the implementation of waqf crowdfunding, particularly in sectors that are considered to be of high risk, such as non-ruminant livestock.

Moreover, the research will also be conducted using the non-doctrinal method, which entails qualitative data collection using semi-structured interview methods with key stakeholders in the waqf crowdfunding ecosystem, including State Islamic Religious Councils (SIRCs), waqf institutions, and agricultural agencies such as the Department of Agriculture (DOA) and Department of Veterinary Services (DVS), and industry players in the poultry sector. The research will also involve a Focus Group Discussion (FGD) as a validation mechanism, where subject matter experts will be consulted to provide feedback on the proposed waqf crowdfunding model.

Sampling Strategy

The research participants will be sampled using a purposeful sampling technique, where participants will be chosen based on their level of expertise in the areas of waqf, Islamic finance, and the agricultural sector. The data collected will then undergo an analysis using thematic analysis, whereby the collected data will be coded according to key issues or themes, including legal issues, financial issues, issues of governance, and the feasibility of waqf crowdfunding for the development of non-ruminant livestock. The results from both the doctrinal and non-doctrinal research will then be synthesized to form a model.

Reliability and Validity

In this regard, this research adopts a data triangulation approach to ensure the validity and reliability of the results. In this regard, expert validation through the FGD contributes to the reliability of the proposed model.

In this regard, the proposed approach provides a reliable way of understanding the challenges and opportunities associated with the implementation of waqf crowdfunding in the non-ruminant livestock industry in Malaysia.

4. Findings

Financing Challenges in Non-Ruminant Livestock

This shows that the sector of non-ruminant livestock, especially poultry, plays a critical role in the food security of Malaysia. Poultry is still the main source of protein for Malaysians, and the demand is steadily rising. Nonetheless, the sector faces serious financial problems, especially among small and medium-scale farmers.

One of the main problems identified in the sector is the high capital expenditure that is required to move from traditional open house farming to a more advanced and efficient system of farming, which is the closed house system. This is necessary to enhance biosecurity and increase production. The cost of doing this is, however, too high, and this has been a serious problem in the sector. The traditional farming methods make the sector prone to more diseases.

Moreover, access to traditional sources of finance is still limited. For instance, financial institutions are not willing to lend money to agricultural players in the sector due to the high risk associated with it, including the risk of diseases, environmental factors, and market volatility. The stringent conditions required to obtain loans, such as the need to have collateral and a steady income, also make it difficult for small-scale farmers to access finance. This creates a gap in finance, which affects the growth of the non-ruminant livestock sector.

From the findings of this research, it is evident that the sector needs alternative sources of finance that are easily accessible, have low risk, and are sustainable. Waqf crowdfunding has been identified as a possible solution to this problem because it provides an alternative source of finance that is not based on debt finance.

Underutilisation of Waqf in Productive Sectors

Another important finding is the lack of utilization of waqf funds in productive sectors of the economy. Though the collection of cash waqf in Malaysia has registered growth, its utilization is still largely in traditional sectors like the construction of religious centers, education, and healthcare. Very little attention is being devoted to sectors like agriculture, and presently, there is no specific focus on the development of non-ruminant livestock.

This is a major opportunity cost, as waqf has the potential to be used for economic development. Waqf, being a perpetual and charitable fund, has the potential to be utilized for income-generating activities, which can bring continuous benefits to the larger society. However, presently, the focus is largely consumption-based, and not enough is being done to explore the potential of waqf for its productive utilization.

From the above findings, it is clear that there is a need to shift from the traditional concept of waqf utilization to a more productive concept. By utilizing waqf funds for poultry farming, for example, it is possible to generate a continuous cycle to support further development. This approach aligns with the concept of waqf as a long-term asset that benefits both current and future generations.

Legal and Institutional Constraints

The study also points out other legal and institutional issues that affect the application of waqf crowdfunding in Malaysia. One issue is that there is no legal framework to govern donation-based crowdfunding platforms in Malaysia. For instance, the Securities Commission's Guidelines on Recognised Markets primarily govern equity crowdfunding and peer-to-peer financing platforms, which operate on a profit-sharing model. However, this is not the case in waqf crowdfunding platforms, where investors do not anticipate any returns on their investments.

