

Essays on the Demand for and Supply of Cash Waqfs in the Muslim World

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A dissertation

submitted in partial fulfillment of the
requirements for the degree of

Doctor of Philosophy

University of Washington

2023

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Program Authorized to Offer Degree:

Political Science

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Abstract

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I address two broad questions regarding cash waqfs, which are Islamic law-sanctioned crowdfunding-style platforms established to provide public goods and services in the Muslim world. First, why do Muslims want to contribute voluntarily to cash waqf programs? Second, what explains the existence of different types of institutions that offer cash waqfs across different Muslim-majority states? The second and third chapters address the first question and how trust motivates donors to contribute to cash waqf programs. In the second chapter on Malaysia, I show that when donors have options over contributing to a public and private version of the same good, the preference for the latter is motivated by generalized trust in unknown others. Donors who trust strangers believe that others would also prefer the better quality private good option,

especially when the quality of the pre-existing public good option is widely known to be substandard. In the third chapter on Pakistan, I show that when donors have the option of contributing to cash waqf programs offered by for-profits and non-profits, those who opt to contribute to the former are driven by institutional trust. Although for-profit institutions may have little business in the field of charity and public goods provision, donors may perceive them to be more trustworthy vis-à-vis non-profits. The fourth chapter tackles the second broad question and addresses why cash waqfs are offered by the state in Malaysia but by Islamic banks in Bangladesh. In this chapter, I argue that the colonial legacies of divergent approaches toward the management of religion in British India and British Malaya shaped how Islam has been administered, which extends to the sphere of religious charity. The judicial approach to manage religion in British India did not create an extensive bureaucracy to administer religion, leaving elbowroom for initiatives such as cash waqfs to emerge in the private sector later. The emergence of all-encompassing bureaucracies in British Malaya, first at the state level and later at the federal level in an independent Malaysia, to regulate Islam meant that all matters pertaining to religion fell strictly within the purview of the state, including cash waqfs.

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Acknowledgements

The research for and the writing of this dissertation would not have been possible but for the input, feedback, and support of the following people. First and foremost, I would like to convey my utmost gratitude to my mentor and the chair of my dissertation committee, Anthony Gill. I have tried my best to learn as much as I can from him to be the best scholar and educator I can be. He has been terrific from the start of my time here at the University of Washington. He always provides timely advice and feedback on my work and has always had my back as his teaching assistant. He is an excellent scholar and an even better educator, and I am grateful to have had the privilege of having him as my dissertation committee chair. I would also like to thank the other members of my dissertation committee, Caitlin Ainsley, Asli Cansunar, and Clair Yang for all their assistance and feedback on this dissertation as well.

Research for this dissertation would not have been possible without funding from the Department of Political Science Graduate Student Awards, the Chester-Fritz International Fellowship from the University of Washington, and the Global Research on Religion Initiative Project Launch Grant from the University of Notre Dame. Thank you very much for granting me the financial support to conduct my research for this dissertation. I would also like to thank the staff of Merdeka Center in Kuala Lumpur and Gallup Pakistan in Islamabad who were greatly helpful in helping me carry out surveys as part of my data collection process for this dissertation.

I would also like to thank my fellow graduate students from the Department of Political Science at the University of Washington, both former and current, who have been wonderful colleagues and friends of mine from my early days in Seattle. It is their companionship and the conversations we have had together that have kept me motivated throughout my journey in the graduate program as well as the process of researching and writing my dissertation. I cherish all of the times and moments we have had together; I hope that they also feel likewise. Firstly, I would like to thank the members of my graduate cohort: Kevin Aslett, Jonathan Beck, Christopher Col-

ligan, Mathieu Dubeau, Calvin Garner, Riddhi Mehta-Neugebauer, Emma Rodman, Rafeel Wasif, Anna Zelenz, and Tan Zhao. Without all of your support and friendship from day one, graduate school life would have been tougher and much more bleak. Secondly, I would also like to express my gratitude to the following former and current graduate students from the department who have helped me so much along the way as well: Ellen Ahlness, Bree Bang-Jensen, Andreu Casas, Yoav Duman, Megan Erickson, Sergio Garcia-Rios, William Gochberg, Jeffrey Grove, Carolina Johnson, Brian Leung, David Lopez, Xiao Ma, Beatrice Magistro, Sebastian Mayer, Nela Mrchkovska, Christianna Parr, Walid Salem, Jessica Sciarone, Seth Trenchard, Morgan Wack, and Nora Webb Williams. Additionally, I would like to convey my gratitude to my dearest colleagues and friends from the other graduate programs at the University of Washington and elsewhere. They have all been a crucial component of my support system during my time in graduate school. Thank you very much to the following: Siti Hazariah Abu Bakar, Katia Chaterji, Isabel Chew, Delaney Glass, Nursyazwani Jamaludin, Lin Hongxuan, Khamsya Khidzer, Janice Bially Mattern, Gadisti Aisha Mohamed, Ng Meixi, Gani Nurmukhametov, Kai Ostwald, Dimas Iqbal Romadhon, Joan Ryan, Maral Sahebame, Maximilian Tegtmeier, Pelin Tünaydın, and Yang Xueyan.

I would also like to convey my foremost gratitude to the ones who love me the most - my family members, who have remained back home halfway across the globe in Singapore the entire time that I have been in graduate school. My father Supiyan has always made sure that we have never struggled financially as a family even though we have been a working class family for the longest time. My mother Yupak has been my biggest supporter and cheerleader from day one, and has always encouraged me to pursue my interests to the fullest. In my absence my younger sister Sakinah has graciously and wonderfully held down the fort back home, and I am forever indebted to her for that. Last but not least, all immeasurable praise and gratitude is reserved for the Infallible Teacher, whose guidance has always illuminated the path for me to take as I forge a career as a scholar and an educator in academia.

1

Introduction

Traditional and Cash Waqfs

Much of the literature on Islamic economics or the Islamic economy has largely revolved around Islamic banking and finance (IBF), and how they compare to ‘conventional’ banks. The overwhelming focus on Islamic finance and banking has tended to overshadow another important socio-economic Islamic institution - the waqf. Given the functions that they ostensibly serve, waqfs should be considered as a fundamental component of the Islamic economy. A waqf is an endowment established by a living Muslim, requiring the individual to surrender their rights over a property for a specific purpose that benefits others, typically the provision of public goods or social services (Kuran 2001). Although the term ‘waqf’ per se does not appear anywhere in the Quran, there are sources which credibly show that waqfs had existed during the lifetime of Muhammad himself, as well as the understanding that the establishment of waqfs constituted an act of charitable giving as form of worship (Gil 1998).

Generally speaking, a waqf must meet five sets of conditions - perpetuity, irrevocability, unconditionality, inalienability, and immovability. The first, perpetuity, necessitates the benefits and services that the waqf provides to be unceasing - that they do not change and vary through the passage of time. Irrevocability seems to be already implied in the perpetuity clause of a waqf. The original owner is not allowed to take back any part of the property that has been declared as a waqf (Abbasi 2012, 130-132). The third condition is unconditionality. When the waqf is created, the original owner cannot attach conditions that will unnecessarily limit the purpose of the waqf at the time of its creation or after it. For example, the original owner cannot make time-dependent conditions on the waqf, such as endeavoring to retrieve and sell the waqf in the event that he falls on hard times in the future (Abbasi 2012, 132-134). The inalienability condition means that the waqf cannot be sold, given as a gift, declared as inheritable property, or seized (Schoenblum 1999, 1212). There is a case to be made that immovability is an additional condition to the four aforementioned conditions (Kuran 2001, 842). Immovability went hand-in-hand with the perpetuity condition. Fulfilling this immovability clause also meant that historically, land or buildings be-

came the archetypal waqf. Waqfs were established to serve as mosques, schools, shops, houses, drinking fountains, and other types of public goods and services. Waqfs thus provided many critical goods and services in lieu of the state, developing outside of its purview. By providing such goods and services, individuals that founded waqfs were able to shield their properties from taxes or expropriation (Kuran 2001).

As many Muslim-majority lands came under the yoke of European colonialism during the eighteenth and nineteenth centuries, the colonial states then established a greater level of monitoring over the waqfs, or even wrested outright control of the waqfs themselves (Dallal 2004; Casey 2019). For the most part, traditional waqfs entered a period of decline in its socio-economic significance during the colonial period, well into the postcolonial period. As postcolonial states have taken over much of the onus of providing public goods, waqfs are no longer central to the provision of such goods. However, a derivative of the traditional waqf, the cash waqf, has become increasingly popular in the last few decades across the Muslim world. Although they serve the same ends as their traditional counterparts, they differ in three key areas. First, as the name implies, cash waqfs are established through financial capital, while traditional waqfs tended to take the form of bequests of tangible property. Second, cash waqfs rely on pooled capital from multiple contributors, instead of a single founder establishing a waqf. Third, the title deed of a cash waqf is specified first by the providing authority before contributors to the waqf are sought out. This means that potential contributors have a choice over which types of cash waqf programs they want to invest in, and the authorities or administrators that manage the waqfs have greater room for flexibility over deciding the type of waqfs they want to establish, ostensibly making their decisions based on the needs of the local community. In contrast, founders of traditional waqfs could establish a waqf based solely on their own interests or preferences. In many places in the Muslim world, cash waqfs have emerged to provide critical social services such as education and healthcare, among other things. In Indonesia, for example, Islamic charitable clinics established to serve low-income communities were made possible through funds raised via cash waqfs (Latief 2010).

Cash waqfs first emerged beginning in the fifteenth century in the Ottoman Empire. It later on became the primary method of endowment by the mid-sixteenth century across the empire (Mandaville 1979, 292). Its emergence and acceptance, however, generated much controversy. There were several clear reasons why cash waqfs were never considered as a viable counterpart to traditional waqfs between the early days of Islam up until the peak of the Ottoman era, a time period that spanned eight centuries (Mandaville 1979). For one, cash waqfs clearly violated the immovability condition. The characteristics of a waqf in the form of land or buildings made it easier to ensure that it was fulfilling the ends it was meant to serve and provide. It would have been difficult, if not impossible, to ensure that cash waqfs would stick to its stated ends. Second, no argument could be made to support the contention that cash, vis-à-vis land or buildings, could be viewed as perpetual. The third major issue rests with the time value of money. According to this theory a stated amount of money is always worth more now than it is in the future. Subject to future inflationary pressures, the only means by which any amount of money would be worth the same amount in the present as in the future is if interest is earned on it to offset the opportunity cost of not utilizing the money presently. As is well-known, this form of interest constitutes *riba*, or usury, which is proscribed in Islam.

The Ottoman Hanafi scholars who sanctioned the permissibility of cash waqfs relied on two sets of opinions issued by three very highly regarded scholars. The first opinion came from Zufar ibn al-Hudayl, an eighth century Islamic scholar. Zufar was a student of and the apparent successor to Abu Hanifah, the ‘patron saint’ of the eponymous Hanafi jurisprudential school in Islamic law, upon the latter’s passing (Melchert 1997, 34). As such, Zufar’s legal opinion on the permissibility of cash waqfs could be said to have merited weight. Even then, Zufar’s recommendation was that money endowed through a cash waqf is permitted only if it were to be invested in a *mudaraba* as means to avoid *riba*. *Mudaraba*, also known as silent partnership or the commenda, is an equity-like financial instrument in which investors (the so-called ‘sleeping partner’ in this silent partnership) provide the capital to an entrepreneur, whose role is to manage and invest the capital. The profits from the venture are to be shared on a pre-determined formula. In the event that

the business fails, the investors lose their capital and the entrepreneur only loses his labor efforts and time (Vogel and Hayes 1998, 109). The profits from the *mudaraba* venture would have to be rechannelled towards the maintenance of the *waqf* and the continued provision of its services and benefits. Even as *mudaraba* is a highly recommended method of capital investment within Islamic law, Zufar was apparently silent on the implications and outcomes of a failed *mudaraba* venture if it made losses (Mandaville 1979, 294). This would clearly go against the perpetuity condition that is central to the validity of a *waqf* in the first place.

The second set of opinions came from another two of Abu Hanifah's disciples, Abu Yusuf and Muhammad Al-Shaybani. These two scholars, probably more so the latter than the former, are widely believed to be the original founders of the Hanafi jurisprudential school (Melchert 1997, 60-67). In their writings, both scholars accepted certain classes of moveable assets as valid for *waqfs*, since they were already *ta'amul*, or customary practice, in the regions concerned. Abu Hanifah himself held the opinion that movable assets were not allowed, but this view was eventually rejected in favor of Abu Yusuf's and Al-Shaybani's (Gerber 1999, 119-120). Even though both scholars were explicitly against the use of cash as endowable property, the more liberally-oriented Ottoman Hanafi jurists simply expanded the class of permissible moveable assets to include cash, in essence combining Zufar's opinions with those of Abu Yusuf's and Al-Shaybani's. Moveable assets were allowed within certain parameters, and *waqfs* established from monetary assets were legal as long as they were reinvested through *mudaraba*. Cash *waqfs* now became legal and valid within Hanafi Islamic law (Çizakça 1995, 315). Cash *waqfs* were also permitted on the grounds that their existence could only but serve the welfare and the betterment of the community at large (Gerber 2002, 73).

It is presently unclear if cash *waqfs* spread beyond the realms of the Ottoman Empire in the centuries after it was first legalized. For the most part, data on *waqfs* (both traditional and cash) are difficult to gather and obtain. This is largely due to the disparate nature of *waqfs* themselves, the general failure of government ministries and local authorities to audit and carry

out land surveys of existing waqf properties, as well as the fact that waqfs have generally lain outside of the purview of the state. Research on waqfs has therefore remained largely qualitative in nature, with the broader focus on the historical, social, and legal aspects of traditional waqfs (Kozlowski 1985; Deguilhem 2008; Moumtaz 2018; Fauzia et al. 2018, Hovden 2019). Research that has been carried out with more specific and quantitative forms of waqf-related data are mostly limited to waqfs of the Ottoman era (Yayla 2011; Karagedikli and Tunçer 2018; Cansunar 2022). Given the recent boom in cash waqfs across the contemporary Muslim world, research on this field is still relatively scarce. What is apparent is the acceptance of the validity of cash waqfs across the Muslim world, and thus any contemporary debates over its permissibility within the Islamic legal framework seems moot.

In the following chapters I seek to address the relative absence of research pertaining to cash waqfs, focusing on the demand and supply aspects of cash waqfs. Essentially, I seek to address the following questions:

1. Why Muslims would want to contribute voluntarily to cash waqfs; and
2. Why different types of institutions that provide cash waqfs programs exist across the Muslim world.

For Question 1, I focus on the role of trust - specifically, generalized and institutional trust. Chapter 2 explores the role of generalized trust based on a survey conducted in Malaysia in 2021, whereas Chapter 3 explores the role of institutional trust based on a survey conducted in Pakistan in the same year. All in all, I argue that trust in unknown others and trust in provider organizations facilitate contributions toward goods that benefit the community, especially in the absence of monitoring or sanctioning mechanisms to elicit contributions. I address Question 2 in Chapter 4, honing in on why the state in Malaysia, through the bureaucracy that administers Islam, provides cash waqf programs whilst the private sector, more specifically Islamic banks, provide cash waqfs in Bangladesh. This distinction, I argue, stems from the legacy of colonialism in

British India and British Malaya regarding the approach toward regulating religion. In India, the judicial approach of managing religion left much space for self-governance of religious communities, except for legal issues and questions that the highest courts took up to adjudicate. Cash waqfs thus eventually emerged in a postcolonial milieu where extensive bureaucracies to manage Islam in Bangladesh was non-existent, leaving the development of cash waqfs programs in the realm of the private sector. In Malaya, indirect British rule limited the authority of local sultans to the sphere of custom and religion. The sultans thus embarked on an expansive program to bureaucratize Islam to justify and legitimize their continued rule. Postcolonial Malaysia thus had extensive bureaucracies both at the state and the federal levels, leaving all matters relating to Islam to be administered by the state, including charity-making through cash waqf contributions. I offer my concluding thoughts in Chapter 5.

2

Generalized Trust and Voluntary Contributions to Private Goods: Charity and Cash Waqfs in Peninsular Malaysia

Generalized Trust and Voluntary Contributions to Private Goods: Charity and Cash Waqfs in Peninsular Malaysia

Yusri Supiyan

Abstract

In this article I address why individuals might make voluntary monetary contributions to the production and provision of private goods that (1) may require additional costs for them to consume in the future and (2) where contribution levels cannot be monitored and non-contributors cannot be sanctioned. I argue that individuals who are generalized trusters prefer voluntarily funding private goods to public goods. In areas where the quality of public goods is widely known to leave much to be desired, generalized trusters trust that others also want the better quality private good and will opt to contribute accordingly, overcoming any potential coordination problems. I conducted a survey in Peninsular Malaysia to investigate contributory preferences toward cash waqfs, which are voluntary crowdfunding-style platforms sanctioned by Islamic law that can fund public and private goods that improve the overall socio-economic well-being of Muslim societies. Overall, I find evidence to support the generalized trust hypothesis. This study is relevant toward better understanding how much-needed goods can be supplied privately and voluntarily in societies where existing provider institutions are weak or willfully neglect its obligations.

Keywords— public goods, private goods, generalized trust, cash waqf, Malaysia

Introduction

There exists an already extensive body of scholarship that seeks to understand why individuals engage in charity and philanthropy (Bekkers and Wiepking 2011). Many of these studies focus on the factors that motivate individuals to donate in the first instance but less so on the second order preferences of donors who have already made the initial decision to donate. What explains why donors choose to contribute to Option A over Option B, and what are the characteristics of these two options that may influence the selection process? In this article I focus on the choice that donors have over contributing voluntarily either to a private or public option for the same good, and the reasons that drive one to prefer one over the other - more specifically, the former over the latter.

The demand for certain types of public and private goods exist to the degree that individual donors are willing to contribute to them privately. In October 2020, Bubble Hotels launched a crowdfunding campaign to build a ‘bubble-based glamping’ hotel in the Joshua Tree National Park in southern California. All contributors earned a chance to pre-book spots at discounted rates. As of the writing of this article, over 1700 people had contributed over \$830,000 to the project, but the hotel is not yet open for business after having faced multiple delays.¹ In a separate example, in 2015 a quarter mile-long wooden footbridge that linked the northern and central parts of Rotterdam, the Netherlands, opened. After years of public clamoring for the local authorities to address the lack of connectivity between the two parts of the city, a local firm eventually decided to construct the Luchtsingel (literally, “air webbing”) footbridge. Every individual who contributed at least €25 could have their name inscribed in a wooden board that would line the bridge; eventually, over 8000 people (out of a resident population of over 600,000) contributed to the project.²

Hotels and footbridges are, in and of themselves, distinctly different; additionally, the former is a private good while the latter is a public good. From the perspective of voluntary private contributions, this distinction between public and private goods is considerably important for two reasons. First, the excludable nature of private goods means that initial contributions do not guarantee automatic access to and consumption of such goods and services in the future. As the hotel example shows, contributors only get a

¹<https://www.desertsun.com/story/money/business/tourism/2021/04/13/joshua-tree-bubble-hotel-project-shows-crowdfunding-promise-pitfalls/4852490001/>.

²<https://www.dezeen.com/2015/07/16/luchtsingel-elevated-pathways-bridges-rotterdam-cityscape-zus-architects/>.

discounted rate for pre-bookings, while anyone is free to enjoy the perks of the Luchtsingel irrespective of their contributory records. Second, since such contributions are purely voluntary, the production of costlier private goods may be further impeded by the absence of sanctioning and monitoring mechanisms. Rather than juxtaposing hotels and footbridges, what happens when individuals have the option of contributing voluntarily to either the private or public options for the exact same good? What would motivate contributors to prefer the former to the latter?

In this article I focus on the role of generalized trust, arguing that donors who are generalized trusters prefer to contribute voluntarily to the production of private goods instead of public goods. Generalized trusters, i.e. those who believe that most people can be trusted, are strong on other-regarding behavior and have a greater sense of moral obligation toward others in their community. However, at the heart of generalized trust is the perception that one's preferences is similar to that of others. This belief in the alignment of preferences becomes a coordinating mechanism with perceived like-minded others, overcoming barriers in the absence of monitoring and sanctioning. This creates a belief in the greater likelihood that costlier but better quality private goods will be provided, leading generalized trusters to prefer contributing to private goods. This choice is even more pronounced in areas where the general quality of public goods provided leaves much to be desired. I conducted a survey in Peninsular Malaysia on cash waqf contributory preferences among Muslims to test the generalized trust hypothesis. Cash waqfs (*waqf al-nuqud*), which are becoming increasingly common across the Muslim world, are endowments established through voluntary crowdsourcing of capital that is permitted by Islamic law as a platform to fund public and private goods and services that benefit the community. I find evidence that generalized trusters have a greater preference for contributing to cash waqf schemes that fund private primary schools and private hospitals rather than their public equivalents.

As cash waqfs schemes are purely voluntary, do not entail means of monitoring and sanctioning, and can fund a wide variety of goods (as long as they are not proscribed by Islamic law), they present an excellent institutional setting to investigate the motivations for donors when they have the option of funding either public or private goods, having already made the initial decision to donate. As cash waqfs and other types of crowdfunding platforms can serve as complements to, or even as stand-ins for, the state or other providers of goods and services, its existence can prove to be critical in the alleviation of poverty or the

improvement of the quality of lives of people in areas facing shortages in essential goods and services. The contributory preferences of donors through such a medium also cast light on the type of goods that people want but are not being provided sufficiently at the local level, in turn highlighting the dearth of information and knowledge existing institutions may have regarding the allocation and distribution of goods and resources (Hayek 1945).

The Provision of Public and Private Goods

The standard distinction between public and private goods rests on two separate but related dimensions. The first concerns the set of criteria that defines the good itself; i.e. the degree of excludability and rivalrousness. Public goods are nominally nonexcludable and nonrivalrous. It is typically difficult to exclude people from consuming public goods, and 'each individual's consumption of such a good leads to no subtraction from any other individual's consumption of that good' (Samuelson 1954). Conversely, a private good is rivalrous because the consumption of such a good reduces the ability of others to consume it, while it is also categorized as excludable as only those who pay for it or contribute to its production can consume it.

These can be considered as 'rigorous' definitions of both public and private goods. In reality, the common understandings of what these types of goods are and stand for have diverged from these definitions. There is nothing in the rigorous definition of public goods to suggest that the only supplier of such goods is the government. However, it is commonly assumed that the government is the primary provider of public goods, aimed at improving public welfare Paul Samuelson's attempts to present a strict (in his own words, 'polar') distinction between private and public goods based on the nonrivalrousness assumption is also somewhat undercut by his argument that governmental production is the most efficient method for supplying public goods, thereby sealing the connection between the public goods, government as its primary provider, and the stated goal of enhancing public welfare (Samuelson 1955; Holcombe 1997).

There has been much research dedicated to the delivery and provision of public goods because of its importance; for one, they are crucial for generating economic growth and development. Public goods such as laws, regulations and the protection and enforcement of property rights are requisite for generating

higher productivity levels and trade and exchange (Grossman 1988). Even beyond a focus on the economic benefits, public goods also improve the overall quality of life. Clean air, domestic security, access to education and healthcare are all important for the general public welfare, and these come into greater focus when public bads such as pollution, domestic strife and violence are ‘provided’ instead. Given that the state is typically thought of as the primary provider of public goods, there has been a greater focus on uncovering the factors related to state and governance that influence the degree and quality of public goods provision.³ Nevertheless, the provision of public goods is not the exclusive preserve of the state. Public-private partnerships also exist as a means of providing public goods (Besley and Ghatak 2001). While private corporations may also provide public goods, private individuals may also opt to contribute voluntarily to public goods. Historically, there have been various examples of private voluntary contributions toward public goods and services as a means of solving some collective action problem or to address the weaknesses or even the absence of state institutions. Examples of these include turnpikes in New England and the Mid-Atlantic states in early America (Klein 1990), law and order and the protection of property rights in the American West in the nineteenth century (Anderson and Hill 2017), privately owned and maintained residential streets in cities (Beito and Smith 1990), among many others. Private voluntary contributions through contributions to crowdfunding campaigns have also been launched by governments in order to fund public projects and services. In these cases, governments depend on citizens co-fund these programs (Lee et al. 2016; Hong and Ryu 2019).

The key contention of this article, however, is why individuals would contribute voluntarily to the private option rather than the public option of the same good. A priori we may expect that donors prefer contributing to public goods. For one, they may expect to consume them in the future, so they prefer to contribute as little as possible to maximize their utility. They may also want to contribute to a good that costs less or have lower barriers to entry for others who may need the good more than they do. However, even when individuals are taxed in order to establish some public good that they can all consume, some may still prefer to consume those goods in the private domain that are of better quality even if they have

³These include, but not limited to, expertise (Ziblatt 2008), the degree of government splintering and fragmentation (Grossman et al. 2017; Billing 2019), differences in electoral systems (Lizzeri and Persico 2001), differences between presidential and parliamentary democratic regimes (Persson and Tabellini 1999), the nature of elite competition (Lizzeri and Persico 2004), and regime durability (Cao and Ward 2015). We may also expect that governments that are larger in size do better at public goods provision but research has shown otherwise (Bernauer and Koubi 2013).

to fork out more for it post-tax (Besley and Coate 1991). Relative to public goods, private goods are also generally considered to be more 'positional' - consuming them signals status, wealth, or success. Such goods are desired not only for their intrinsic qualities but also for their scarcity, determined either literally or socially (Hirsch 1976). Private goods may be pricier but the costs are justified on the grounds that they generally offer better quality of use and returns as well as reflect a higher status for the consumer, relative to the equivalent public good. This is certainly true for goods such as education and healthcare, especially in much of the developing world, where the private options are pricier but are a more attractive option as not only are they thought of as better in quality but oftentimes they are objectively better too (De Talancé 2020).

Their pricier nature means that for the most part, seeking voluntary contributions to private goods is steeped with challenges. Choosing to contribute voluntarily to private goods might also be more surprising when mechanisms to monitor contribution levels or punish under-contribution or non-contribution, which are techniques often employed to ensure public goods provision, are absent. Where no such mechanisms exist to incentivize contributions to public goods, contributions take the form of charity, which can be explained via two types of models. The first, the altruism model, assumes that other-regarding behavior explains charitable donations to less privileged groups, which implies that government spending will crowd out private charitable contributions (Puchades-Navarro 2013). However, research thus far has found weak evidence of this crowding out effect (Andreoni 1993). Additionally, if other-regarding behavior drives voluntary contributions, why would individuals opt to contribute to private goods that will incur more costs for anyone to consume? The relative ease of access to goods and services for the less privileged others would influence the decision to contribute voluntarily to public, not private goods. The impure altruism model, on the other hand, assumes a more egocentric explanation of charitable behavior; individuals receive some utility from acts of voluntary contribution in the form of 'warm glow'. Consequently, there is lesser emphasis on the identity of the recipient group as well as a greater disregard for government spending that crowds out private contributions (Andreoni 1990). If warm glow is important, the type or category of good an individual contributes to should not matter at all. Individuals could simply split their contributions equally between public and private goods when served with these options, but most research has focused largely on the initial choice between donating and not donating. These two economic models of charitable behavior also focus more on the private provision of public goods, instead of private goods, per se.

In this article I focus on trust - more specifically, generalized trust - to explain how it influences an individual's choice over which type of good to contribute voluntarily to. The literature on trust (generalized or other conceptualizations of trust) and its effect on charity has focused overwhelmingly on how it affects the initial decision to donate or not. This is a clear and apparent limitation on current approaches toward analyzing the role of trust in charity and voluntary giving, one which I seek to address in this article by analyzing how generalized trust impacts donors' decision-making calculus when contributing to cash waqfs.

Generalized Trust and Charitable Behavior

Generalized trust is defined as the belief in the trustworthiness and integrity of largely unknown others (Bayram 2017). Generalized trust can be set apart from other conceptualizations of trust along two sets of dimensions (Nannestad 2008). The first defines trust as 'strategic' rational-driven trust versus 'generalized' norm-driven trust. The rational-based conception of trust relies on two key aspects - the other's incentives to want to be trusted, and access to knowledge that would allow the self to trust or distrust the other (Hardin 2006). From this perspective trust becomes a game of strategic coordination, typically modeled as an iterated prisoner's dilemma. Norm-driven conceptions of trust focus instead on interpersonal trust that is built up via socialization over time within one's community. Individuals begin to learn to trust others from a young age through to their adulthood as their web of interactions with others expand with age (Eckstein 1966). Communities with high levels of social capital emerge from members who are socialized to trust one another, building tightly-knit bridging networks in the process (Granovetter 1973; Putnam 1993).

The second dimension juxtaposes generalized from 'particularized' trust. Particularized trust refers to the type of trust that applies only to those who are most similar to 'one's own kind', or the ingroup. The boundary between generalized and particularized trust depends on *'how inclusive your moral community is'* (Uslaner 2002, 27). Those who only really trust people who they strongly identify with have a relatively small ambit of their moral community while the boundaries of the generalized trusters' moral community extend much farther out. Generalized trusters have more faith in strangers and presume that most people can be trusted. As a result, they are more likely to have a positive view of not only their ingroup but also those of the outgroup (Uslaner 2002, 33). Generalized trusters are not naive; they understand that

untrustworthy people exist as well. This fact, however, does not get in the way of their generally optimistic view of others and of the world around them. Unlike most other sentiments and similar to the norm-based conception of trust, it is relatively stable over time as people are conditioned into becoming trusters from a young age (Uslaner 2000).

Trust influences the likelihood of contributing to charity; in fact, this effect is stronger than charity's effect on trust (Uslaner 2000). In relation to voluntary giving, both strategic and particularized forms of trust are only relevant to the degree that the donors and recipients are aware of the other's actual existence and identity. After several rounds of the prisoners' dilemma game, players are able to learn each others' strategies and may find it their interest to cooperate (trust). Unless they know that the number of iterations is finite, where the strategy for all players is to always defect, strategic players may cooperate with one another based on a tit-for-tat strategy. Strategic trusters thereby do engage in acts of charity to others, but only with those who they know and are 'locked in' to a relationship grounded in reciprocity and mutual benefit. Particularized trusters, however charitable they may be, prefer to engage in charitable acts toward members of their smaller ingroup. As such, particularized trusters are also more likely to be incentivized to engage in charity because of norms of reciprocity and/or social sanctioning within the ingroup. Unsurprisingly, this is why particularized trusters are more likely to engage in religious giving, i.e. to their co-religionists, than donating to secular causes, while generalized trusters are equally as likely as particularized trusters to give to religious causes (Uslaner 2002).

In the instances when the medium of religious giving or the act itself is not conditioned by the ability to sanction shirkers or reciprocate through tit-for-tat, or when it is difficult or almost impossible to place limits on who can access the good or service aided by the charity, generalized trusters are consequently more likely to engage in such acts of charity. Generalized trusters are much more comfortable with giving to charity that benefit people they would never meet in their lives. Due to the expansive notion of their moral community they tend to display more sympathy, which are 'feelings of concern about the welfare of others' (Silk 2007). They feel obliged to take it upon themselves to care about and help others who are less fortunate but do not personally know. Unsurprisingly, higher levels of generalized trust consequently correlates with public goods provision (Sønderskov 2009).

However, the decision-making calculus for generalized trusters may change depending on the type of good they can contribute to. When faced with the private and public options for the same good, I argue that generalized trusters are more likely to contribute to the former than the latter. As private goods are arguably of better quality and are more positional than public goods, individuals would prefer the former to the latter, *ceteris paribus*. Even if private goods may require more upfront and future costs to consume, they may still be a preferable option, especially when the existing quality level of public goods provided is widely known to leave much to be desired. Even if the level of quality of public goods and the extent of its provision is sufficient, generalized trusters may feel obliged to commit toward contributing to positional private goods as a means of uplifting their (moral) community. Acquiring positional private goods helps to enhance the perceived relative status of their community, in turn allowing other members of their community to freeride on the positive externalities created by the positional private good.

The voluntary provision of the pricier private option, however, depends on the decision of as many contributors, if not all, to choose to contribute to that very option. The other-regarding or sympathetic aspect of generalized trust is insufficient in itself to guarantee that there will be widespread support and funding of private goods. Beyond just having prosocial predispositions, generalized trusters need to believe that unknown others will choose that option as well. This gets to the meat and potatoes of generalized trust, or what Julian Rotter has termed ‘generalized expectancy’ - the belief that the words and actions of others are reliable (Rotter 1967). As generalized trusters are more likely to give the benefit of the doubt to unknown others in an environment lacking in information to verify their trustworthiness (Yamagishi 2001), they tend to begin with a strategy of cooperation in any form of interaction (Rathburn 2011). Since complete information on the strategy of others is impossible to attain, trusting others with the expectation that they will cooperate always entails some degree of calculated risk taken (Coleman 1990; Williamson 1993).

Generalized trusters are willing to consider taking on such risks because they expect others to be as equally other-regarding as they are (Neilson and Paxton 2010). As a result, they believe others have similar preferences and will make similar decisions as them. Therefore, generalized trust in others enhances the overall ability to coordinate preferences and actions (Christensen et al. 2019); in other words, generalized trust is essentially a ‘cognitive coordination mechanism (Lorenzen 2001). Even though the private good might entail higher barriers to provide than the public good, the belief in the alignment of one’s preferences

with that of others and in the willingness of others to act on those preferences mean that it becomes all the more likely that that very good will be provided. The belief that the eventual overall contribution levels would be high enough consequently motivates generalized trusters to choose to fund the private option even when the public option is available. Barriers to the production of such goods, including the collective action problem, are surmounted as a consequence. Coordination by way of generalized trust is achieved among unknowns, leading all to have a particularly streamlined set of preferences for charity making. In this manner strategic cooperation can occur even in information-deficient environments.

- *H₁: Contributors who have higher levels of generalized trust are more likely to voluntarily contribute to the provision of private goods because they believe others have a similar preference for the private option and trust them to contribute accordingly.*

Kim Mannemar Sønderskov (2009) has made a similar argument to mine, but with one critical difference. For Sønderskov, generalized trust facilitates cooperation and coordination of actions with unknown others, overcoming the freerider problem to provide for *public* goods. This is in direct comparison to the provision of joint products, or goods with both public and private benefits, where generalized trust does not have an effect on its production since the freerider problem is less of an issue here. However, Sønderskov analyzed the effect of generalized trust on two separate goods, recycling and organic food consumption, in separate contexts, where the consequences of opting to contribute to one good does not have a zero-sum effect on the other good. In this study, I take into account the context of making choices under ‘as-if’ conditions of scarcity of resources, which is more appropriate for contexts that involve charity-making. Sønderskov also readily admitted that his analysis revolved around the types of goods where the difference between the payoffs of provision and non-provision is minimal. As I will discuss later, the fact that cash waqfs can fund both public and private goods is rather significant, especially when the private option may provide more benefits and payoffs for its consumers.

Cash Waqfs and Charity in the Muslim World

All religions encourage charity in one form or another, and Islam is no exception. On top of mandating a wealth tax (*zakat*), Islam also encourages acts of voluntary charity (*sadaqa*). Cash waqfs, which are endowments established through a crowdfunding-style pooling of capital permitted by Islamic law to fund goods and services that benefit the community, are a particularly unique class of *sadaqa*. While voluntary, it is carried out and administered through regularized and institutionalized channels. Donors may make a one-time donation or contribute via monthly deductions from their paychecks or bank accounts. Due to the purely voluntary nature of cash waqfs, mechanisms to ensure optimal levels of contribution per donor or sanctions against sub-optimal contributions or shirking do not exist.

Cash waqfs are an offshoot and a more modern iteration of the traditional Islamic waqf. Historically, traditional waqfs in Muslim lands typically took on the role of providing goods and services which we regularly associate with the modern state. The wealthy elite established waqfs to provide public utilities and services such as drinking fountains and schools, in exchange for protection from state predation of their wealth (Kuran 2001; Rothstein and Broms 2013). The key differences between traditional waqfs and cash waqfs are the nature and source of the property that constitutes the waqf. While traditional waqfs are usually established from property such as land, cash waqfs (as the name suggests) are currency-based. If a traditional waqf is typically founded by an individual, a cash waqf typically relies on capital pooled from multiple founders. Technically speaking, founders of traditional waqfs have leeway in deciding what purpose(s) they want their waqfs to serve. Those who want to become founders of cash waqfs, on their part, have a plethora of options to choose from regarding which project they want to invest in. These can range from purchasing land for farmers to work on to funding the construction of hotels. Founders of cash waqfs have a lot of flexibility over the projects they want to contribute to, as well as the amount that they are willing to contribute. As cash waqfs rely on pooled capital the contribution per capita is relatively low, significantly lowering the bar for a Muslim to contribute to the establishment of a waqf. This stands in stark contrast to traditional waqfs, which are typically only founded by individuals of status and property, making their establishment a form of signalling or reifying one's social status (Hoexter 2002; Oberauer 2008).

Cash waqfs seem to have first emerged during the fifteenth century in the Ottoman Empire (Çizakça

1995), and their initial introduction sparked much controversy. Property that formed the basis of traditional waqfs had to be immovable and declared as waqfs into perpetuity. The fungibility of money, its inflationary nature and the ease with which money can be moved around explain why classical jurists from some of the major Islamic legal schools (*madhhab*), such as the Shafi'i and the Hanbali schools, initially did not consider cash waqfs as legal and valid forms of waqfs. Within the Hanafi juristic circles of the Ottoman empire the pro-cash waqf 'liberal' judges eventually had their way, justifying their legality on the basis of how cash waqfs had become widespread accepted practice throughout the empire and how it also addressed the issue of public welfare (Mandaville 1979). In contemporary times, although not yet ubiquitous, cash waqfs can be found in various forms across the Muslim world. They have become particularly useful as a means of providing goods and services, very much like the role their traditional counterparts played in the pre-modern Islamic era. As one of the global hubs of Islamic banking and finance, Malaysia has also witnessed the increased prominence of cash waqf schemes.

Peninsular Malaysia: A Case Study

To test my hypothesis regarding the effect of generalized trust on contributory patterns, I conducted a telephone survey in Peninsular Malaysia with the help of Merdeka Center, an opinion research firm based in Kuala Lumpur. Peninsular Malaysia, also known as West Malaysia, is one of two constituent parts of Malaysia; the other being East Malaysia, located on the island of Borneo. Although these two constituent parts were under various guises of British control during the nineteenth through to the mid-twentieth centuries, their historical trajectories up to the point of independence from the British differed markedly. Peninsular Malaysia gained its independence as Malaya in 1957. In 1963 the separately administered British colonies of Sabah and Sarawak in Borneo gained their independence by joining Malaya to form Malaysia.⁴ Although East Malaysia is larger in size than Peninsular Malaysia (60% versus 40%), only about 20% of the total population reside in the former. Compared to Peninsular Malaysia, East Malaysia is well-blessed with various types of natural resources, less economically developed, but more ethnically and religiously diverse. About 60% of Malaysians are Muslims, the vast majority of whom are ethnic Malays

⁴In the same year Singapore had also become independent from Great Britain by joining Malaya to form Malaysia, but two years later it split from Malaysia and became an independent state on its own.

who reside mostly in Peninsular Malaysia. Given the relatively wide variation in the levels of economic development among the states of Peninsular Malaysia alone, as well as the majority presence of Malay-Muslims there, I deemed it sufficient to limit the survey to Muslim respondents from Peninsular Malaysia. Peninsular Malaysia comprises eleven states and the two federal territories of Kuala Lumpur and Putrajaya.

Figure 1: The States and Federal Territories of Peninsular Malaysia (West Malaysia)



Peninsular Malaysia also has a relatively extensive history relating to traditional waqfs, as well as cash waqfs in the contemporary period. For the most part, the management and regulation of waqfs have taken place at the state level, entrusted to the State Islamic Religious Councils (*Majlis Agama Islam Negeri*, SIRC), who essentially serve as the trustees (*mutawalli*) of the waqfs. The existence of Islamic religious councils at the state level is a holdover from the colonial period, where they were initially established to advise local sultans whose jurisdiction was constrained only to matters related to Islam by the British. When it came to the issue of waqfs, however, the British took a rather active interest in them throughout

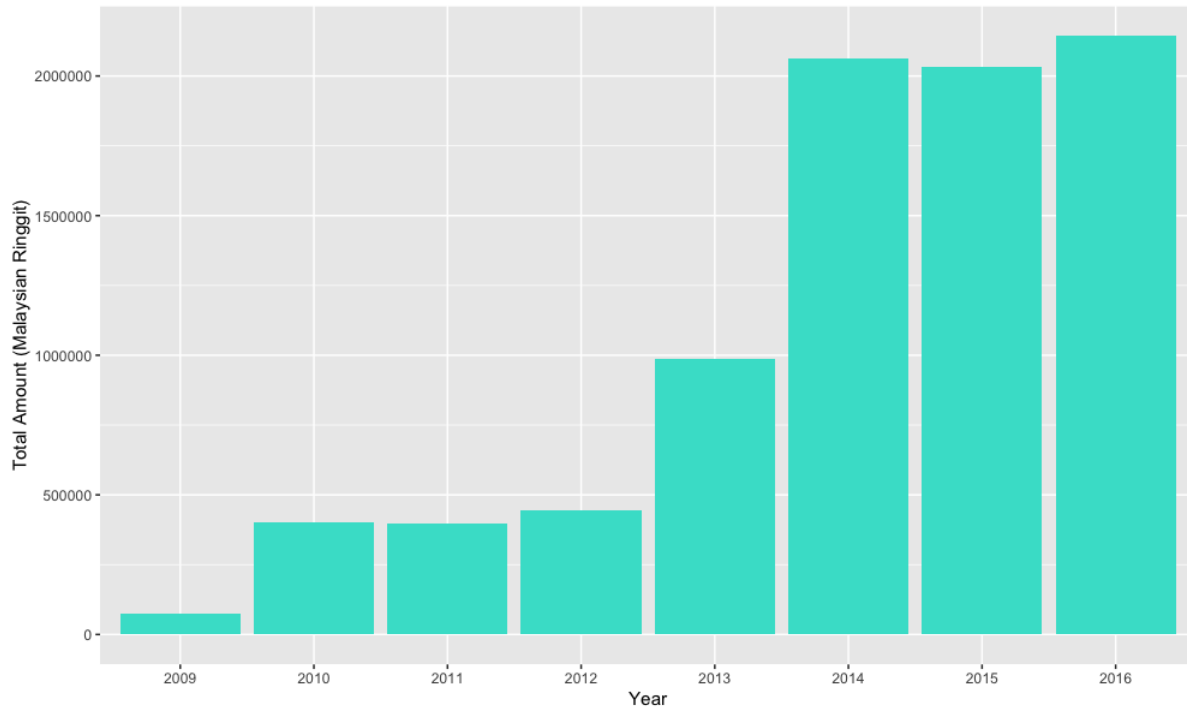
their colonies. One clear pattern which eventually emerged was that it was only through the British common law system that any type of waqf had legal status, and disputes concerning waqfs were usually adjudicated in the British colonial courts. In fact, the Privy Council, the highest legal authority in the British Empire, was effectively trying to institutionalize a ‘law of waqfs’ in a top-down manner beginning in the latter half of the nineteenth century. For quite some time the British had viewed the ‘uncharitable’ nature of family waqfs (as opposed to public waqfs) with suspicion, since they only seemed to address self-serving private interests rather than the benefit of the public at large. Following a preceding set of court decisions in the High Courts of India that ruled against family waqfs, the Privy Council ruled in 1894 that waqfs which did not serve ends that were ‘public’, ‘charitable’ or ‘religious’ were illegal entities (Kozlowski 1985).