In addition, the Guidelines on Islamic Funds with Waqf Features primarily govern unit trusts and not project-based crowdfunding platforms. This creates a legal void where there is no law governing waqf crowdfunding platforms. Furthermore, State Waqf Enactments do not offer clear provisions on investing in high-risk assets

like livestock due to concerns over the application of the principle of perpetuity (ta'bid). This creates ambiguity among waqf authorities in implementing this project.
In addition, the current system of waqf governance in Malaysia is dispersed and involves various State Islamic Religious Councils (SIRCs) with their own set of rules. This lack of standardization makes it difficult to have a uniform system of waqf crowdfunding at the national level. In this regard, the current system results in a "regulatory dead zone."

Potential of Waqf Crowdfunding Model

However, the findings have demonstrated a good opportunity for the development of a crowdfunding model based on the concept of Waqf for the non-ruminant livestock sector. This would be a more sustainable and Shariah-compliant alternative for financing, considering the shortcomings of the existing financing systems.

The proposed model for Waqf crowdfunding would have three phases: collection, financing, and management. In the collection phase, funds would be collected through digital platforms from the donors/wakifs through a Wakalah arrangement. The Waqf funds would be used for one-time infrastructure development, for example, building closed-house systems for poultry farming and essential farm infrastructure. This would ensure the sustainability of the Waqf.

In the financing phase, the farmers would be financed through a Qard al-Hasan system, where funds would be provided for operational costs. The farmers would only be required to pay back the principal amount, and this would be used for future financing. In the management stage, relevant agencies and players in the industry will be responsible for providing technical support and supervision for the efficient management of farms while adhering to biosecurity requirements.

Significantly, the proposed model portrays contributors as donors who seek social and spiritual rewards, not financial ones. However, the model establishes a sustainable system in which waqf assets are not depleted, while Qard al-Hasan funds are constantly flowing. The addition of digital technologies makes the system more transparent, accountable, and participatory, thus promoting public trust and engagement in waqf activities.

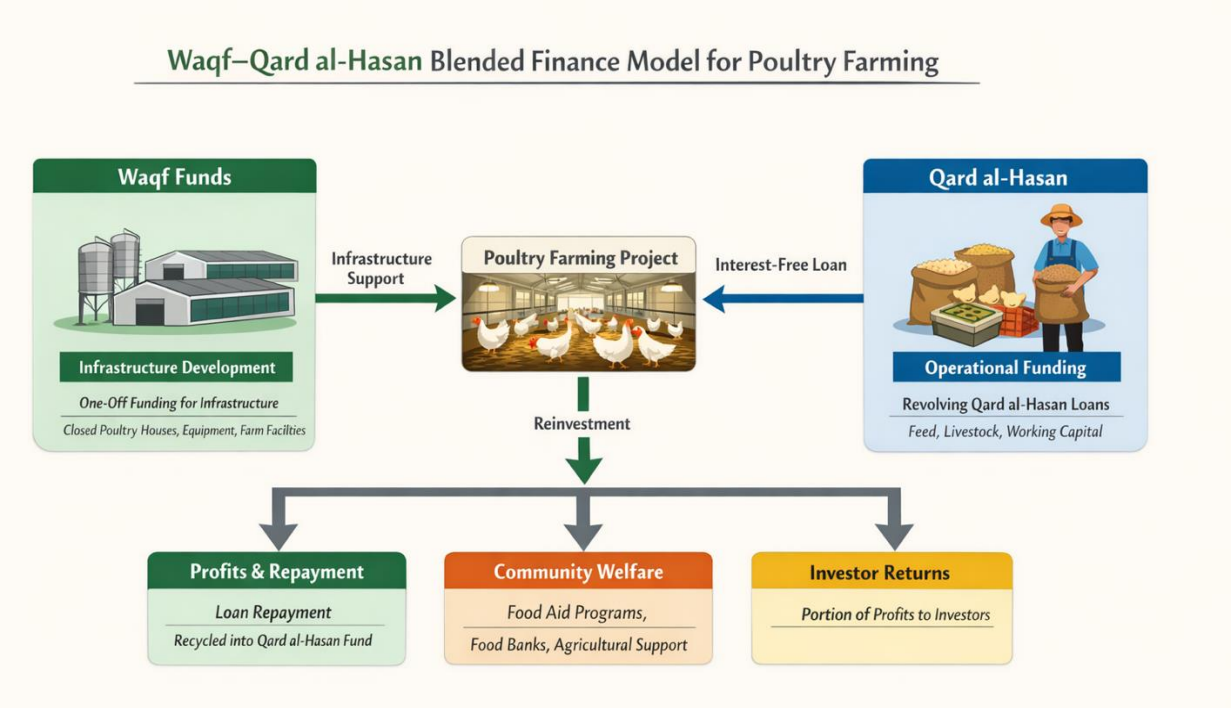
Waqf-Qard al Hasan

However, the existing waqf management in Malaysia is still heavily reliant on conventional administrative practices, which are not very dynamic and not entirely compatible with modern financial instruments and technological advancements. This has, in turn, affected the ability of waqf institutions to reach their maximum economic potential. Some of the major issues in the existing waqf management in Malaysia are related to the management of funds, lack of strategic planning for investments, and limited integration with financial systems and the private sector. Moreover, legal and administrative issues also limit the flexibility of waqf institutions.