The British actively attempted to do away with family waqfs in British Malaya (present-day Peninsular Malaysia and Singapore) too as they curtailed the ability of the British to purchase land to establish plantations. They passed the Waqf Prohibition Enactment in 1911 in British Malaya as an extension of the 1894 Privy Council Ruling. This ruling, however, applied for a much longer period here than in India as it was only in 1972, fifteen years after independence from Great Britain, that the Islamic Waqf Validating Enactment was passed to re-legalize family waqfs. The British had also engineered the move towards centralizing the management of pre-existing waqfs at the state level in Malaya, and this drive continued in the postcolonial period (Çizakça 2018). The SIRC then became the sole trustees of waqfs within their territories.

In recent times, however, the SIRC has started to play a more prominent role in promoting cash waqfs as traditional waqfs are being relegated into the background. This is especially so after the National Council of Islamic Religious Affairs of Malaysia (*Majlis Kebangsaan Bagi Hal Ehwal Ugama Islam Malaysia*, MKI), a body whose purpose is to streamline the administration of Islam across the states, issued a fatwa in April 2007 that reaffirmed the permissibility of cash waqfs. The Waqf Foundation of Malaysia (*Yayasan Wakaf Malaysia*, YWM) was founded in 2008 under the auspices of the Office of Waqf, Zakat and Haj (*Jabatan Wakaf, Zakat dan Haji*, JAWHAR) of the Prime Minister’s Office to coordinate the cash waqf schemes and activities carried out by the SIRC, as well as to implement its own cash waqf schemes. Figure 2 below shows the total amount of money solicited via cash waqf contributions through the YWM between 2009 and 2016. There was a marked increase in contributions in the first half of the 2010s,

but the total amount of contributions has since plateaued.

Figure 2: Total Amount of Cash Waqf Contributions to the YWM (Source: Razak (2020))



Although there are other organizations in Malaysia that administer cash waqfs schemes, the SIRC's are the predominant administrator and provider of such schemes. Almost every SIRC maintains a website with a portal where individuals can contribute to a cash waqf, either through one-off payments or automatic monthly deductions from their pay or bank accounts. Only some SIRC's list the specific types of goods on their websites that the contributions aim to fund, while other SIRC's only allow donors to contribute to a generic pool. Some also advertise the list of projects that have been funded by cash waqf contributions to show how these funds have been spent. These range from student hostels to religious schools, and even hotels.⁵ Given the wide range of goods that can be funded via cash waqf schemes in a country where they are becoming increasingly ubiquitous, it is pertinent to analyze the motivations behind donor preferences to fund goods as a means to understand how cash waqfs can help address the inability of the state or other provider institutions to satisfy the demands and needs of societies.

⁵Based on their website, the YWM seems to have a particular fondness for the construction of hotels.

Datasets

This article uses two datasets. The first dataset, as aforementioned, is the telephone survey conducted during a two-week period in early April 2021 among Muslim respondents in Peninsular Malaysia.⁶ A two-stage sampling method was used - first at the state level, and then at the gender and age group level, following which respondents were then selected via simple random sampling. The response rate was 29.09% ($n = 590$). The survey was administered in Malay (also known as *Bahasa Malaysia*), the official language of Malaysia and the native language of ethnic Malays who are overwhelmingly Muslims. The English language version of the survey was also made available in case respondents requested for it. The second dataset comprises relevant data from the Department of Statistics Malaysia (DOSM). The DOSM has a database of various district, state and national level economic and demographic data that is updated annually. For the purposes of this analysis I have used state and federal territory level data that include the number of government teachers (both primary and secondary), the number of doctors and nurses (both government and private), and the number of public clinics.

Dependent Variables

I focus on two types of goods for the dependent variable - education and healthcare. As discussed beforehand, these goods are rivalrous but can be excludable (private) or nonexcludable (public). I focus on primary schools and hospitals as in Malaysia, both public primary schools and public hospitals are meant to be universal and offer lower barriers of entry for Malaysian citizens to access. Primary level education in Malaysia has been made mandatory since 2003. Over 90% of Malaysian children of the primary school age group are enrolled in primary schools. However, even as access to schooling has increased, the quality of primary education provided has decreased overall, based on international measures and assessments of student achievements (Samuel et al. 2017). While most primary schools have a Malay-Muslim majority of students, Chinese-medium and Tamil-medium primary schools funded by the government that cater to

⁶Although Peninsular Malaysia has two federal territories (Kuala Lumpur and Putrajaya), the latter was subsumed under the former for the purposes of this survey. The Malaysian Parliament and the king's palace are located in Kuala Lumpur while all government ministries, including the Prime Minister's Office, have moved from Kuala Lumpur to Putrajaya. Kuala Lumpur remains as the national capital of Malaysia.

minority groups also exist. As a result, even though education is viewed as a means of social progress, the reality is that segregation by ethnicity is a prominent feature of education in Malaysia. Parents may also opt to send their children to private schools for reasons such as perceived better quality of education, the preference for an immersive cultural and/or religious experience, as well as status signalling (Ting and Lee 2019). Nevertheless, if primary education is a much needed public good in certain areas, there could still be demand for it even if the quality of education might not be quite up to par.

As compared to a nominally greater emphasis on universalizing education for all Malaysians, government spending on public hospitals has actually decreased markedly since the early 1990s. This is because the government has prioritized the entry of the commercial entities into the healthcare sector and the corporatization of the public healthcare sector, although moves toward a fully insurance-based healthcare system has been met with much opposition from the public (Croke et al. 2019). Since the mid-1990s up to 2011, the average level of government spending on public hospitals has hovered just above 50%, with the rest shouldered by the private sector (Rasiah et al. 2017). Between 1980 and 2000, the number of private hospitals in Malaysia just over quadrupled as well (Chee and Barraclough 2007). Although public hospitals charge less and are meant to be universally available to all Malaysians, the gulf in quality between public hospitals and private hospitals is significant. The average waiting times for tests and certain surgical procedures, for example, can be significantly longer in public hospitals as compared to private hospitals (Rasiah et al. 2017). Overall, a case can be made then that public options for education and healthcare in Malaysia pale in comparison to the private alternatives in terms of its quality.

In the survey respondents were told that they each had 100 ringgit (RM100)⁷ to spare every month after setting aside money for their expenses and personal savings. They were then tasked to allocate that amount between two options of a cash waqf scheme, a public option versus a private option for each good, and participants cannot keep any of the RM100 for themselves.⁸ In the survey, the Malay words used to denote ‘public’ and ‘private’ are *kerajaan* and *swasta*. *Kerajaan*, which literally means ‘kingdom’, also means ‘government’ in Malaysia.⁹ Therefore ‘public schools’ and ‘public hospitals’ in Malaysia are known

⁷This is roughly equivalent to USD24. The average monthly income for Malaysians in 2019 was RM7901, roughly equivalent to USD1900.

⁸Although traditional and cash waqfs are relatively ubiquitous in Malaysia, respondents were asked at the start of the survey if they knew what both types of waqfs were. If they did not, it was explained to them in detail.

⁹In Singapore, the Malay word ‘*pemerintah*’ is used instead to refer to the government. It is derived from the root

as *sekolah kerajaan* and *hospital kerajaan* respectively. ‘*Swasta*’ directly translates to ‘private’, i.e. non-public, in Malay. Private schools and private hospitals in Malaysia are known as *sekolah swasta* and *hospital swasta* respectively.

As a form of illustration, one of the questions in the survey is phrased as such:

- Please tell me how you will divide the RM100 between the following options:

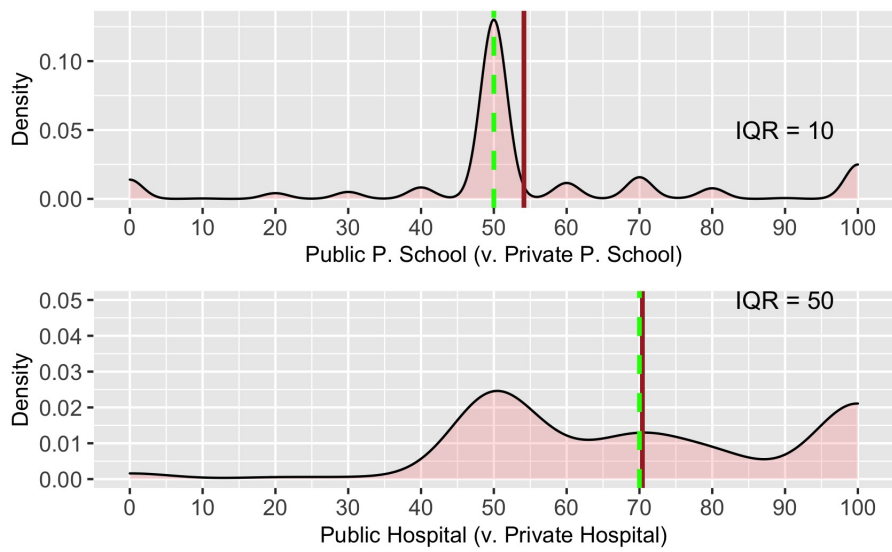
Contributing to a cash waqf that funds the construction of within 10 kilometres of your residence:

1. A new public primary school
2. A new private primary school

The second question was phrased in the exact manner but the word ‘hospital’ replaced ‘primary school’ and ‘10 kilometers’ was replaced with ‘25 kilometers’. Figure 3 shows the density plots for the distributional preferences for both goods. In general, there seems to be a general preference for donating more towards a public hospital vis-à-vis a private hospital, while this distinction does not seem hold for primary schools. While close to three-fifths chose to split the RM100 equally for the primary school question, only about one-third of respondents did likewise for the hospital question. Overall, beyond that of the public-private distinction within each good, there seems to be a qualitative difference between the two types of goods as well.

word ‘*perintah*’, which literally means ‘to command’. The word *kerajaan* is not used in Singapore or Indonesia since the political systems in these countries are not headed by a monarch, constitutional or absolute.

Figure 3: Density Plots
(Solid Line = Mean, Dashed Line = Median, IQR = Interquartile Range)



Independent and Control Variables

The primary independent variable, generalized trust, comes from a question in the survey in which respondents were asked to rate, on a four-point scale from ‘No trust at all’ to ‘Complete trust’, how much trust they have of people from their state.¹⁰ I include a measure for trust in state governments as well as it may also affect one’s decision to contribute to the provision of goods.¹¹ I include a measure for sympathy not only because this has been shown to be correlated with various types of other-regarding behavior, including charitable giving (Sanghera 2016), but also to disentangle and emphasize the difference between care and concern for the welfare of others and the effect of coordination and cooperation due to generalized trust. Even if sympathy matters, its effect may not be as strong or as significant as the element of coordination and cooperation. As a measure of sympathy, respondents were asked how much care and concern they had for people from their state on a four-point scale, ranging from ‘None at all’ to ‘Complete care and concern’.

As the dependent variables of interest relate to education and healthcare, I included control variables that serve as proxies for both of them. As a measure of the extent of education provided, I calculated the number public (i.e. government-funded) primary school teachers per 10000 people per state/territory.¹² In lieu of reliable data on the number of hospitals in Malaysia, I include two measures for healthcare as the next best set of alternatives - one for government doctors (i.e. those that work in government-run hospitals) and also public clinics (i.e. government-run clinics) per 10000 people.¹³ Although it has been shown that government spending on public goods does not lead to a dollar-for-dollar crowding out of voluntary contributions (Andreoni 1993), it remains to be seen if higher levels of government spending on public goods does entail a propensity to contribute to private goods as a consequence.

The other control variables fall under the categories of religious capital and demographics. It is well documented that religiosity impacts charitable donations; however, it is still unclear regarding who is

¹⁰They were also asked the same question regarding trust in people from their city, town, or village. The Spearman rank correlation coefficient (ρ) between the two variables is 0.738.

¹¹The Spearman rank correlation coefficient (ρ) between the trust in the federal government and state governments is 0.684.

¹²I also ran the regressions using the total number of public school teachers (primary and secondary) in place of this variable. The results were not significantly different from the main models.

¹³I also ran the regressions using the total number of doctors (government and private) as well as the number government nurses in place of this variable. The results were also not significantly different from the main models presented in this article.

more likely to receive charity from the religious. Religiosity is linked with prosocial behavior only toward other co-religionists (Saroglou et al. 2005), while those who are religious have also been shown to be more likely to help out strangers as well (Bennett and Einolf 2017). For Muslims, charitable behavior is driven by doctrinal motivations; they view engaging in charity as part of their sacred duty to God as believers (Warner et al. 2018). However, there may be other aspects of religiosity that influence the likelihood to contribute to charity. In this article I use several measures that capture some aspects of religious capital (Iannaccone 1990; Park and Smith 2000), defined as ‘the degree of mastery of and attachment to a particular religious culture’ (Stark and Finke 2000). It is also worthwhile to consider that even if religious capital has a baseline level effect on the propensity to donate, there may be certain aspects of it that motivate a donor to contribute to one class of good over another. I include measures for frequency of generic charitable donations, years of religious schooling, as well as previous experience with cash waqf schemes, as variables that comprise religious capital in this study¹⁴

I also include demographic variables related to age, marital status, gender, household size, income, education level, and a measure for the type of dwelling area (rural or urban). Many of these measures are known to have an effect on charitable behavior. Research has shown that incentives created by taxation policies affect charitable giving via income effects and price effects (Auten et al. 2002). However, I did not include any data for tax returns or itemized tax deductions because income taxes are filed only at the federal level in Malaysia.¹⁵ On average, women are more likely to engage in charity as compared to men as they are thought to have more sympathy for others (Mesch et al. 2011). Those who are older, married, more educated, and are from households with larger incomes are more likely to engage in charity as well (Yen 2002; Mesch et al. 2006). Those with higher incomes may be more likely to engage in charity beyond the fact that they have more disposable income; they may do so to signal their wealthy status, as well as the possibility that the ‘warm glow’ effect may be stronger among the wealthy (Glazer and Konrad 1996). I also include a measure for household size as it is a more appropriate indicator of per capita income when

¹⁴Other measures of religious capital include prayer frequency, mosque attendance, frequency of reading the al-Quran, fasting in Ramadhan etc. However, these measures do not show enough variation to be of meaningful use, especially in a relatively religious society such as Malaysia. These measures also reflect a particularly Western/Christian-based paradigm of understanding ‘religiosity’ that might not be wholly appropriate in the context of non-Western and non-Christian-majority societies.

¹⁵Itemized deductions for charitable donations in Malaysia are capped at a rate of 7% of an individual’s annual taxable income.

compared to overall household income. Those that come from larger households have been shown to have lower likelihood of engaging in charity (Smith et al. 1995). Lastly, urban dwellers have also been shown to be more likely to contribute to charity than rural dwellers (Lin 2021).

Empirical Analysis

I use two types of regressions to model the data - quasibinomial and tobit. The quasibinomial model is a derivation of the binomial logistic regression model.¹⁶ I chose to run quasibinomial models, rather than just binomial models, because running the latter consistently showed that the data is underdispersed,¹⁷ which means that the standard binomial regression approach might not be an appropriate model in this context. I also ran tobit models as they more appropriate than the standard OLS regression here, given that the smallest and largest values of the dependent variables are capped at 0 and 100 respectively. The tobit model allows for the modelling of data that has lower and upper bounds, i.e. the use of both left- and right-censoring, even as we use a linear estimator. In this section I present the quasibinomial model outputs, with the tobit model outputs shown in the appendix.¹⁸

¹⁶Given that participants are deciding on how much to contribute to one project (versus another project), the data can be modelled as form of proportional data, which binomial regression models are appropriate for.

¹⁷Dispersion is measured by dividing the residual deviance by the degrees of freedom. Overdispersion occurs when the observed variance of the data is larger than what would be expected from a binomial distribution, while underdispersion is the opposite of that. Values much larger than 1 indicate overdispersion whereas values much smaller than 1 indicate underdispersion. Quasibinomial regression is usually used to address overdispersion in the dependent variable but it is also possible to be used for data with underdispersion (Meshoudi et al. 2015).

¹⁸The outcomes for all the models do not differ much from one another.

Table 1: Private Goods (v. Public Goods), Quasibinomial Models

	Primary Schools	Hospitals
	(1)	(2)
Trust (Generalized)	1.247*** (0.065)	1.244*** (0.083)
Trust (State Government)	0.929 (0.061)	1.091 (0.078)
Sympathy	0.840*** (0.061)	0.951 (0.077)
Charitable Donations	1.049* (0.026)	1.074** (0.033)
Religious Schooling	0.992 (0.031)	0.937* (0.039)
Cash Waqf Experience	1.053 (0.087)	0.819* (0.108)
Primary School Teachers (per 10000)	1.117** (0.049)	
Doctors (per 10000)		1.016 (0.014)
Clinics (per 10000)		1.215** (0.095)
Public Goods Satisfaction	1.011 (0.055)	0.949 (0.070)
Age	1.007** (0.003)	0.999 (0.004)
Married	1.104 (0.097)	1.088 (0.122)
Female	0.854** (0.080)	1.122 (0.102)
Household Size	0.993 (0.019)	1.002 (0.024)
Income	0.965* (0.021)	0.946* (0.028)
Education Level	1.128*** (0.046)	0.979 (0.058)
Urban	0.861* (0.082)	0.965 (0.105)
Constant	0.318*** (0.395)	0.151*** (0.540)
N	570	570

*p < .1; **p < .05; ***p < .01

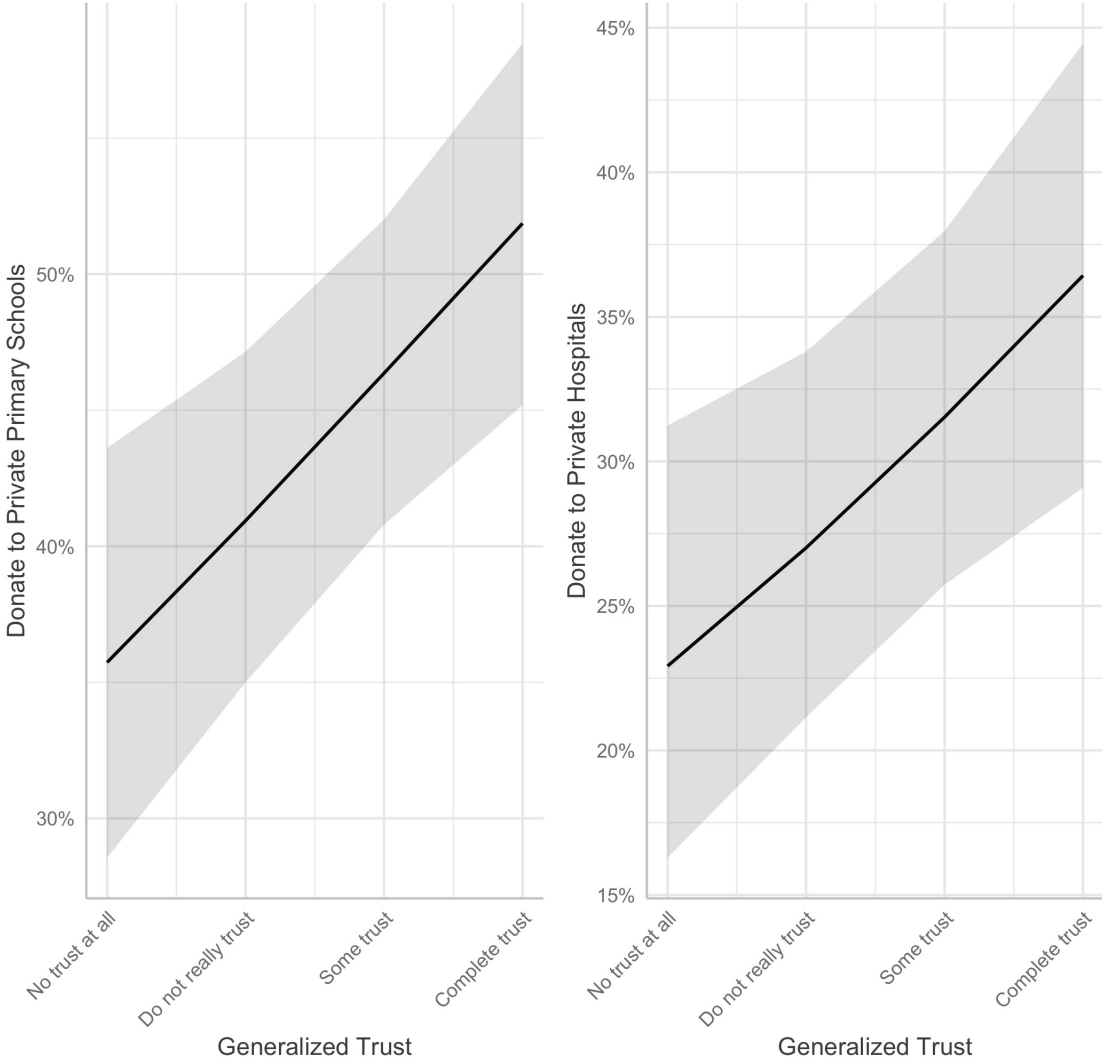
Table 1 shows the quasibinomial model with public primary schools and public hospitals set as the reference categories for the dependent variables respectively. Recall that each dependent variable comprises one option over the other based on a zero-sum division of RM100 between the public and private options. In both models, we can see that generalized trust shows a statistically significant correlation with a greater preference for the private option (H_1). The contrast between generalized trust (*Trust*) and sympathy for others (*Sympathy*) is stark. In Model 1, greater levels of generalized trust correlates with a greater likelihood of funding private primary schools, while greater levels of sympathy correlates with a greater likelihood of funding toward public primary schools. The coefficient for sympathy in Model 2 is also greater than one but it is not statistically significant. This presents some evidence that not only do trust and sympathy entail two different sets of decision-making calculi, but they also lead individuals to choose separate *and* opposite outcomes.

There is some evidence of how the existing level of public goods provision affects the decision to contribute to public or private goods. Those from areas with higher numbers of public primary school teachers per 10000 people show more preference for the private option. In Model 2, only the coefficient for *Clinics (per 10000)* is statistically significant and the size is larger than 1; i.e. the higher the number of public clinics, the greater the preference for contributing to a private hospital. Among the religious capital variables, only *Charitable Donations* shows statistical significance across both models; i.e. those who contribute to charity regularly are more likely to contribute to the private options for both primary schools and hospitals. Of the other two religious capital variables, only *Cash Waqf Experience* is statistically significant in Model 1, with its coefficient size lesser than 1.

None of the demographic variables that are statistically significant in Model 1 are statistically significant in Model 2, and the opposite is true as well. Women, for example, show a stronger preference for the public option for primary schools. However, there is no such corresponding statistically significant effect in the positive direction for hospitals. Those who are older are also more likely to contribute to the private option for both models, but the effect is very marginal and only statistically significant for private primary schools. *Education Level* is correlated with a preference for private primary schools in Model 1, while its effect for Model 2 is not statistically significant. *Income* is only statistically significant for Model 2. Figure 4 below shows the predicted probabilities for the effect generalized trust has on the likelihood for contributing

toward private primary schools and hospitals. It is more apparent here that there is a qualitative difference between education and healthcare among respondents. There is a greater propensity to donate more to private primary schools than to private hospitals; presently, it is not exactly clear why this distinction exists.

Figure 4: Predicted Probabilities



Discussion

Both models show that the effect generalized trust has on the preference for the private option for both primary schools and hospitals is relatively strong. Additionally, comparing the effects of trust and

sympathy shows how both of them are quite distinct from one another. True sympathy would reveal prosocial tendencies and other-regarding behavior, which explains why those that score high on sympathy would prefer the public option. Their greater degree of sympathy for the less fortunate would lead them to contribute to goods aimed at decreasing the barriers of excludability; i.e., public goods. It is not that generalized trusters do not care about the welfare of the less fortunate; rather, having generalized trust engenders shared expectations of others, which allows them to believe that cooperation by way of preference coordination is a strong likelihood. When faced with the choice between two options, even if the private option may involve more upfront or future costs, they trust that others will also select the same option for the general benefit for everyone involved. In Malaysia, where standards of public education has somewhat decreased over the years, and where investment in the public healthcare sector has lagged behind the privatized sector for a few decades, generalized trusters seem to agree that the better option is to go private *and* believe that everyone else would also perceive the situation likewise. Consequently, being fairly confident that others would also opt to contribute to the private option leads them to contribute to that option in the belief that the good will be sufficiently funded and provided. In this instance, the coordination of preferences makes it possible for generalized trusters to decide on the superior private option instead of settling for the inferior public option. If the main concern for generalized trusters is ensure the expansion of access to education and healthcare by whatever means possible, we would not be able to discern any form of evidence to show that there is a stronger preference for either the public or the private option.

There is also some evidence of the ‘unsatisfied demand’ hypothesis, where those from areas with lower existing levels of public goods provision have a greater propensity to contribute to a cash waqf scheme that funds public goods. Where public goods have already been provided to a sufficient enough level it might still be insufficient to satisfy the diversity in demand for that good (Weisbrod 1988). Donors may then be more likely to prefer the private option. Otherwise, cash waqf schemes can help to address the dearth in the provision of public goods, which can sometimes result from state weaknesses or even its absence.

The regression models also show further evidence of the need to distinguish between different measures of religious capital. The results show that those who engage in charitable donations more frequently prefer contributing to the private option. The reasons for this are presently unclear. One possible explanation is that there could be some degree of anticipation among contributors that the private good

could take on a more outwardly ‘Islamic’ character or flavor as compared to the public option. Another possibility is that the relative frequency of charitable donations is a proxy for overall wealth and savings beyond just income, and so they are more willing to donate more to causes that may require more money. Regardless, rather than just focusing on the act of charity itself, those who give charity more frequently certainly seem to care about the type of good that they are contributing toward. Other measures of religious capital (in this case, *Religious Schooling* and *Cash Waqf Experience*) are only statistically significant in the second model and correlate with a preference for the public option. This set of findings shows how focusing on one-dimensional conceptualizations of ‘religiosity’ risks overlooking the different aspects of it and how they may each have separate effects on the dependent variables we are interested in analyzing.

Conclusion

As a subset of crowdfunding platforms, cash waqfs does hold real world promise for helping to fund all sorts of goods and services. Current research has shown that crowdfunding platforms can generate much interest and participation among the public, even if contributors might not get their money’s worth for contributing (Griffin 2012). In this article, I have shown that generalized trusters have a greater preference for funding private goods rather than public goods. However, this assumption holds true only if contributors trust and believe that organizations that administer cash waqfs can do a good job of collecting funds and investing them in public goods. This relationship between organizational trust and the likelihood of contributing to charity has been covered in depth in other articles (Naskrent and Siebelt 2011; Beldad et al. 2014). Future research can focus on how trust in cash waqf organizations may incentivize contributions, and how cash waqfs compare with other non-profit and non-governmental organizations for soliciting voluntary contributions to provide much-needed goods and services for local communities worldwide.

As the modern offshoot the traditional waqf, which is a historically prominent Islamic socio-economic institution, cash waqfs lie firmly within the realm of charity-making and doing good deeds. Beyond its conception as a vehicle to fund and provide goods and services, its contribution is undoubtedly part of engaging in worship. Based on the findings of the article however, ‘religiosity’ among individuals does not automatically translate to the propensity for charitable donations. Reconstituting ‘religiosity’ as

religious capital helps to better understand how the stock of religious knowledge and experience influences voluntary contributions. Even as the coefficients for *Charitable Donation* are statistically significant across both sets of models, the coefficient sizes are smaller relative to other variables that are also statistically significant. The fact that trust seems to matter more than religious capital variables here somewhat suggests that beyond considering contributions as merely an act of ‘doing good’, they may also constitute an act which takes into account the context of the locale and how best to enhance the overall welfare of the community.

This study is not without its limitations. First, I conducted this survey in a majority-Muslim country where the familiarity with cash waqfs is, on average, higher relative to other majority-Muslim countries. Discounting the oil-rich Middle Eastern states, as an upper middle income country Malaysia is also among the wealthier states in the Muslim world. I have attempted to address this shortcoming by factoring in the sub-national level variation in public goods provision and economic development. This, however, does not exclude the possibility that running this survey in other parts of the Muslim world may elicit a different set of responses and results, especially in countries where cash waqfs are much less ubiquitous.

Second, the options listed in the survey questions are hypothetical and that the overall stakes involved are low. Conducting games or natural experiments involving crowdfunding platforms would be an option to increase the validity of these findings (Demir et al. 2021). As research into crowdfunding platforms and its implications for the provision of goods and services is still in its nascent stages, there is still room for this research agenda to expand. Given that crowdfunding platforms may become an increasingly viable means of funding goods and services that can improve the quality of lives of communities globally, it is critical that research into this area gains traction.

Third, the dependent variables lack variation. More specifically, given that cash waqfs are nominally Islamic, I did not include goods that are clearly Islamic or include the term ‘Islamic’ in them such as mosques, prayer spaces, Islamic schools, and the like. I have limited the present analysis by considering two classes of goods that vary on the public-private dimension rather than ‘temporality’ (i.e religious versus ‘worldly’ goods) as an initial attempt to understand the motivations to donate to goods that can be distinguished more clearly along one dimension. Given that the wide range of goods that can be funded via cash waqfs can include anything as long as they are not forbidden by Islamic law, it is pertinent to understand the

factors that may incentivize Muslims to contribute to goods that are more 'worldly' but equally or even more important for the welfare and well-being of their communities. Donors may have otherworldly incentives for contributing toward cash waqfs but they also recognize its real world consequences for the betterment of local communities.

Appendix

Table 2: Private Goods (v. Public Goods), Tobit Models

	Primary Schools	Hospitals
	(1)	(2)
Trust (Generalized)	6.546*** (1.893)	6.738*** (2.398)
Trust (State Government)	-2.156 (1.764)	2.832 (2.244)
Sympathy	-5.200*** (1.761)	-2.102 (2.236)
Charitable Donations	1.482** (0.752)	2.137** (0.953)
Religious Schooling	-0.343 (0.890)	-2.165* (1.124)
Cash Waqf Experience	1.230 (2.508)	-5.409* (3.157)
Primary School Teachers (per 10000)	3.187** (1.418)	
Doctors (per 10000)		0.399 (0.399)
Clinics (per 10000)		6.019** (2.754)
Public Goods Satisfaction	0.096 (1.584)	-1.962 (2.008)
Age	0.207** (0.093)	-0.030 (0.117)
Married	3.354 (2.817)	2.306 (3.538)
Female	-4.189* (2.321)	4.435 (2.945)
Household Size	-0.212 (0.540)	0.157 (0.679)
Income	-1.097* (0.617)	-1.783** (0.798)
Education Level	3.546*** (1.332)	-0.576 (1.681)
Urban	-4.395* (2.379)	-0.519 (3.026)
Constant	17.269 (11.400)	-3.850 (15.437)
N	570	570
Log Likelihood	-2,332.253	-2,070.170
Wald Test	50.362*** (df = 15)	44.123*** (df = 16)

*p < .1; **p < .05; ***p < .01

3

Institutional Trust and Voluntary Public Goods Provision in Pakistan

Institutional Trust and Voluntary Public Goods Provision in Pakistan

Yusri Supiyan

Abstract

Why might individuals prefer to contribute to charity programs that provide public goods and services administered by for-profit organizations to non-profit organizations? In contemporary times the cash waqf, an Islamic law-sanctioned crowdfunding-style platform that funds goods and services, is becoming an increasingly widespread option of charity-making in the Muslim world. Since they can be administered by any entity, why might individuals contribute to those run by for-profits instead of non-profits? I conducted a survey in Pakistan and find evidence that respondents are more likely to prefer contributing to hypothetical cash waqf programs administered by Islamic non-governmental organizations (NGOs) *and* Islamic banks, and less likely to contribute to those run by local Islamic voluntary welfare organizations (VWOs). I argue that the contributory preferences of individuals are influenced by their degree of institutional trust in these organizations, i.e. their positive evaluative perceptions of them.

Keywords— public goods, institutional trust, charity, cash waqf, Pakistan

Introduction

Although the funding and provision of public goods is typically associated with the role of the modern state, historically they have also been funded and provided by non-state actors through means other than taxation. In recent times, cash waqfs, which are Islamic law-sanctioned crowdfunding-style platforms established to provide public goods and services, are becoming increasingly popular across many Muslims societies. They are the more modern iteration of the traditional waqf, which is a trust or an endowment comprising properties in which the initial owner has endowed for some particular socio-religious ends or for the benefit of certain individuals, usually family members. Cash waqfs differ from traditional waqfs in three ways. As suggested by the name, cash waqfs are currency-based while traditional waqfs are usually established from bequests of property (land, buildings, etc.). Second, the crowdfunding-style nature of cash waqfs rely on multiple contributors to the good that is to be provided, while traditional waqfs are typically established and contributed to by a single founder. Finally, the founders of traditional waqfs also have the prerogative over the nature and purposes of the waqf that they want to establish, while the multiple contributors in a cash waqf system typically choose to contribute to programs that are made available to them by the administrators of cash waqfs.

While the management and administration of traditional waqfs have typically remained in the realm of the private and outside of direct government regulation, contemporary cash waqfs are administered by a myriad of organizations and institutions, varying from country to country. In Malaysia, cash waqfs are primarily administered by the religious bureaucracy, both at the state and federal level. Islamic banks are the main drivers of cash waqfs in Bangladesh, whereas in Indonesia many local cooperatives and charitable organizations have resorted to cash waqf programs as a means to solicit donations to fund their programs. There are no specific restrictions or guidelines regarding the type of organizations that can administer cash waqf programs, so long as they operate within the existing legal frameworks of their respective states. These institutions can therefore either complement or even substitute for the role of the state in providing much-needed public goods and services.

Absent specific regulations over the type of institutions that may administer cash waqf programs, what factors determine which ones will be better placed to solicit donations in a free market for charitable

contributions? This will matter greatly, especially in areas where the degree of public goods and services provided by the state leaves much to be desired. Certain types of institutions may have comparative advantages in sourcing for capital and providing public goods and services, but they may not be the most viable or effective at soliciting individual donations. In many parts of the developing world, non-governmental organizations (NGOs) play a crucial role as a partner or even as a substitute for the state in delivering public goods and services (Besley and Ghatak 2006). However, NGOs might not necessarily be the most appropriate type of non-state organization that will be able to fund and provide public goods and services most effectively, especially if they rely on voluntary public contributions from members of the local community itself. Under what circumstances might the private for-profit sector be able to do a much better or more efficient job at soliciting funds and providing goods and services? Why might individuals prefer to invest in charitable works through for-profits instead of non-profits?

I conducted a survey in Pakistan to test whether the type of non-public organization matters for the ability to solicit public donations to provide for public goods. The findings shows that there is a greater preference for contributing toward hypothetical cash waqf programs administered by Islamic NGOs *as well as* Islamic banks. On the other hand, while local and the more ‘organic’ voluntary welfare organizations (VWOs), or (*felahi idara*), which are founded by Pakistani companies and philanthropists to provide social welfare programs, are much beloved and well-respected in Pakistan, there is a lack of evidence to show that institutional trust in them motivates individual contributions. The key distinguishing factor is the degree of institutional trust individuals have in an organization; in other words, positive performative evaluations of an organization is linked with a greater likelihood to contribute voluntarily to its charity-based programs. Even though the various philanthropic non-profit organizations may have comparative advantages in the provision of economic relief and welfare services (White 1999), especially to the poor, the presence (or absence) of trust in these organizations matter more to incentivize individual contributions when it comes to the ability to solicit funding from the public to provide these very services. This shows that the philanthropic sector may not always be the most optimal vehicle for meeting the needs of the local communities where they operate in. This is especially critical for our understanding of how to mobilize scarce resources toward projects and programs that benefit the community at large, especially in locales when the state may be hamstrung in doing so.

Non-state Provision of Public Goods and Services

The textbook definition of a public good is a product or service that is (a) nonrivalrous, where one's consumption of it does not reduce the ability of others to consume it, and (b) nonexcludable, where anyone can be prevented from consuming it. Standard examples of public goods include free-to-air radio and television, national defence, clean air, and the like. Public goods provision require group cooperation; the higher the degree of cooperation, the greater the likelihood that the good will be provided. As such, freeriding is a major obstacle to the provision of public goods. Therefore they are typically provided by the state and is funded by taxation. In reality, what is considered 'public goods' depends on the types of goods individual societies consider to be within the 'public domain' (Malkin and Wildavsky 1991, Kaul and Mendoza 2003). These tend to be rivalrous goods in which societies believe that the barriers to their excludability should be significantly lowered and made as universally accessible as possible. Such goods include healthcare, education, potable water, among others. These goods may be part of the 'public domain' but they are not strictly supplied by public institutions. For-profit corporations, non-profit non-governmental organizations (NGOs), religious institutions, co-operatives, public-private partnerships, and other non-state entities, separately or in tandem with one another, may also provide public goods. In fact, many of these non-state organizations have indeed served as suppliers of public goods.

Under what circumstances would non-state entities become public good providers? Two key parameters explain this: (a) the type of state involvement, and (b) the degree of state penetration (Post et al. 2017). In (a), the state either provides public goods and services directly or it allows non-state actors to perform this role. The latter may be carried out either through the formal delegation of such a role via licensing or contract tenders, or active and deliberate non-involvement of the state which leads to the emergence of private firms that step in to provide these goods. In (b), the extent of state penetration reflects the state's reach and political will which will influence the quality and sufficiency of public goods provided. Where the state's reach is extensive and the quality and supply of public goods are high, there is almost no demand for non-state substitutes. Conversely, due to low capacity or a lack of political will, the state may be hampered in its ability to provide public goods and services of the requisite quality and to a sufficient degree. Consequently, non-state suppliers of public goods emerge to meet societal demands for such goods, and in such cases the state is typically incapable of regulating the supply. Even if the state might be encumbered in

its supply of public goods, non-state entities that seek to fill this gap in delivery have to address the initial and fundamental problem of shirking or freeriding without the ability to levy taxes. Therefore, these entities would either (a) have mechanisms in place to obligate individual contribution and circumvent freeriding, or (b) have access to some external largesse of funds that makes the freerider problem moot.

Historically, many entities have devised various mechanisms to surmount the collective action problem in order to provide public goods. Religious organizations are an excellent example of such an organization (Gill 2021). Many religious organizations impose acts involving ‘sacrifice and stigma’ (Iannaccone 1992) where members are required to observe a particular set of guidelines strictly (behavioral expectations, sartorial requirements, dietary restrictions etc.) in order to signal their loyalty and commitment to the faith and the organization. In this manner, these organizations are able to weed out freeriders who want to enjoy the benefits of the goods produced but intend to shirk from contributing to its production. While the goods religious organizations produce are club goods (nonrivalrous but excludable), these organizations may eventually expand in size, to the point where they are able to withstand the costs of freeriding.

Monitoring, moral suasion and/or non-violent forms of punishment are other options organizations can employ to elicit participation and disincentivize shirking. Religious groups such as the Mormon Church have an elaborate monitoring system that includes home visits, attendance records, and tracking tithing contributory levels to ensure that members are truly committed to the faith and the organization (McBride 2007). Methods relating to social pressure have also been employed to solicit contributions from members of local communities in early America to build turnpikes. These included pledges to contribute taken by prominent members of the communities in town meetings as well as advertisements in local newspapers that extol the virtues of contributing to the turnpikes (Klein 1990). Non-violent forms of sanctioning typically include ostracizing non-contributors or whistle-blowing transgressors. Strike-breakers in Welsh coal mining communities in the mid-1980s, for example, faced various forms of backlash by breaking ranks with their unions. These ranged from outright boycotts of establishments that did not stand with the union, to expelling ‘traitors’ from local sports teams, to the outright removal of the trousers of strike-breaking workers and discarding their meals at work as a way to ridicule them (Francis 1985).

Other types of organizations may also resort to the use of legally unsanctioned coercion and vi-

olence to overcome collective action problems, enabling them to capture the distribution and supply of critical public goods from which they can extract rents. In many cities in the developing world, networks of organized violence capture critical and lucrative public transport routes, stops or terminals, harassing passengers in the process (Mutongi 2017; Heinze 2018; Vargas 2021). ‘Water mafias’ may emerge to control water distribution networks in water-scarce areas through coercion and charge monopoly or oligopoly rents to consumers, even if the quality of water is poor (Cooper 2011). As public transportation and access to water are vital, many consumers have no choice but to rely on and prop up these organized networks.

In instances where non-state entities have relatively easy access to funds, the freerider problem becomes irrelevant. The most prominent example of such organizations are NGOs, defined as “formal (professionalized) independent societal organizations whose primary aim is to promote common goals at the national or the international level”, where the common goal revolves around “the promotion of public goods, from which their members profit and/or the public gains” (Martens 2002). These public goods include those that “relieve suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development” (Werker and Ahmed 2008). NGOs typically operate in developing countries because oftentimes the state lacks the financial means and/or the capacity to provide these types of public goods to a sufficient degree. NGOs receive their funding from a range of sources - other NGOs, foreign states, bilateral or multilateral agencies, corporations, trade unions, trusts, as well as private citizens. As NGOs depend on voluntary funding from these sources, their range of causes and activities usually rely on how donors want their monies to be spent. Donors will thus seek to hold NGOs accountable over their practices and activities to justify continued support (Abouassi and Trent 2016). Donor dependency, however, may also undermine the goals that NGOs seek to achieve, especially if NGOs are expected to pay attention to the needs and wants of the communities they operate in (Edwards and Hulme 1996). If donors decide to change their priorities and goals, this may also cause NGOs to pivot their focus toward other activities and causes at the expense of previous ones (Abouassi 2013). This shift may lead to the provision of goods that are less germane to the needs of the communities they serve, which may have dire implications.