Another major issue in the existing waqf management in Malaysia is related to the lack of standardisation in the governance of waqf institutions in the country. Different State Islamic Religious Councils (SIRCs) in Malaysia operate under different regulations and rules. This has affected the ability to introduce new and innovative ideas, such as waqf crowdfunding, especially in high-impact areas like non-ruminant livestock. This has, in turn, limited waqf initiatives to conventional charitable activities.

In order to address the challenges, it is necessary to strengthen the existing governance structures, promote transparency, and align the initiatives with the national development agenda, especially with regard to issues such as food security. Financial innovation, especially with regard to waqf crowdfunding, is an opportunity to improve the effectiveness of fund mobilization, especially with regard to sectors such as poultry farming.

Figure 1: Waqf-Qard al-Hasan Blended Finance Model for Poultry Farming



According to the proposed model, the structure of waqf crowdfunding is designed as an Islamic financial system to support the development of non-ruminant animals, especially poultry, by clearly separating the different components. In the proposed model, cash waqf funds will only be used for financing infrastructure development, which is once-off, i.e., the construction of closed-house poultry, equipment, and other farm facilities. This is to ensure that the waqf asset is maintained, productive, and consistent with the concept of ta'bid, or perpetuity, where the infrastructure will generate ongoing benefits.

For operational purposes, the proposed model will adopt the Qard al-Hasan, or interest-free loan, financial contract. In this financial structure, financing will be made available to farmers for operational purposes, e.g., feed, animals, and maintenance, without interest. The farmer will only pay back the principal amount, which will then be used to finance other farmers. This will create a revolving effect, thereby promoting sustainability.

The distinction between waqf and Qard al-Hasan is a strong aspect of this model. This is because, unlike waqf, which offers permanent support for the development of the required infrastructure, Qard al-Hasan offers continuous support through financial flow, as it is repayable and reusable. This helps minimize the financial burden on the farmers without compromising the integrity of waqf funds.

The impact of this model is twofold. On one hand, the individual farmers will be positively impacted through increased productivity and income. On the other hand, the community as a whole will be positively impacted through increased production of chicken, which will translate into increased food security for the country as a whole. This, therefore, shows that this model is effective as it provides a solution for the development of the non-ruminant livestock sector through the transformation of waqf into a more productive financial tool.

5. Conclusion

The proposed model for waqf-based crowdfunding is found to have tremendous potential to harness Islamic social finance for sustainable development, especially for non-ruminant animals such as poultry, thereby promoting national food security. This is because the proposed model is found to alleviate the financial burden on farmers by providing an alternative solution that is not only feasible but also Shariah-compliant.

However, certain challenges need to be addressed. One of the challenges is the lack of coordination between the different State Islamic Religious Councils (SIRCs) with different regulations governing them. This is because, currently, the legal system does not clearly support the proposed model of waqf-based crowdfunding. This is due to the lack of clear regulations, thereby creating an uncertain environment.

Another significant issue to address is institutional capacity. Waqf institutions tend to be traditionally set up as administrative or charitable institutions and may not have the technical expertise to handle more complex and innovative forms of financing. Without proper governance structures, financial management systems, and technical expertise, it may not be an effective model. Moreover, there is also a risk to the non-ruminant livestock sector in terms of diseases, price risks, and other operational risks that may impact project sustainability.

Public awareness and stakeholder confidence also form a significant part of this model's success. Waqf crowdfunding and Qard al-Hasan-based models are relatively new forms of financing and may not be very well understood among potential donors and participants in these models.

However, despite all these challenges, the model presents a transformative idea, transforming the concept of waqf from a purely charitable concept to a more productive and sustainable concept. By focusing on the development of infrastructure and supporting farmers through interest-free financing, the model is not only contributing to economic empowerment and social welfare, but it has the potential to strengthen the non-ruminant livestock sector, food security, and socio-economic development in Malaysia.

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