In an ideal sense, non-state entities that seek to provide public goods would prefer to do so without engaging in costly forms of monitoring and violence, while being able to choose the type of goods it wants to

supply or is much-needed by the local community. An innovative vehicle that has emerged in recent years to address these issues are crowdfunding platforms. These Internet-based platforms raise capital from as many individual contributions as possible to fund various types of individual projects, business ventures, as well as public goods. One type of crowdfunding-based public goods project that has garnered much publicity in recent times is the People's Project. It was established in March 2014 to fund matériel for the Ukrainian military in the wake of Russia's annexation of Crimea in the same year and the ensuing conflict in Eastern Ukraine. Funding a public good of such a scale is major challenge - the immediate benefits apply strictly to the Ukrainian military, the project is always an ongoing one as there is no minimum set threshold to be met, and since the use of matériel is limited to warzones, it is difficult for donors to evaluate the worthwhileness of their contributions. In order to mitigate these challenges, the platform relies on being as transparent as possible to its donors. It provided updates on the war in Eastern Ukraine, presented detailed information on what type of equipment would be purchased and how it would be put to use, as well as conducting internal and external audits (Hudik and Chovanculiak 2018).¹

Ensuring transparency and accountability are important means of signalling the worthwhileness of contributing to crowdfunding projects that fund public goods, which in turn serves to foster public trust in its activities. In other words, People's Project aims to engender positive perceptions of the organization's overall performance in order to facilitate more contributions in the future. This is critical given that it operates in an information-scarce environment, and the vast majority of its contributors do not consume the goods provided. Even in contexts where contributors can access the good they help to fund and/or verifiable information to assess a crowdfunding organization's performance is readily available, higher levels of institutional trust in organizations will incentivize more contributions from donors.

In this article, I focus on the effect of institutional trust on contributory patterns towards a particular category of crowdfunding platform, cash waqfs. Cash waqfs rely on pooled capital from a host of contributors to provide for goods and services that benefit the community. While cash waqfs can be considered as a type of crowdfunding platform at its core, there are some significant differences between the two. The list of differences stem from the evident religious (specifically, Islamic) character of cash waqfs. For

¹The website seems to have ceased publishing news and updates actively in July 2020. Its last post is dated March 2nd, 2022, six days after Russia launched a full-scale invasion of Ukraine.

one, contributing to cash waqfs is considered part of voluntary giving, or *sadaqa*), which has been and remains a major feature of Muslim-majority societies (Singer 2013). Crowdfunding projects rely on voluntary contributions but it is not a form of charity by and of itself. Individuals may contribute to a crowdfunding project because they view it as charity-making, but they may also do so because they earnestly like it or they want to be seen as its patrons. Second, projects funded by cash waqfs are typically community-oriented or public-oriented, ranging from hospitals, to water wells, and the like. Crowdfunding platforms may solicit funding for such projects as well, but more often than not they are employed by those who seek to raise contributions for individual and private causes, or business start-ups. Kickstarter is one such platform where people can seek investors into projects that promote creativity and innovation in a wide range of fields such as the arts, food, games, and so on. Third, cash waqfs prohibit funding projects involving goods and services that are proscribed by Islamic law (alcohol, gambling, pornography etc.), while the types of projects that crowdfunding platforms source funding for are only constrained by the current legal frameworks in place.

Historically, traditional waqfs were managed by an administrator (*mutawalli*), who was in turn supervised from afar by a judge (*qadi*) to ensure that the mutawalli managed the waqf in line with the purposes and design of the waqf as endowed by the original founder (Abbasi 2012). In other words, an aspect of the administration and management of traditional waqfs relied on qadis to serve as principals on behalf of its founders to monitor the actions of the mutawallis as the founders' agents. This is crucial as traditional waqfs are required by Islamic law to exist in perpetuity, which meant that they would clearly outlive their founders. In contemporary times, however, there are almost no standardized stipulations regarding the management and regulation of cash waqfs, as well as the types of entities that can administer them. Where cash waqf programs exist, they typically operate within the confines of modern Western-based legal systems, and it is up to each individual state to decide if agencies are to be established to monitor and regulate them. In the absence of a third party regulator, how can the multiple principals of a cash waqf be reassured that entities that administer them will deliver on their promises of providing goods and services? To this end, institutional trust in organizations is a critical factor. This may be important especially in information-scarce contexts where it may be challenging, or even impossible, to ensure transparency and accountability on the part of the cash waqf provider institutions.

Institutional Trust and Charitable Giving

Institutional trust can be conceptualized as a subset of generalized trust (Hager and Hedberg 2016), which is defined as the belief in the trustworthiness and integrity of largely unknown others (Bayram 2017). This rational-based conception of trust relies on two key aspects - the other's incentive to want to be trusted, and access to knowledge that would allow the self to trust or distrust the other (Hardin 2006). Rather than being purely transactional between two consenting parties, institutional trust stems largely from an individual's evaluative take on the performance and credibility of institutions; i.e., whether institutions are perceived to have fulfilled its functions and roles to a satisfactory degree (Hetherington 1998; Mishler and Rose 2001; Hudson 2006). What matters more here is whether institutions are perceived by individuals to have fulfilled its roles and functions rather than their actual performance (Suh et al. 2012; Godefroidt et al. 2017). Institutional trust may relate strictly and specifically to trust in political actors and institutions (Hakhverdian and Mayne 2012; Kaasa 2022). There are two sets of performative evaluations for these institutions - 'representational' institutions such as the legislature and political parties are evaluated based on how partisan they are, whereas 'order' institutions such as the courts of law and the police are evaluated on their ability to be impartial (Rothstein and Dietlind 2008).

In this article, the reference to 'institutions' is more expansive, factoring in non-state or non-political institutions.² Public trust and confidence in the public sector across most established democracies have experienced an overall decline since the 1980s, whereas public trust and confidence in the private sector has actually recorded a slight increase in the same period (Newton and Norris 2000). Nevertheless, the depth of trust in non-state institutions still rests on evaluative perceptions of their performance. When an institution experiences a crisis of some sort, especially one of its own making, public trust in it may take a hit. For example, the length of banking crises and being a customer of failed banks negatively affect trust in banks (van der Crujisen et al. 2016; Fungacova et al. 2021). Another major factor that negatively affects trust is the perception of institutional corruption. While there is a recognition of the endogenous relationship between trust and corruption (Uslaner 2002; Morris and Klesner 2010), the effect of corruption on the erosion of trust still remains strong even after taking into account endogeneity between both variables

²For example, Mishler and Rose (2001) and Hudson (2006) include the following as institutions: trade unions, churches, the media, voluntary organizations, and even private business enterprises.

(Chang and Chu 2006).

Trust in cash waqf provider institutions is important because the types of goods typically offered in cash waqf programs require sufficient amounts of pooled capital for the good to be provided. Cash waqfs typically fund goods and services that serve to maximize public welfare; more often than not, these tend to be public goods. When contributions toward public goods are required but rely on voluntary action, higher degrees of interpersonal trust within a society make higher contribution levels more likely (Miguel 2004). Higher degrees of trust may emerge from government policies that emphasize civic-based national identities rather than ethnic or local-based identities (Miller 1995), as well as repeated quotidian and institutionalized interactions between members of different social or ethnic groupings (Varshney 2001). When contributions to public goods are mediated by institutions, contributors need to trust in the effectiveness of these institutions to deliver public goods; additionally, they also have to perceive that trust in these institutions is widespread enough that they themselves are willing to contribute to the public good.

As cash waqfs can be offered by any institution, in a free market for charity these institutions have to signal or convey a high degree of trustworthiness to potential donors in order to elicit voluntary contributions from them. The principal-agent problem thus outlines the relationship between the multiple donors and the cash waqf institution, as the former need to know beforehand that the latter will not commit fraud and actually make good use of the funds they have solicited. Institutions in the non-profit sector, such as charity bodies and other non-governmental organizations (NGOs) that specialize in charity and philanthropy might still struggle with the problem of trust and the principal-agent problem. Although the non-profit sector aims at 'doing good', it is not immune from fraudulent and corrupt conduct. In a study conducted by Archambeault et al. (2015) of publicly known cases of fraud committed by non-profit organizations in the US between 2008 and 2011, over US\$50 million were reportedly lost to fraudulent activities and practices. One major explanation for why many non-profit organizations are susceptible to fraud and corruption is the general lack of internal controls and mechanisms to check against dishonest dealings (Greenlee et. al 2007). The scandals that non-profit organizations have faced are not only strictly financial in nature. From the recent Oxfam scandal in Haiti in which senior staff hire underaged sex workers to the allegations of sexual harassment, abuse and inappropriate behavior by the senior staff and the chief executive officer of the UK charity Save the Children, non-profit organizations are certainly not immune from such flagrancy. The

public coverage of such scandals can lead to negative spillover effects that may lead to a blanket decrease in trust in the non-profit sector as a whole (Ritchie et al. 1999); however, recent research has suggested that trust in the non-profit sector has increased globally, albeit marginally (Chapman et al. 2021).

Ceteris paribus, for-profit institutions that want to administer cash waqfs face an uphill battle to convince potential donors to contribute to their programs, given the comparative advantages non-profit organizations have in the field of charity and philanthropy. As such, for-profits have a higher trust threshold to clear to convince individuals that their charity programs are legitimate and worth contributing toward. This then leads to the question: why do private for-profit entities get involved in charity and the provision of public goods at all in the first place? One key explanation is that it may be in their best interests to do so. By publicizing charitable contributions or partnering with charities, corporations hope to attain a favorable standing among its consumers and employees in the form of a ‘halo effect’, thereby seeking to foster goodwill among the public at large (Knauer 1994). This ‘halo effect’ is useful to attract potential investors and increase the corporation’s stock values. Corporations may also implement employee-matching grant programs that incentivize workers to donate or gift to charities of their choice. In turn, this seeks to boost worker morale and loyalty to the corporation (Kahn 1997). Companies that pledge a proportion of their sales revenue to charity from their products may, in fact, generate more profits than if they did not. This is especially relevant in instances where consumers are allowed to determine the price of the product they are purchasing (i.e., the ‘pay-what-you-want’ model). When customers can decide on their purchasing price, those who do not value it much do not buy it as they do not want to send a bad signal of purchasing it at low prices and do not want to spend a lot over something they do not value highly. Alternatively, those who choose to purchase the good value it highly and will fork out as much as possible for it, and more is pledged to charitable causes as a result (Gneezy et al. 2010). Finally, charitable contributions toward public goods helps to reinforce infrastructure essential to sustain markets and corporate activities, although the exact nature of the benefits from this type of charitable contributions that accrue to corporations is nearly impossible to quantify and measure (Kahn 1997).

Unlike stated commitments by a company to contribute a percentage of its revenue toward charitable purposes, contributions toward cash waqf programs do not depend on the purchase of a company’s product. A company may signal its reputation of trustworthiness to contributors, but strictly speaking cash

waqfs are not typically derived from a company's revenues as cash waqf contributions and product purchases are separate and unrelated transactions. Regardless, the positive externalities of trust-engendering practices of a company may create spillover effects into the sphere of cash waqfs. For-profit organizations in Muslim-majority states may therefore consider offering cash waqf programs in order to augment and reinforce their image and positive perceptions, which in turn helps to foster relations of trust and goodwill between them and their stakeholders, including the public at large.

- *H₁: Individuals are more likely to prefer to contribute voluntarily to cash waqf programs offered by organizations that they have trust in, rooted in their positive perceptions of them.*

Waqfs in Pakistan

As with many other Muslim-majority states, Pakistan has had a long history of waqfs, given the extensive Islamic presence in the region. British rule of the Indian subcontinent, which included what comprises modern Pakistan today, resulted in legal and political implications for how waqfs came to be administered under colonial rule. The British actually took a rather pertinent interest in waqfs throughout its empire. In particular, they viewed the waqf as an institution that met charitable ends and viewed with suspicion family-based waqfs that were thought to be established as a means to circumvent Islamic inheritance laws and to keep one's wealth within the family. In 1894 the Privy Council, the highest legal body of the British Empire, ruled that all waqfs had to be public-oriented, serving 'religious' and 'charitable' needs, rather than being private-based which only served the interests of the benefactor's family members. As soon as the ruling was passed, Muslim political elites almost immediately mobilized to seek redress on what they viewed as an affront to something central to their Muslim identity. Due to their efforts, in 1913 the Wakf Validating Act was passed, which reinstated the family waqf as a legitimate form of waqf (Kozlowski 1985).

Strictly speaking, these acts were not aimed at administering and regulating waqfs per se. This changed in 1923 with the passing of the Mussalman Wakf Act. The 1923 Act sought to improve the management of waqfs in British India, requiring waqfs administrators (mutawallis) to register waqfs with local courts and provide detailed information that included the services the waqf provided, financial statements,

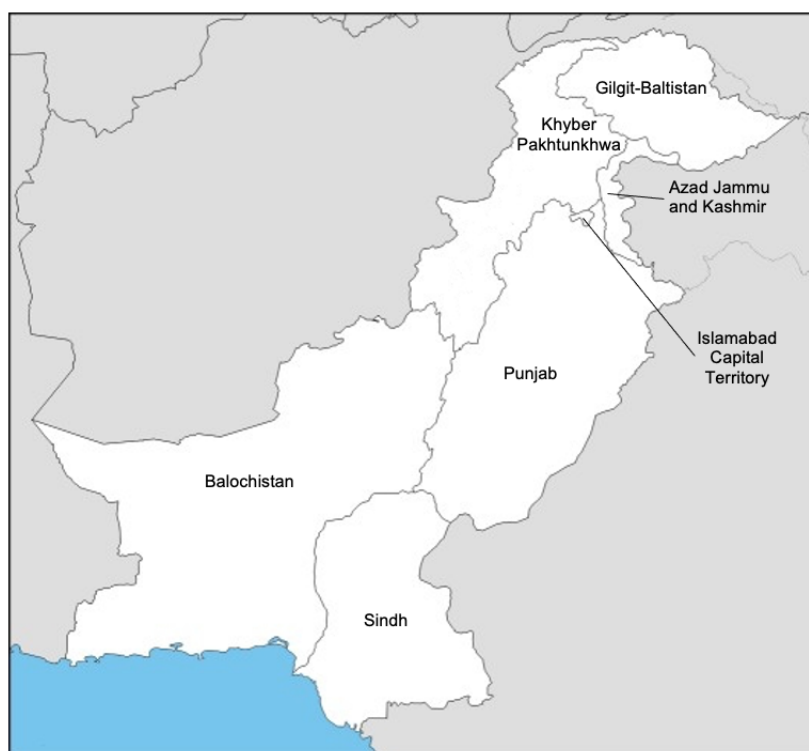
and administrative costs required to upkeep the waqf. The 1923 Act, which remains in force in Pakistan until today, aimed at improving the transparency and accountability regarding the management of waqfs (White 2006). In 1979, local regional governments passed their own ordinances to better govern the management of waqfs. For example, in Punjab, Pakistan's largest province, the office of the Chief Administrator of Auqaf was established to ensure greater control of waqf properties within the region. The Chief Administrator has broad discretionary powers at hand; besides monitoring waqfs, they are legally allowed to seize outright control and management of waqf properties. They can then do whatever they see fit with the waqf, as long as they abide by the original deed of the waqf or with purposes deemed as charitable or pious in Islam (Provincial Government of Punjab 1979; White 2006).

While traditional waqfs have been a mainstay of social life in Pakistan, together with the rather extensive administrative capacity that has burgeoned alongside them, cash waqfs are still at its nascent stage of existence in Pakistan. Given how cash waqfs have become increasingly present in other Muslim-majority states such as Bangladesh and Malaysia, its relative absence in Pakistan is rather surprising. The reasons for this is presently unclear; however, there are a handful of organizations that have at least engaged in establishing charity-based waqfs that rely on cash. One such example is the Hamdard Foundation, a waqf established by Hamdard Laboratories, which focuses on herbal-based medicine and pharmaceuticals. The foundation reinvests a significant percentage of the company's profits towards the provision of healthcare and education. In the 1980s it constructed near Karachi the Madinat al-Hikmah, a small town that is centered around Hamdard University. Hamdard Foundation also runs clinics and mobile dispensary that provides free medicine to consumers. Although these are waqfs that were established from the profits generated by the corporate arm of Hamdard, they are not cash waqfs in the sense of how the term is used. The concept of a cash waqf as an endowment that relies on pooled capital from multiple donors is a relatively alien one in Pakistan; it thus allows for an opportunity to examine donor preferences over charity-making programs that may be offered by both non-profits as well as for-profits.

The Healthcare System in Pakistan

To test my hypothesis regarding the effect of organizational trust on charitable contributory patterns, I conducted a telephone survey in Pakistan in June 2021 with the help of Gallup Pakistan, an opinion research firm based in Islamabad. I focused on contributory preferences over the hypothetical construction of a welfare hospital in a respondent's immediate locale. As a developing country with a population of almost 230 million, it is not surprising that, for the most part, the healthcare system in Pakistan is unable to adequately serve the host of needs of its people. Together with Afghanistan, Pakistan is one of two countries in the world where polio is still endemic. The country relies significantly on the private sector as well as foreign aid to address its healthcare issues.

Figure 1: Map of Pakistan



The healthcare system in Pakistan is defined largely by the existence of parallel structures that may be horizontally integrated to some degree, resulting in what can be described as a 'mixed health system' (Nishtar 2010). Certain healthcare agencies and providers are vertically oriented and only attend to specific subsets of the population - members of the armed forces and government workers (and their dependents), or

employees of certain industrial and private sectors. Certain quasi-state agencies and corporate entities may provide coverage that also horizontally span across these subsets as well. All in all, this horizontal/vertical system of healthcare provision covers about 17% of Pakistanis. For the vast majority of the population who are not covered by these systems, they have to resort to a mix of government and market healthcare providers and out-of-pocket expenses. The non-public healthcare sector comprises both for-profit private entities and non-profit NGOs. In reality, healthcare in Pakistan leaves much to be desired, in spite of the relatively complex healthcare system(s) in Pakistan. The public healthcare sector is marked by the constant lack of adequate funding and a general state of neglect. As a consequence, absenteeism, moonlighting, and the inability to maintain and replace equipment and facilities have all left the public healthcare sector unable to provide high-quality service. Market solutions have sprung up to provide better quality alternatives; however, the state has been encumbered by its ability to regulate the private healthcare sector, which has led to various unethical practices that come at the expense of its users. Additionally, the out-of-pocket costs of market-based healthcare may also be too expensive for the average person to access (Nishtar 2010).

As with the delivery of other much-needed social services, the non-profit sector plays an active role in the healthcare sector as well. Due to the general inability of the Pakistani government to provide basic healthcare countrywide, it has increasingly outsourced such services to many NGOs. While the involvement of NGOs has led to an improvement in the quality of basic healthcare provided (Tanzil et al. 2014), it is not without its own set of issues. As with all types of services that are contracted out by governments, there are always social costs associated with rent-seeking. Resources that are already scarce are being spent on unproductive activities in the form of obtaining rents from the government (Tullock 1980; Tollison 2012). Precisely because the Pakistani government is institutionally incapable of providing decent nationwide healthcare coverage, it has sought to outsource these services to NGOs in the first place, which also means that it is unlikely to monitor compliance. The degree of support and depth of funding for such programs also depends on political factors; i.e., the extent of funding and support will vary from election to election, depending on who gets elected into positions of power and whether they have the political will to see through these programs (Khan 2010).

Besides the presence of NGOs, the healthcare sector also comprises the presence of local voluntary welfare organizations, (VWOs). These organizations may be secular or faith-based. For example, Edhi

Foundation, one of the largest and most prominent secular VWOs in Pakistan, is well-known for the largest country-wide provision of voluntary ambulance services (Zia et al. 2015; Ayub and Hussain 2016). Non-Muslim welfare organizations also exist in Pakistan to provide social services, including healthcare, to its constituents. Caritas (Pakistan), for example, which is a part of the Caritas International network of Catholic-based charities, focuses its work largely around disaster relief (Kirmani 2012). Many non-Muslim communities in Pakistan rely on such voluntary organizations, especially given the dreadful record the state has in mistreating and even persecuting non-Muslims. All in all, the state, the private sector, NGOs, and VWOs are critical players in the health sector in Pakistan.

Dataset

The survey in which data for this article is derived from was carried out in Pakistan in June 2021 with the assistance of Gallup Pakistan. A total of 563 respondents were surveyed via telephone over a one-week period, with a stratified sampling carried out at the provincial level.³ Respondents were asked a series of questions regarding their contributory preferences over hypothetical cash waqf programs they were presented with. As cash waqfs are not very much known in Pakistan due to its relative absence, surveyors were asked to explain to the respondents at the start of the survey what cash waqfs are, the functions and purposes they serve, and how they are understood within the framework of Islamic law.⁴ Respondents were also asked questions relating to variables that may also affect contributory preferences, which include religious capital (Iannaccone 1990; Park and Smith 2000), political and institutional trust (Evers and Gesthuizen 2011; Hager and Hedberg 2016; Chapman et al. 2021), interpersonal trust (Uslaner 2002), as well as demographic indicators. Additionally, I compiled a list of the number of hospitals in each province as a proxy for the extent of healthcare coverage.

³In total there are seven provinces in Pakistan.

⁴It was also explained to the respondents what traditional waqfs were and how they relate to cash waqfs.

Dependent Variables

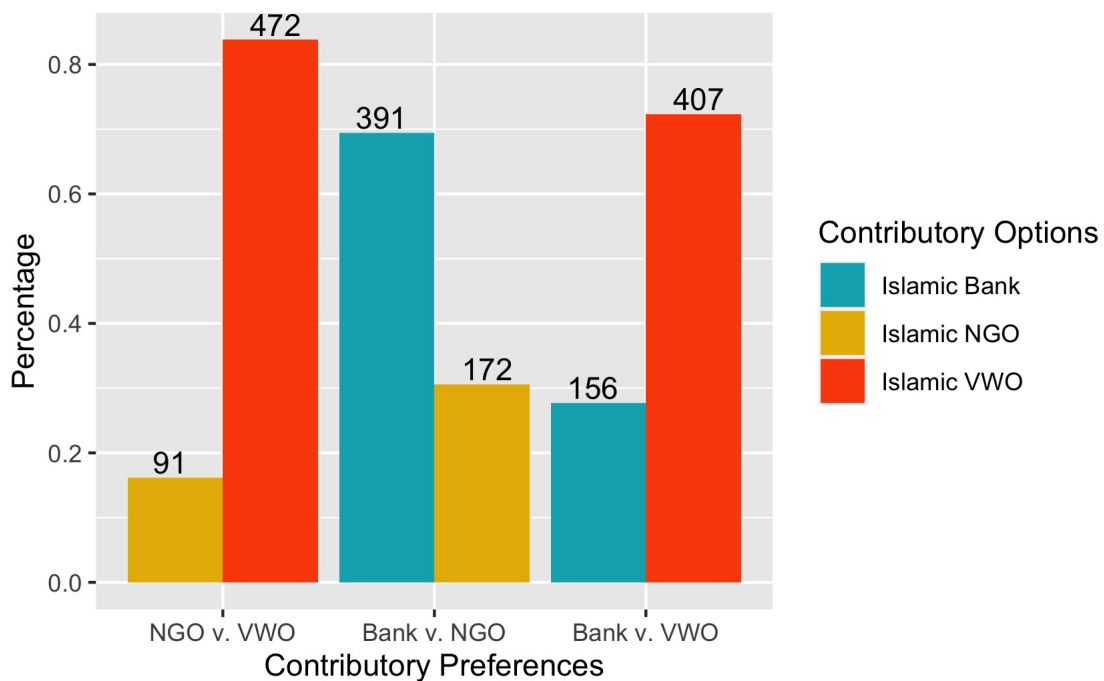
Respondents were asked three questions in which each question offered an option of donating Rs1000⁵ to a set of two options in a monthly cash waqf program. In total, three questions were asked. Respondents could not split the amount between the options presented - the choices are therefore strictly zero-sum. NGOs and VWOs represent the major types of non-profit organizations that are active in Pakistan, whereas the Islamic bank represents the for-profit sector option. These three entities were chosen as the options presented because they either are already established institutions in the field of charity and healthcare provision in Pakistan, or that they have been known to offer cash waqf program elsewhere. Although NGOs and VWOs may overlap regarding their involvement in charity and social service provision, in the public realm there is a notable distinction drawn between the two. In Pakistan, NGOs are typically and widely understood to be organizations that receive funding from sources outside of Pakistan in order to carry out their activities. VWOs, on the other hand, are viewed as more ‘organic’, i.e. they are Pakistan-based non-profit organizations that administer various social welfare programs. These VWOs may rely on wealthy philanthropists and benefactors or private donations to fund their programs, such as the aforementioned Edhi Foundation. I included Islamic banks as an option as well because even though Islamic banks that exist in Pakistan do not offer cash waqf programs, elsewhere in the Islamic world they have emerged to provide cash waqf programs. One example of this is Bangladesh, where at least six major Islamic banks offer cash waqf programs (Rahman and Sohel 2019). Given that Islamic banks already have an established footprint in Pakistan, they offer a plausible option as a provider of cash waqf programs. As a form of illustration, one of the questions is phrased as such:

- Imagine that you have decided to contribute all of the Rs1000 to a monthly cash waqf scheme that funds the construction of a welfare hospital located within 25 kilometres of your residence. You still have choices over the type of organisation that you can contribute to. Please tell me which of the following options you would prefer:
 1. (a) contributing the Rs1000 to an Islamic non-governmental organisation (NGO)
 2. (b) contributing the Rs1000 to an Islamic welfare voluntary organization (VWO)

⁵This is roughly equivalent to just over 4 USD.

The bar graph below displays the breakdown of the dependent variable of interest, the contributory preferences of the respondents. Based on the bar graph, there are two obvious patterns. First, there is a general proclivity to opt for the VWO option. Second, there is an apparent general disinclination for the NGO option. This becomes pronounced when it is juxtaposed with the bank option, where just under 70% of respondents preferred to contribute to a cash waqf program run by an Islamic bank to an Islamic NGO. There are two reasons why this disinclination might exist. First, since NGOs in Pakistan are typically funded by external donors to carry out their activities, respondents may want to redirect their contributions to other organizations that rely more on individual and small-scale charitable contributions. However, this does not fully explain why the majority of respondents would still prefer to contribute to a program administered by an Islamic bank, a for-profit entity, instead of NGOs. A second reason might relate to the generally poor reputation that NGOs seem to suffer from in Pakistan as a whole. However, this is something that is not specific only to Pakistan. In much of the developing world, NGOs have been perceived to be ‘agents’ or ‘puppets’ of Western countries, as well as being accused of facilitating the spread of cultural norms and values that are incompatible with that of local ones (van der Borgh and Terwindt 2012).

Figure 2: Breakdown of Contributory Preferences



Independent and Control Variables

The primary independent variable, institutional trust, comes from a question in the survey in which respondents were asked to rate, on a four-point scale from ‘No trust at all’ to ‘Complete trust’, how much trust they have of three organizations in question. I also include a measure of interpersonal trust (or generalized trust), which is measured by the degree of trust respondents have in people from their towns, villages or cities, as it has a role to play in incentivizing donors to contribute to something that requires as many of unknown others as possible to do likewise. The more individuals trust others, especially strangers, the more they are likely to consider that they all have a similar range of preferences and, in turn, are more likely to act similarly. Trust in others enhances the overall ability to coordinate preferences and actions (Christensen et al. 2019); in other words, generalized trust is essentially a ‘cognitive coordination mechanism’ (Lorenzen 2001). This makes it more likely that goods which require contribution from as wide a segment of the population as possible would be provided as the minimum threshold of overall contributions level is more likely to be met. As mentioned earlier, the inclusion of the number of hospitals per province serves to control for the extent of healthcare coverage.

The other control variables fall under the categories of religious capital and demographics. Religiosity has strong correlation with charitable donations. It remains unclear, however, who is more likely to receive charity from the religious. Religiosity is linked with other-regarding behavior toward co-religionists (Saroglou et al. 2005), while those who are religious have also been shown to be more likely to aid unknown others as well (Bennett and Einolf 2017). For Muslims, the Islamic doctrine exerts an emphasis on their sacred duty to God as believers, which includes charity-making (Warner et al. 2018). Religiosity is measured by capturing some aspects of what is termed as ‘religious capital’ (Iannaccone 1990; Park and Smith 2000), defined as ‘the degree of mastery of and attachment to a particular religious culture’ (Stark and Finke 2000). While religious capital has a baseline level effect on the propensity to donate, there may be certain aspects of it that motivate a donor to contribute to one organization and not others. I include measures for frequency of generic charitable donations and years of religious schooling as variables that comprise religious capital in this study.

I also include demographic variables related to age, marital status, gender, household size, income,

education level, and a measure for the type of dwelling area (rural or urban). Many of these measures are known to have an effect on charitable behavior. Research has shown that incentives created by taxation policies affect charitable giving via income effects and price effects (Auten et al. 2002). In Pakistan, tax-based incentives for charitable contributions exist at the national level, thus negating the need to control for it in the regression model.⁶ As opposed to men, women are more likely to engage in charity since they are thought to have more sympathy for others (Mesch et al. 2011). People who are older, married, better educated, and from households with larger incomes are more likely to be involved in charity-making too (Yen 2002; Mesch et al. 2006). Those with higher incomes are also more likely to engage in charity, but not simply because they have more disposable income. They may choose to do so as a means to signal their high income status, in addition to the likelihood that the effect of ‘warm glow’ are more pronounced among the wealthy (Glazer and Konrad 1996). I also include a measure for household size, as it has been shown that those hailing from larger households are less likely to engage in charity (Smith et al. 1995). Household size is used as a proxy for household income. People who live in urban areas are also more likely to contribute to charity than rural dwellers (Lin 2021).

Analysis

The regression table below shows the results of a set of binomial logistic regressions with the contribution options as the dependent variables. (The option listed in parentheses is the reference category for the dependent variable for each regression model). With the exception of the *Trust (Islamic VWOs)* variable in the first model, all the organizational trust variables reflect the expected odds regarding contributory preferences and are statistically significant. Even though the bar graph in Figure 1 shows a distinct lack of predilection for contributing to programs administered by Islamic NGOs, those who are more likely to contribute to programs administered by Islamic NGOs would do so because they have trust in them. The models also reflect a certain degree of trust in Islamic banks among respondents.

The most curious set of results pertains to the *Trust (Interpersonal)* variable. The higher the degree of interpersonal trust in unknown others, the greater the likelihood that they would opt for the Islamic VWO

⁶In Pakistan an individual can claim tax credits up to 30% of their taxable income, while companies can claim up to 20%.

Table 1: Donation Preferences

	NGO (v. VWO)	NGO (v. Bank)	VWO (v. Bank)
	(1)	(2)	(3)
Trust (Islamic Banks)		0.569*** (0.103)	0.751*** (0.101)
Trust (Islamic NGOs)	1.358** (0.131)	1.256** (0.115)	
Trust (Islamic VWOs)	0.854 (0.138)		1.228* (0.118)
Trust (Interpersonal)	0.783* (0.127)	1.029 (0.109)	1.317** (0.108)
Hospitals (per 100000)	0.976 (0.342)	0.935 (0.297)	1.768 (0.349)
Charitable Donation	0.994 (0.055)	1.094* (0.049)	1.097* (0.049)
Religious Schooling	1.239** (0.090)	1.420*** (0.084)	0.835** (0.089)
Age	0.980* (0.010)	0.972*** (0.009)	1.015* (0.009)
Married	1.388 (0.298)	1.708** (0.262)	1.254 (0.265)
Female	0.884 (0.246)	0.532*** (0.219)	1.009 (0.220)
Income	0.724** (0.133)	1.197 (0.112)	0.700*** (0.120)
Household Size	0.958 (0.030)	0.964 (0.026)	0.997 (0.025)
Education Level	1.223** (0.085)	1.099 (0.072)	1.419*** (0.079)
Urban	1.255 (0.270)	1.491* (0.236)	1.020 (0.227)
Constant	0.683 (0.810)	0.279* (0.723)	0.626 (0.730)
N	563	563	563
Log Likelihood	-189.316	-218.168	-217.583
AIC	406.632	464.336	463.165

*p < .1; **p < .05; ***p < .01

option against both Islamic NGOs and Islamic banks. It is presently unclear why this is the case. It is possible that those who have higher levels of interpersonal trust perceive that others are more likely to choose to contribute to an organization that they think most other people are more likely to contribute to; in effect, interpersonal trust becomes a coordinating mechanism (Lorenzen 2001). With that in mind, they select the organization that most people are familiar with in the realm of charity-making (such as VWOs), instead of organizations that do similar work but suffer from a generally negative view (such as NGOs) or those that probably have no business in charitable works in the first place (such as banks). This distinction in findings between the effects of institutional and interpersonal trust suggests that not only can trust be conceptualized in different ways, but that the different conceptualizations of trust has different effects and implications. In this case, interpersonal trust seems to stand in for the lack of a relationship between institutional trust and the propensity to donate to Islamic VWOs.

Hospitals per 10000 does not show any statistically significant effects. This is most likely unsurprising as the data on this is at the provincial level, which is not 'localized' enough to capture this effect at the immediate locale level. The variables relating to religious capital show some revealing findings. *Charitable Donation* correlates with a greater likelihood of opting against the Islamic bank option, even though the coefficient size is not that much greater than one. On the other hand, *Religious Schooling* is correlated with an aversion toward contributing toward Islamic NGOs. When asked to choose between Islamic VWOs and Islamic banks, those with more years of religious schooling prefer the former less. This set of models show that religiosity is multifaceted and should be understood as 'religious capital', where its discrete aspects have distinct effects on individual behavior and attitudes. For the demographic variables, only the coefficients for *Age* are statistically significant across all models, where older people are less likely to opt for the Islamic NGO option and prefer Islamic VWOs to Islamic banks. However, the sizes of the coefficients are relatively close to one, which dampens the relative importance of this set of findings. None of the other demographic variables show any consistent patterns across the three models.

Figure 3: Predicted Probabilities (Model 1)

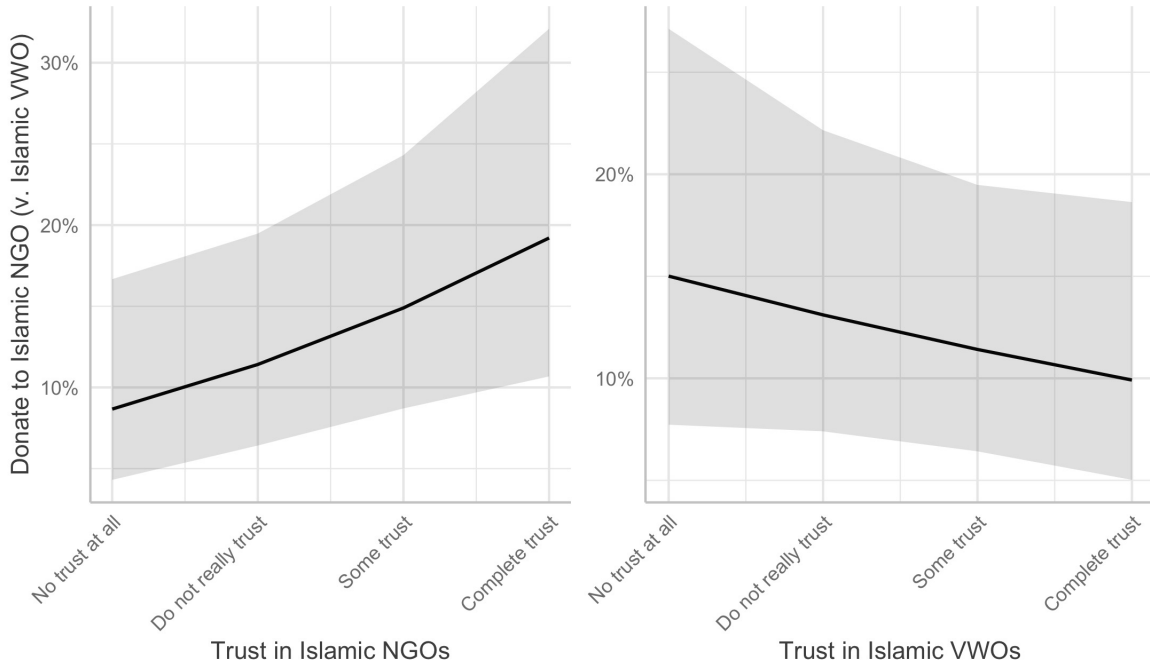


Figure 4: Predicted Probabilities (Model 2)

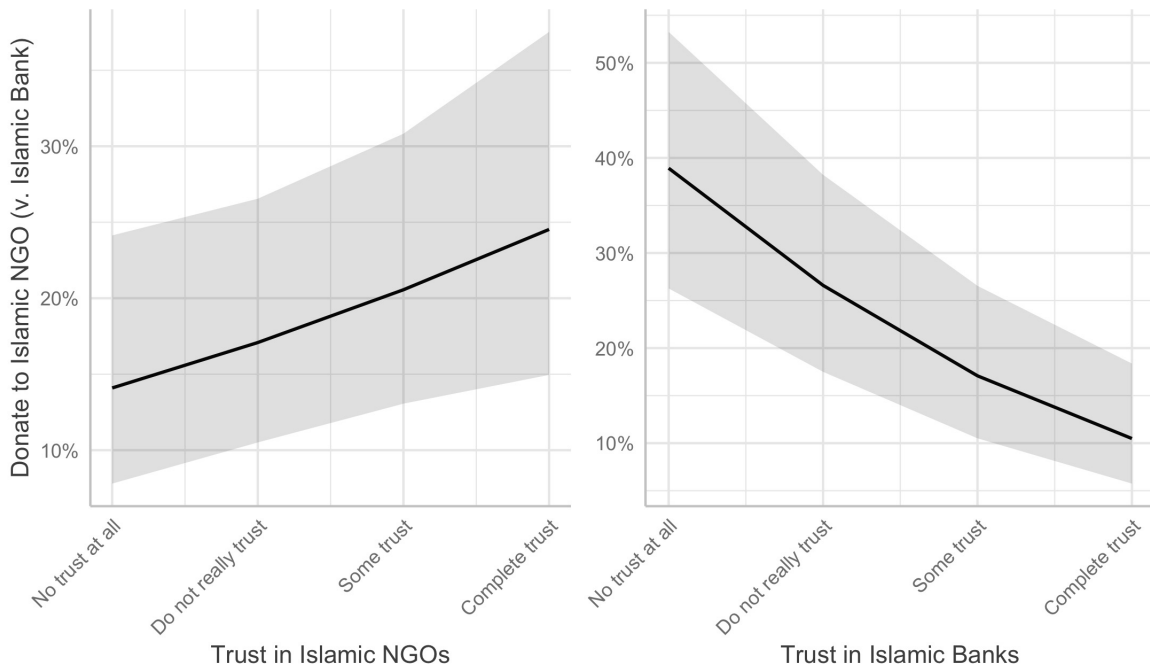
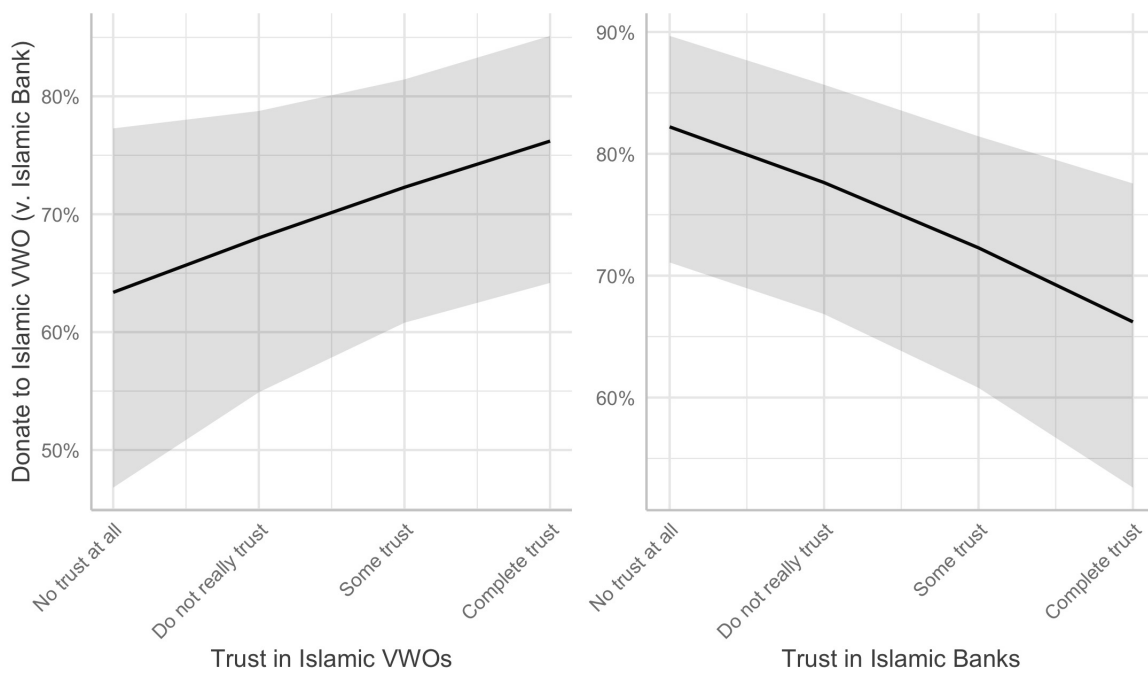


Figure 5: Predicted Probabilities (Model 3)



The plots above show the predicted probabilities for each of the independent variable of interest derived from Models 1, 2 and 3. I also conducted several robustness checks on top of the main regression models in Table 1, which can all be accessed in the appendix. I conducted many of these checks due to certain issues relating to the primary dataset. The first robustness check involved removing the regression weight included for gender. The original dataset has a major gender skew in favor of males, with females constituting only 18.7% of the sample (105), while males (458) comprising the remainder at 81.3%. The reason for this substantial disparity is that in Pakistan, many women do not own mobile devices of their own. As this survey was conducted via telephone due to the constraints posed by the Covid-19 pandemic, it was extremely difficult to obtain a representative sample based on gender. Therefore, I included a weight for gender in the main regression models in Table 1. Removing the weights did not greatly alter the results and the statistical significance of the findings in Model 1. However, the *Trust (Islamic VWOs)* variable is significant in this robustness check model.

The second check involved running the regression models by taking into account missing values in the data. There were many non-responses for the dependent variables, of which I could not find any evidence that there was any substantial patterns that could explain the missing values. I used the `mice` package in R for data imputation purposes and included all the variables listed in the regression models above, as well as other demographic variables that were not included above (ethnicity, for example) and political trust variables. Running the regression models with the missing data factored in reduced the sample size by about 60%. The results were slightly different from the main models. *Trust (Islamic Banks)* was statistically significant and reflected the expected odds, while *Trust (Islamic NGOs)* was only statistically significant in Model 1 (NGO v. VWO). *Trust (Islamic VWO)* was not statistically significant in any of the models even if in the NGO v. VWO model where the latter is the reference category, the coefficient for *Trust (Islamic VWO)* was 1.077, more than 1.

In the third robustness check, I excluded *Income* from the data imputation process. Of all the independent and control variables *Income* had the highest proportion of missing values (36.1%), which may pose an issue for the data imputation process. I then ran the models again with the imputed data merged with the original income data ($n=360$). As with the first robustness check, the organizational trust variables were all statistically significant and with the coefficients in the expected size, except for *Trust (Islamic VWO)*.

Discussion

That the findings show how much respondents trust Islamic banks more than non-profits, especially NGOs, regarding charitable contributions might be surprising. In Pakistan, however, there is some evidence to bolster this finding. Based on the seventh and latest wave of the World Values Survey (2017-2020), there is greater relative confidence in banks as compared to non-profit organizations.⁷ More than 70% of respondents have at least some degree of trust in banks, higher than several other institutions, including those that play a direct and major role in healthcare provision in Pakistan. In fact, confidence in banks register 20 percentage points more than confidence in major companies. Therefore, confidence in banks does not entirely result from its for-profit status. Banks certainly enjoy a high degree of confidence in Pakistan, which arguably places it in a good stead to implement cash waqf programs.

Table 2: Degree of Confidence in Select Institutions in Pakistan (World Values Survey, 2017-2020)

	National Government	Military	Mosques	Major Companies	Banks	Charitable/ Humanitarian Organizations	World Health Organization
A great deal	27.0	79.8	87.4	20.7	40.2	28.6	16.5
Quite a lot	35.3	13.4	9.8	32.3	32.0	28.8	22.7
Not very much	15.9	3.9	1.7	18.0	12.9	15.2	11.8
None at all	19.8	2.3	0.7	18.5	10.6	15.2	19.6
Don't know	1.7	0.5	0.1	10.1	4.0	10.9	27.8
No answer	0.2	0.1	0.3	0.4	0.3	0.6	1.6

Why do banks enjoy such a high degree of confidence in Pakistan? There is not a straightforward answer to this question; however, one important explanation lies with the way in which reforms pertaining to the privatization and liberalization of various economic sectors in Pakistan, including the banking sector, are widely advertised and perceived to have been successful and beneficial, even if the evidence is to the contrary. Beginning with the rollout of a structural adjustment program (SAP) by the International Monetary Fund (IMF) in 1988, the banking industry embarked on a path toward financial deregulation and liberalization. The 2000s witnessed a drive toward attracting foreign investment and encouraging foreign banks to own majority shares in Pakistani banks as part of a concerted effort toward financial internationalization (Jones 2020). The State Bank of Pakistan (SBP), the country's central bank, strongly encouraged many of the smaller private banks that had emerged as part of the initial wave of deregulation and liberalization

⁷The World Values Survey do not seem to distinguish between NGOs and VVOs in Pakistan.

to merge with other private banks to form larger private banks in order to be able to compete internationally on a sound footing. Over the years Pakistan has also been one of the most enthusiastic adopters of the international regulatory banking standards enshrined in the Basel Framework. Although Basel I and Basel II reforms of the early 2000s had been promoted and pushed through by politicians and the SBP, the now-consolidated larger private Pakistani banks instead provided the main thrust of the adoption of Basel III standards in the post-Great Recession period. This meant that by the early 2010s all the major players of the financial and banking sector were now truly invested in the adoption and implementation of the Basel Framework reforms (Naqvi 2020, 114-122).

Even though the adoption and implementation of the Basel Accords depicted a domestic banking sector that was thriving, in reality many problems from the pre-reform period remained and some even worsened. Egged on by the SAPs of the IMF, Pakistan embarked on a path toward banking and financial deregulation and liberalization based on the belief that weak states could not emulate the developmental state model à la the East Asian Tigers of the 1970s and 1980s. A weak state such as Pakistan that attempted state-led economic reforms would not be able to do so at an efficient and optimal level; thus, it made more logical sense to allow for market forces to dictate financial and banking policies (Munir and Naqvi 2017). However, financial and banking deregulation and liberalization has not been the complete panacea required to address the shortcomings of Pakistan's banking sector. The large private banks have indeed made more profits during the liberalization period. However, the bulk of them have come from the purchase of government bonds, rather than from lending. In effect, the large private banks make profits at the expense of Pakistani taxpayers who shoulder the risks of government defaults. Credit lending to the manufacturing and agricultural sectors, which are vital for economic growth and development in Pakistan, have not expanded, if at all, as very little has gone toward long-term investments necessary for these sectors to grow, while there is also insufficient lending to small businesses and entrepreneurs to encourage individual self-sufficiency (Shahid et al. 2015; Naqvi 2018). Liberalization has also failed to create the conditions for competition among the banks as the consolidation of the banking system into one dominated by five large banks has instead created an oligopolistic system whereby the banks could set deposit rates that ensured a spread of profits across all and focus their energies on investing in government bonds (Munir and Naqvi 2017). Irrespective of the actual impact of structural reforms in the Pakistani banking sector, widespread public perception of its positive

impact has generated trust in it. This has implications for services such as mobile banking in Pakistan, where customers who choose to participate in it are driven by ‘structural reassurance’; i.e. the belief that there are regulatory mechanisms and legal recourse in place to ensure the optimal functioning of the banking system (Afshan and Sharif 2015).

Islamic banks, in general, not only benefit from this sectoral-wide reputation that the banking sector at large enjoys, but also from its religious labelling. Many consumers of the banking industry in Pakistan choose to bank with Islamic banks not because they are fully informed of the inner workings of banks that are Sharia-compliant; rather, the ‘Islamic’ nature of the bank matters. In fact, some consumers do not trust conventional banks that have Islamic windows, but only those that claim to be ‘Islamic’ in the first place (Ashraf et al. 2015). Therefore consumers also rely on such cues in order to judge whether they should place their trust in them. It is therefore unsurprising that individuals would contribute to cash waqf programs administered by Islamic banks if they were to run them, given the institutional trust that exists in the banking system, the Islamic banking system included.

Conclusion

I have shown that institutional trust matters for charity-making - even though VWOs and NGOs are organizations that are experts in acts of charity and the provision of goods and services to the communities they serve, the results show that effect of institutional trust is statistically significant for the likelihood of contributing to cash waqf programs administered by Islamic banks. Given the relative paucity of various sorts of public goods and services in many parts of Pakistan, it is worthwhile to consider the impact that the introduction of these programs may have to serve local communities, in addition to the types of organizations that should offer such programs. The for-profit sector may have a role to play in this, either as a partner or complimentary to the state and non-profit organizations. These programs already exist to varying degrees in other Muslim-majority states such as Bangladesh, Indonesia, and Malaysia. While the effectiveness of these programs are yet to be ascertained, what is clear and apparent is that they have been utilized well to provide many types of goods and services such as water wells, students hostels, and others.

Regardless, there are several limitations of this research. For one, the respondents were tasked

with deciding between options over the same good. The type of good might matter too; for example, NGOs do a lot of good work regarding education globally, and thus this set of results could have differed had options on other types of goods were offered. Second, while Pakistan is a Muslim-majority state, the cash waqf has not caught on there as it has in other Muslim-majority states. Therefore, there is a possibility that a majority of respondents were not familiar with cash waqfs, even though it was explained to them at the start of the survey. Third, since this was a survey on a hypothetical program that involved low stakes, it is possible that the results do not have significant weight. Nevertheless, I posit that these findings offer much promise regarding the possibility of offering cash waqfs to alleviate the dearth of goods and services in Pakistan and other countries, where the state is heavily encumbered.

Appendix

Table 3: Donation Preferences (Robustness Check 1)

	NGO (v. VWO)	NGO (v. Bank)	VWO (v. Bank)
	(1)	(2)	(3)
Trust (Islamic Banks)		0.656*** (0.143)	1.775*** (0.158)
Trust (Islamic NGOs)	2.398*** (0.232)	1.393** (0.159)	
Trust (Islamic VWOs)	1.049 (0.248)		0.851 (0.173)
Trust (Interpersonal)	0.600** (0.219)	0.858 (0.163)	0.747* (0.163)
Hospitals (per 100000)	9.434*** (0.760)	0.915 (0.508)	0.180** (0.791)
Charitable Donation	1.147 (0.095)	0.908 (0.072)	0.892 (0.070)
Religious Schooling	0.950 (0.158)	1.412*** (0.121)	1.413*** (0.120)
Age	0.949*** (0.018)	0.951*** (0.014)	0.962*** (0.014)
Married	1.595 (0.482)	2.473** (0.386)	1.477 (0.373)
Female	2.074* (0.385)	0.589 (0.332)	1.320 (0.320)
Income	0.070*** (0.770)	0.564 (0.476)	3.190** (0.504)
Household Size	0.128** (0.963)	0.408 (0.734)	7.823*** (0.728)
Education Level	0.089 (1.728)	0.759 (0.903)	2.505 (1.150)
Urban	0.474 (0.690)	1.686 (0.545)	2.019 (0.662)
Q45OTHERS	0.235*** (0.552)	0.641 (0.434)	3.263*** (0.449)
Q48C	0.759 (0.220)	1.223 (0.165)	1.270 (0.166)
Q49	0.922 (0.055)	0.988 (0.038)	0.998 (0.037)
Q50C	0.968 (0.135)	0.877 (0.102)	0.662*** (0.111)
Q522	1.837 (0.467)	3.171*** (0.370)	1.726 (0.336)
CONSTANT	0.317 (1.321)	1.080 (1.058)	1.115 (1.097)
<i>Observations</i>	360	360	360
<i>Log likelihood</i>	-61.184	-97.909	-95.797
<i>Akaike information criterion</i>	160.367	233.818	229.594

Notes:

*** p < .01; ** p < .05; * p < .1

Table 4: Donation Preferences (Robustness Check 2)

	NGO (v. VWO)	NGO (v. Bank)	VWO (v. Bank)
	(1)	(2)	(3)
Trust (Islamic Banks)		0.533*** (0.200)	1.724*** (0.210)
Trust (Islamic NGOs)	2.369*** (0.295)	1.311 (0.202)	
Trust (Islamic VWOs)	1.077 (0.341)		0.841 (0.232)
Trust (Interpersonal)	0.679 (0.341)	1.093 (0.222)	0.515*** (0.229)
Hospitals (per 100000)	11.244* (1.284)	1.388 (0.846)	0.327 (1.021)
Charitable Donation	1.175 (0.122)	1.066 (0.104)	0.815** (0.097)
Religious Schooling	0.996 (0.183)	1.406** (0.159)	1.479** (0.156)
Age	0.947* (0.028)	0.967* (0.020)	0.982 (0.018)
Married	1.829 (0.607)	3.556*** (0.482)	0.715 (0.466)
Female	1.388 (0.528)	0.716 (0.442)	1.498 (0.423)
Income	0.099** (0.902)	0.527 (0.624)	1.527 (0.631)
Household Size	0.191 (1.285)	0.214 (1.104)	3.916 (0.967)
Education Level	0.151 (1.809)	0.455 (1.223)	1.464 (1.402)
Urban	0.383 (1.038)	0.606 (0.802)	1.160 (0.802)
Q45OTHERS	0.501 (0.716)	0.601 (0.590)	1.633 (0.580)
Q48C	0.764 (0.274)	1.429* (0.215)	1.402 (0.208)
Q49	0.916 (0.071)	1.020 (0.051)	0.940 (0.053)
Q50C	0.863 (0.169)	0.910 (0.140)	0.590*** (0.146)
Q522	2.625* (0.585)	2.559** (0.460)	1.413 (0.420)
CONSTANT	0.154 (1.875)	0.095 (1.463)	8.749 (1.416)
<i>Observations</i>	237	207	224
<i>Log likelihood</i>	-37.615	-50.711	-56.987
<i>Akaike information criterion</i>	113.230	139.422	151.975

Notes:

***p < .01; **p < .05; *p < .1

Table 5: Donation Preferences (Robustness Check 3)

	NGO (v. VWO)	NGO (v. Bank)	VWO (v. Bank)
	(1)	(2)	(3)
Trust (Islamic Banks)		0.612*** (0.095)	0.742*** (0.100)
Trust (Islamic NGOs)	1.370** (0.135)	1.334*** (0.105)	
Trust (Islamic VWOs)	0.729** (0.137)		1.279** (0.111)
Trust (Interpersonal)	0.757** (0.121)	0.870 (0.104)	1.250** (0.106)
Hospitals (per 100000)	1.364 (0.256)	0.907 (0.247)	1.603 (0.287)
Charitable Donation	0.950 (0.054)	1.021 (0.045)	1.053 (0.046)
Religious Schooling	1.168* (0.093)	1.318*** (0.081)	0.967 (0.088)
Age	0.994 (0.011)	0.996 (0.009)	1.008 (0.010)
Married	0.891 (0.287)	0.934 (0.242)	1.228 (0.251)
Female	0.892 (0.294)	0.578** (0.262)	1.083 (0.265)
Income	0.664*** (0.125)	1.050 (0.099)	0.807** (0.104)
Household Size	0.959 (0.028)	0.947** (0.024)	0.972 (0.022)
Education Level	1.177** (0.081)	1.160** (0.067)	1.229*** (0.072)
Urban	1.173 (0.254)	1.374 (0.217)	0.837 (0.218)
CONSTANT	1.890 (0.783)	0.585 (0.679)	1.028 (0.690)
<i>Observations</i>	563	563	563
<i>Log likelihood</i>	-246.264	-318.707	-306.197
<i>Akaike information criterion</i>	520.527	665.413	640.394

Notes:

*** p < .01; ** p < .05; * p < .1

4

The State of Charity: The Administration of Cash Waqfs in Bangladesh and Malaysia

The State of Charity: The Administration of Cash Waqfs in Bangladesh and Malaysia

Yusri Supiyan

Abstract

Why does the state appropriate charity in some countries but not others? In this article, I focus on a type of Islamic charity - the cash waqf, a voluntary crowdfunding-style platform aimed at providing goods and services for the community - and why governmental bureaucracy administers them in Malaysia while Islamic banks administer them in Bangladesh. This distinction, I argue, is a result of British colonial legacies. In Malaya, the British granted local sultans autonomy to administer Islam. Almost all aspects of Islam then became highly bureaucratized well into the postcolonial period, which also extended into the domain of charity. Conversely, in India, the British relied on legal arbitration to adjudicate on religious matters as its primary modus operandi of religious administration. In the postcolonial period, no all-encompassing bureaucracy to regulate Islam in Bangladesh took root, leaving the development of cash waqfs in the realm of the private sector.

Keywords— state, charity, cash waqf, colonialism, Bangladesh, Malaysia

Introduction

Charitable giving has always been an essential feature of Muslim-majority societies; Amy Singer argues that “[w]ithout an appreciation of this fundamental aspect of Islam, it would be difficult to have a full understanding of Islamic societies, either in the past or in the present” (Singer 2013: 341). For Muslims, engaging in charitable acts serves two goals: the fulfilment of their duty to God, as well as a means of pleasing God (Kılınc and Warner 2015; Warner et al. 2018). Charitable giving in Islam generally takes two forms: *sadaqa*, or voluntary individual giving, and *zakat*, or mandatory contributions. While *zakat* comprises one of the five basic tenets of Islam and requires specific calculations of the amount of contribution required from each individual, *sadaqa* is very broad in nature. It can range from the simple act of smiling to the bequests of land and property.

In spite of the ubiquitous nature of charitable giving in Muslim-majority societies, reliable and precise data on the rates of giving are notoriously difficult to obtain. Historical analysis of charitable giving, including its conduct and implications, have focused largely around the Islamic socio-economic institution known as the *waqf*. A *waqf* is an endowment established by a founder (*waqif*) into perpetuity in order to serve the socio-economic needs of the community. Historically, it is usually the case that another individual, or the *mutawalli*, is tasked with managing and administering the *waqf* on behalf of the *waqif*, ensuring that the *waqf* is being utilized in the manner determined by the *waqif* as spelled out in its title deed, or *waqfiyya*, (Abbasi 2012, 124).

The upkeep of *waqfs* thus requires extensive management and administration, leading to a greater likelihood of a paper trail of documentation left behind for some *waqfs*. Scholars researching on *waqfs* have been able to access, to varying degrees, title deeds, court statements, religious rulings (*fatwa*), early scholarly works, royal decrees, state registers, family documents, maps, and other types of data in order to shed light on the roles played and the functions served by *waqfs* in Muslim communities (for example, see Kozlowski 1985; Lev 2005; Deguilhem 2008; Hovden 2019). Rulers of Muslim states relied heavily on the establishment of *waqfs*, largely because they could freeride on the public goods and services *waqfs* provided in exchange for the non-taxation of endowed properties. Indeed, many propertied individuals created *waqfs* in order to shield their wealth from state predation and appropriation (Kuran 2001).

Traditional waqfs started to lose their social significance beginning in the nineteenth century during the era of high imperialism. As many Muslim lands came under the yoke of European colonialism, many of these waqfs were either seized by the colonial authorities who directly administered them, or left to wither away in a state of disrepair. Traditional waqfs do not play as prominent a role in many contemporary Muslim-majority societies as they did historically, largely because postcolonial states have taken it upon themselves to be the primary provider of public goods and services. In recent times, however, cash waqfs have become increasingly present across many Muslim-majority states as charitable institutions. Similar to traditional waqfs, cash waqfs are crowdfunding-style platforms sanctioned by Islamic law as a means to provide public goods and services, but they differ from traditional waqfs in several ways. Cash waqfs typically rely on pooled capital from multiple waqfs in order to create an endowment, with the funds generated either used to acquire the requisite land or property to fulfil the requirements of the deed, or invested in Sharia-permitted business models¹ in order to generate profits and returns to sustain the endowment into the future, on top of the land and property first purchased to establish it. The waqifs of traditional waqfs also have sole discretion over the type of waqf they want to establish since it is sourced from their own wealth, whereas potential contributors to cash waqfs have a host of choices over the types of cash waqf programs they can fund.

While traditional waqfs as an institutionalized form of charity have existed outside of state control for the most part, the management and administration of contemporary cash waqfs display a marked variation across Muslim-majority societies. In Malaysia, governmental bureaucracy directly manages and oversees the vast majority of cash waqf programs, both at the federal and state level. This is in contrast to Bangladesh, where cash waqfs are administered almost exclusively by the various Islamic banks. What explains why the state is deeply entrenched in the management and administration of religious charity in Malaysia, while the state does not play an equivalent role in Bangladesh? If charity was and remains a defining feature of Muslim-majority societies, why does the state loom large in the domain of charity and charitable giving in Malaysia but not in Bangladesh?

¹Fundamentally, most Sharia-permitted business models operate on a profit-and-loss sharing system. One major example of this is the silent partnership model *mudaraba*, in which an investor provides the capital and the entrepreneur contributes their labour, skills, and time, to an business venture. The commenda system that developed in medieval Europe is believed to have been influenced by the *mudaraba* model. For details on Sharia-permitted business models, see Warde (2000); El-Gamal (2006).

I argue that this distinction stems from the extent of the bureaucratization of Islam beginning in the colonial period. Although both states are erstwhile colonies of Great Britain, the roots of how Islam came to be administered by the colonial authorities differed. In British Malaya, the British Residents wrested control over most of the governing of the various Malay states, but left the realm of religion to the local sultans to administer. The basis of legitimacy of rule of the sultans now lay in their ability to present themselves as the protector of Islam in Malaya, leading them to establish bureaucracies that sought to manage and regulate as many aspects of Islam and Muslim life as possible, charity included. In the postcolonial period these state level bureaucracies became further institutionalized as State Islamic Religious Councils (*Majlis Agama Islam Negeri*, SIRC). After a fatwa was passed in 2007 that permitted cash waqfs in Malaysia, the SIRC and the federal level religious bureaucracy, the Department of Islamic Development of Malaysia (*Jabatan Kemajuan Islam Malaysia*, JAKIM), almost immediately began to offer cash waqf programs to the public.

On the other hand, the British East India Company (EIC), and later on the Crown, relied largely instead on legal arbitration to adjudicate on matters pertaining to religion in India. The British invested significantly in the creation and enshrinement of Anglo-Hindu and Anglo-Muhammadan laws, and as a consequence courts of law became the sites of religious management and administration in British India. In the postcolonial period, both as East Pakistan and an independent Bangladesh, no all-encompassing bureaucracy to regulate religion emerged. While Bangladesh became increasingly Islamized beginning in the mid-1970s, most forms of ‘pandering’ to Islam that did occur were expedient in nature, aimed at fostering legitimacy of rule or dealing with immediate threats to the government, instead of involving any form of extensive bureaucratization that is necessary for the effective appropriation and administration of religious charity. Instead, cash waqfs emerged in the private sector, with Islamic banks in Bangladesh taking the lead in their development and spread.

The Administration and Management of Religion

Charities are ‘organizations whose primary mission is to serve third-party constituents, receiving most of their funding from individual donors, foundations, and corporations’ (Polonsky and Grau 2011). At

its most fundamental level, charities rely on the ‘voluntary redistribution of private wealth for public benefit’ (O’Halloran 2012, 16). Religious charities, the focus of this article, are therefore charitable organizations that have missions and services driven by faith-based causes and concerns. The governance of charities includes the involvement of various stakeholders such as private donors, the government, and the beneficiaries as well (Hyndman and McDonnell 2009) to ensure that the charities achieve their aims and missions as best as possible. In this article I focus on the relationship between religious charities and the state, or its lack thereof. This relationship is embedded in the larger debate regarding the management and administration of religion. This is thus a question of governmental regulation of religion - specifically, religious freedom and liberty (Gill 2008); i.e. how much leeway is granted by the state over the individual practice of religion and the existence of religious organizations or religious-affiliated organizations? In reality, most societies have some degree of governmental regulation in place to manage religion; in some societies, the state tends to veer toward regulating religion as much as it sees as possible and feasible.

Why do states regulate religion at all, especially when regulation is often costly? One key reason for this is the threat that religious organizations pose to the state, where in such cases the benefits of addressing these potential threats outweigh the costs of regulation. Religious organizations may pose threats to the state for a multitude of reasons. For one, the very existence of some types of religious groups are simply perceived as an imminent and immediate threat to that of the state’s. One example is the Jehovah’s Witnesses, whose doctrine of political neutrality urges its members to renounce participation in all forms of governmental-related affairs. Founded in the 1870s in Pittsburgh, Pennsylvania, their refusal to bear arms and serve during wartime in the twentieth century has led to them being cast as ‘un-American’, with members viewed with deep suspicion by the larger public as a result (Knox 2013). They face countless restrictions, even in democratically free countries, and are outrightly banned in many others (Wah 2001).

Religious groups are also excellent in mobilizing their leaders and followers to engage in collective action, thereby showing themselves to be an underlying threat to the state. The state, whenever possible, would seek to forestall religious movements that have been able to induce its members to partake in mass gatherings and assemblies if it perceives that they could pose a greater threat in the future. In China, the Falun Gong, a spiritual and meditation-focused movement that emerged in the early 1990s during the “*qigong* boom” that had gripped the country since the preceding decade, began to fall foul of the authorities

almost as soon as it had come to prominence. Its religious overtones vexed the government greatly, leading to its deregistration in 1996. Subsequent efforts to compel the authorities to re-legalize the group culminated in the gathering of about 10,000 followers outside of the Chinese Communist Party's (CCP) headquarters in Beijing on April 25, 1999. Although the participants did not become unruly and chant anti-government slogans or display any banners, the CCP unsurprisingly interpreted the gathering itself as an evident challenge to its rule (Chan 2004). The government then instituted harsh crackdowns on the Falun Gong. Other qigong movements were heavily suppressed and subsequently banned as well, and by the start of the new millennium the once-ubiquitous practice of group meditation in public spaces all across China was now but a passing memory (Yang 2006). The end of the Pahlavi dynasty in February 1979 in Iran is possibly the clearest example of the realization of the mobilizational capacity of religious groups into political collective action that eventually doomed a pre-existing ruling class. Although the urban bazaar networks were critical to the mobilization of resistance against the Shah, it was the organizational cohesiveness of the Shia clergy that enabled them to 'hijack' the forces of the revolutionary movement. Not only were they actively involved in the massive turnout in the streets all across Iran, but they eventually played the leading role in remolding Iran as an authoritarian theocracy (Skocpol 1982).

For the most part, states regulate religion through the judiciary or the bureaucracy (Richardson 2015; Künkler 2018). The judicial approach prioritizes the role of the courts as the primary adjudicator of matters pertaining to religion (Fokas 2015; Moustafa 2018). Therefore, when we speak of the 'judicialization of religion', it refers to a context whereby 'courts assume the functions of religious authorities, thereby authorizing an "official" religion, and/or rendering judgment on the appropriate place for religion in the legal and political order' (Moustafa 2018, 2). On the other hand, the bureaucratic approach toward regulating religion leans heavily on a specialized agency and its role in enforcing and policing what counts as 'religion' (Sezgin and Künkler 2014). This implies that the state's administrative staff are in charge of delineating the boundaries of religious ideas, norms, conduct, and practices deemed acceptable and would constitute a 'national religion' (Gasimov 2020). The state may bureaucratize religion as a means of co-opting religious elites or to create a new class of religious elites who are paid employees of the state, both of which serve to redefine the state as a fount of moral-religious authority as well (Wainscott 2017).

Regulating religion through judicialization or bureaucratization results from several factors at

hand. One major factor is the costs involved. The establishment of a bureaucracy, among other things, entails a host of transaction costs relating to informational asymmetry, adverse selection of administrative staff, moral hazard that arises from individual opportunism, and credible commitment problems (Huber and Shipan 2000). A judiciary system that centers around the presence of the highest court in the land (such as the US Supreme Court, for example) is less costly, all things considered, than investing in an extensive bureaucracy that seeks to regulate all aspects of religion. Delegating the judiciary as the ultimate arbiter of religious matters, however, may also entail principal-agent problems. Even though the principal-agent problem may also accompany the creation of bureaucracies, this issue looms larger for judiciaries, especially if the judiciary is created as a separate and independent branch from the other branches of government - a structure that is typical of full-fledged democracies. A separate and independent judiciary may insulate itself from the interests of its initial creators and pursue its own agendas and goals (Alter 2008).

Additionally, there has been a recent global uptick in the 'judicialization' of politics, both domestic and international, which entails 'the ever-accelerating reliance on courts and judicial means for addressing core moral predicaments, public policy questions, and political controversies' (Hirschl 2008, 94). Not only does this mean that there is also an uptick in the judicialization of the management of religion, it also sets up a potential showdown between the courts and the bureaucracies where the former may seek to undo or redesign the goals and the activities of the latter, which in turn seeks to resist greater oversight and the stripping down of its power and legitimacy. Alternatively, an empowered court presents an opportunity for governments to shift responsibilities of decision-making over unpopular or potentially divisive issues to them (Eisgruber and Sager 2007).

Regime type, i.e. democracies versus non-democracies, is another factor that influences the recourse to the judiciary or bureaucracy to regulate religion. Non-democracies tend to have little to almost no separation of powers between all branches of governments. Consequently, the lack of judicial independence increases the likelihood that judges make decisions based on political expedience or strategic calculations. Political elites in non-democracies may also prefer to invest in an expansive bureaucracy to regulate religion in order to forestall threats to their rule. While even most democracies may not have true separation between state and religion (with France being the clearest exception), democracies may intervene in matters pertaining to religion when they relate to a question of basic civil and political liberties, and as such these

debates are usually resolved through the courts (Hirschl 2010, Sezgin and Künkler 2014).

Another major influence of the judicial-bureaucratic approach toward managing religion, which is also the main focus of this article, is colonialism. Many postcolonial states in Africa and Asia are made up of various religious groups within its boundaries. The delineating of the boundaries of many of these states failed to take into account the religio-ethno-linguistic realities on the ground, in turn laying the groundwork for much of the civil strife and conflict that persist till today in many of these states. Many of these states have therefore moved to manage religion as extensively as possible, which typically requires the establishment of a bureaucracy to neutralize parties that seek to take advantage of religious cleavages to incite conflict or a revolution against the state. However, the absence or presence of a postcolonial bureaucracy that administers religion in many of these states is also a legacy of colonialism. Some postcolonial states have been able to take advantage of the institutional groundwork already laid out during the colonial period which greatly facilitated the bureaucratization of religion. The initial choice to resort to judicial or bureaucratic approaches of regulating religion in the colonies may have stemmed from policy directives from the metropole, or it may have been taken as a response to the perceived realities on the ground by colonial authorities. Colonial ventures were always costly; investing in the establishment of any type of bureaucracy in the colonies had to be justified as a cost-effective move and/or a truly necessary one. The roots of the religious affairs ministry in Indonesia, for example, can trace its institutional roots from the brief period of Japanese occupation during WWII, during which an Office of Religious Affairs was established (Sezgin and Künkler 2014). The Dutch may have had a much longer presence than the Japanese in the islands that comprise modern day Indonesia, but that in itself did not warrant the need to found a colonial era bureaucracy that administers Islam.

The Administration and Management of Religious Charity

Given that religious charity falls within the sphere of religion, we can expect that judicial-bureaucratic considerations of religious administration apply to it as well. Why might states seek to regulate and appropriate religious charity? This may be carried out for two reasons. First, this is done as part of some broader policy agenda. The responsibility of providing various social welfare goods and services has fallen increasingly on governments worldwide, which has in turn attenuated the demand for relying on religious

organizations to provide goods and services (Gill and Lundsgaarde 2004). Nevertheless, the state may want to bring religious organizations back into the fold of goods and services provision to lessen its own load and because their provision is critical to its policy goals. At the same time, it is important to regulate religious organizations that are permitted to provide goods and services as what they do may be antithetical to the broader goals that the state seeks to pursue. This is particularly applicable to religious charities, since many of them limit their services to co-religionists or only to the members of their church or denomination. This may go against the state's goals of working toward anti-discrimination and combating religious intolerance, for example (Lynn 2002). Therefore, there is a need to pass laws and establish oversight to realign the activities of these organizations with the goals of the state. Regulation delineates, and sometimes expands, the boundaries of the activities of the charities even as the state benefits from them.

The Charitable Choice provision contained in the Personal Responsibility and Work Opportunity Reconciliation Act passed by the United States Congress under the Clinton administration in 1996 is one such example. This act signalled a watershed move toward a more conservative leaning approach regarding social welfare provision. Many entitlement programs designed to aid the poor and needy, some of which dated back to the New Deal era, were discontinued and the federal government granted greater autonomy to state governments to manage their own social welfare provision programs (O'Connor 2001; Cnaan and Boddie 2002). One provision of this law was the 'Charitable Choice' provision, in which both the federal and state governments could contract out service provision to 'faith-based' organizations, alongside other non-profit organizations that already had contractual agreements with the state and federal governments. Religious organizations could now qualify for financial support from the state to carry on providing social services to their local communities. State governments thus have to expend resources to monitor how these organizations spend government monies on their programs that are meant to increase public welfare (Kennedy and Bielefeld 2002). Religious organizations have since become an important part of the American government's delivery system of public welfare and assistance (Carlson-Thies 2001).

Second, states may also appropriate charity to burnish its own image and legitimacy. Many politicians, both in democracies and non-democracies, seek to build relations with the church and the clergy. In return for state support, the church would then bolster the position of the state (Gill 2008). This extends to religious charity as well. Its integral involvement in the realm of religious charity augments its religious

credentials and aims at fostering goodwill within the population. Through the charitable delivery of goods and services to its citizens, the state aims to construct for itself an image of magnanimity and benevolence. The Ming and Qing dynasties in China had institutionalized procedures to deal with disaster relief efforts in the aftermath of famines, earthquakes, or other natural disasters. The government would provide grain relief, compensate disaffected populations with money, and reduce or do away with taxes completely during disaster years, among other things (Tong 2011).

Historically, in many Muslim societies, the political elite regularly engaged in charitable acts. Muslim rulers may have engaged in charitable deeds for personal or private reasons relating to doing good, a sense of fulfilling their duty to God, and to gain the pleasure of God for the hereafter. At the same time, charitable acts, including the establishment of waqfs, was certainly employed as a tool to foster legitimacy of rule. This was especially useful for new rulers in a new territory, or rulers who were viewed as ‘foreign’ to the lands they had conquered. The Umayyads that came to govern al-Andalus in the Iberian Peninsula beginning in the eighth century regularly engaged in acts of charity purposefully to create political legitimacy (Debasa 2017). When the Fatimids conquered Egypt in 969, the Fatimid general Jawhar al-Siqilli soon after organized the dispensation of alms to public in the Ancient Mosque in central Fustat (historical Cairo). According to Yaacov Lev:

Every aspect of this event was political: the *cadi* [in charge of distributing alms] represented the new regime, the role of a local supporter was emphasized, and the most venerated mosque in Egypt was temporarily appropriated for this purpose. Above all, the motives behind this distribution were political: to win the good will of the public for the new regime, which was making an effort to appear to be benevolent (Lev 2005: 40).

Charitable giving became a central theme throughout the lifespan of the Fatimid dynasty, serving as an important tool of regime legitimation for a ruling class of Shia origin attempting to govern lands populated largely by Sunnis. Even for other Sunni Muslim rulers, charities served political purposes too; it became even more critical as the power and standing of sultans began to ebb during the late modern period. As the ability of the Ottoman sultans to exercise power began to wane vis-à-vis that of the imperial bureaucracy, especially in the wake of the Tanzimat reforms of the nineteenth century, alms-giving and charity-making became an even more important source of sultanic legitimation. Under the reign of Abdülhamid

II (1876-1909), the final Ottoman sultan to have had any remaining rights to exercise power and control at all, extravagantly crafted public displays of the sultan's benevolence through charity-making became a regular fixture. In particular, public ceremonies of male circumcision became an avenue for Abdülhamid II to reify the personalized relationship between the sultan and his subjects. The circumcisions of princes and thousands of other boys became an annual spectacle to celebrate his ascension to power, one in which the sultan also dedicated gifts and charity in the form of money, shoes and clothes to the circumcised boys (Özbek 2003). According to Nadir Özbek, public spectacles such as these should be viewed from the context of a declining sultanate that was striving to remain politically relevant during an era defined markedly by the enlightened and centralized imperial bureaucracy. Charity-making thus served to engender the image of Abdülhamid II as a paternalistic figure who truly cared for his subjects, one whose benevolence was granted in return for unquestioning support and loyalty from the masses (Özbek 2003). Public circumcision ceremonies have been utilized by Muslim rulers to their display their beneficence since the early days of Islam. The prominent military leader Abu Amir al-Mansur (or Almanzor), who effectively governed the Umayyad caliphate of Cordoba during under the reign of the weak Hisham II, reportedly held a circumcision ceremony that involved his son and 500 other children while dispensing charity (see Debasa 2017).

Cash Waqfs in the Muslim World

In this article I focus on a type of charity known as the cash waqf. As traditional waqfs have largely fallen by the wayside, in recent times the cash waqf has slowly emerged to become the primary institutionalized form of charity in some parts of the Muslim world (Saiti 2019). Cash waqfs first became popular as legitimately defined financial instruments in the fifteenth and sixteenth centuries under the Ottomans (Çizakça 1995). Their initial introduction sparked much controversy among the Ottoman juristic circles, with the pro-cash waqfs 'liberal' judges eventually having their way (Mandaville 1979). Regardless, cash waqfs remain controversial for several reasons. Money, for one, is not an immovable type of property and it is not recognized as having the qualities of perpetuity typically associated with the landed and settled nature of a standard waqf (Sait and Lim 2006). It is primarily for this reason that classical jurists from some of the major Islamic legal schools (*madhhab*), such as the Shafi'i and the Hanbali schools, did not consider cash waqfs as legal and valid forms of waqfs (Mandaville 1979, 293). Businesses that lend credit raised from

cash waqfs are also targeted for charges of earning income through the charging of riba, which is forbidden in Islam.

Yet, in some parts of the Muslim world, cash waqfs have gained acceptance amongst many Muslim-majority societies. The nature of cash waqf as a modern iteration of the traditional waqf has enabled it to become a viable vehicle for charity-making in the contemporary era. For one, as cash waqfs rely on the multiple donors, the contribution levels per capita is very much lower as compared to the establishment of a traditional waqf. This is also facilitated by the option to contribute regularly, through the option of monthly withdrawals from a bank account, for example. This means that the barriers to entry of dedicating a portion of one's wealth towards a waqf are much lower, whereas only the propertied and the elite classes could establish traditional waqfs. Second, the deed or the purpose of the cash waqf to be created is specified first before the various donors provide their contributions. The money is then used directly to create the waqf, or used to invest in some business venture so that the returns from it can be used to provide and maintain the service and/or premises that the waqf has been dedicated toward. Therefore, this means that contributors have a choice over which types of cash waqf they want to invest in, and the authorities and/or administrators that manage the waqfs have greater flexibility over deciding the type of waqfs they want to establish, instead of the reliance on the whims of a single waqif founding a traditional waqf.

As with the traditional waqf, cash waqfs are useful means of providing goods and services for the community. There are no stipulations within Islamic law that specifies who are allowed to manage and administer cash waqfs. The administrators of traditional waqfs (mutawallis) during its heyday were typically muftis (Islamic scholars or judges who issued legal rulings, or fatwas). In the contemporary period, cash waqfs are administered by different bodies across the Muslim world. In Indonesia, for example, many non-governmental organizations (NGOs) and Islamic co-operatives administer cash waqf programs. In Bangladesh, Islamic banks are the predominant administrators of cash waqf programs. In Malaysia, cash waqfs are administered instead by the bureaucracy, both at the state and federal level. What explains why different institutions are able to administer and manage cash waqfs across the Muslim world? More specifically, why has the Malaysian state been able to appropriate religious charity, while in other cases, such as in Bangladesh, non-state entities have been able to do so? I argue that this distinction is derived from the differences in which religion (i.e. Islam, more specifically), is managed and regulated in the two countries,

which is in turn heavily influenced by their respective colonial histories.

The British had a relatively long and established presence in South Asia, beginning with the EIC era in the 1600s on to direct rule by the Crown into the twentieth century. In reality, the nature of British colonial rule in South Asia was largely a patchwork of direct rule, indirect rule, and a reliance on local elites and princes to govern on their behalf. Although South Asia has historically had a majority Hindu population, centuries of Muslim rule had also spawned a significant minority Muslim population, who could be found throughout much of the subcontinent but were largely concentrated in the historical regions of Bengal and Punjab.

In general, the British relied on a 'divide and rule' strategy, largely through a judicial-legal blueprint. For the most part, the EIC stuck with existing customary laws that governed the Hindu and Muslim communities, eventually consolidating and enshrining them in the form of Anglo-Hindu and Anglo-Muhammadan laws. This system also incorporated Hindu *pandits* (learned scholars of Hindu laws) and the Islamic *ulama* (Muslim scholars) to advise them on matters pertaining to their respective faiths, with the colonial authorities having the final say. Thus, no extensive bureaucracy that managed Islam (or Hinduism, for that matter) emerged. The 1947 Partition of India led to the absorption of Muslim-majority East Bengal as a province of Pakistan. As East Pakistan, it was practically governed as a colony of West Pakistan and this fueled a war of independence that eventually led to the founding of an independent Bangladesh in 1972. The country was then governed largely by a period of military rule until multiparty elections were held again 1991. The intervening tumultuous period made it very difficult to establish an expansive bureaucracy to manage Islam. While Islam gained political and social significance in Bangladesh beginning in the 1970s, for the most part its politicians tended to rely on utilizing Islam for symbolic purposes, rather than for the practical management and administration of Islam per se. When cash waqfs started to be offered in Bangladesh, the private sector - more specifically, Islamic banks - were at the forefront of this charity vehicle.

On the other hand, an extensive bureaucracy at the state and federal level exists to manage and administer Islam in Malaysia. It is therefore unsurprising to note that charity, at least the administration and management of cash waqfs, is primarily carried out under the auspices of the bureaucracy. The pres-

ence and extensiveness of the bureaucracy in Malaysia is a holdover from the colonial period. In British Malaya, which comprised the Federated Malay States (FMS), the Unfederated Malay States, and the Straits Settlements, the British installed a residency system that ensured control over all matters pertaining to the governance of Malaya, except for religion and custom. As a means to justify their continued status as ruler, many sultans recast themselves as the protector and defender of Islam in their respective states. This entailed the establishment of bureaucracies at the state level that aimed at administering, as extensively as possible, all matters pertaining to Islam. Even as British Malaya gained independence - first as Malaya in 1957, and then reformulated as Malaysia with the addition of Singapore, Sabah and Sarawak in 1963 - the colonial-era bureaucratic structures to administer Islam were not dismantled; in fact, they became more and more critical for governance purposes. Beginning the 1980s, under the first Mahathir Mohammad administration Islam came to be bureaucratized at the federal level. Legal reforms and investments in infrastructure that could support a parallel Islamic banking and finance (IBF) system followed soon after as the country refashioned itself as a hub of the global Islamic economy. The emergence of cash waqfs that are administered by the bureaucracies at the state and federal levels can be viewed as the natural extensions of the growth of the Islamic economy in Malaysia; however, this required the presence of an all-encompassing bureaucracy whose fundamental logic is grounded in the goal of regulating all aspects of the religion per se.

The East India Company, the British Raj, and the Management of Religion in British India

As the British East India Company (EIC) began to establish trading posts along the long coastline of the Indian subcontinent beginning in the seventeenth century, it came into contact with various native populations. Primarily focused on trade and profit-making, EIC employees often preferred to rely on the continuation of local customary laws that already governed local communities, instead of crafting a new set of laws and regulations that determined relations between the EIC and native populations. Even as the Mughal Empire started to experience a decline as British presence grew more extensively, many of the holdover political and social arrangements from the Mughal period were allowed to exist in the areas that had EIC presence. By the eighteenth century, the expansion and growth of the EIC meant that it was now

more than just a trading company; in effect, it had become a colonial institution. The company was now in the business of governing different parts of India, which included the Bombay Presidency, the Madras Presidency, and the Bengal Presidency.

Unlike its other colonies, the British largely perceived India to be *sui generis* - populated by people who could claim to have descended from an ancient civilization and who had been governing themselves with their respective native laws and legal institutions (Cohn 1989). EIC employees perfectly understood the need to avoid any form of interference in the affairs of both the majority Hindus (or 'Gentoos', as the British initially labelled them) and the minority Muslims (also referred to as 'Mohammadans' or 'Mahometans' then) since it could have negative consequences for trade and governance. Therefore, the roots of the company's general policy of 'religious neutrality', which rested largely on non-interference and religious toleration, bore mostly out of expedience (Smith 1963). This policy of neutrality was never perfectly implemented throughout; as nominal Christians, employees and officials of the EIC also granted space for Christian missionaries to proselytize in the areas they controlled, as well as actively supported the Church of England in India.

While the EIC still prized the heavy reliance on local customary laws, the growth of the empire reflected the greater need for standardization and legitimation of more extensive rule. As the company had grown to become more state-like, it created further questions and ambiguities as to the limits of jurisdiction the EIC had over the governance of its territories. Matters came to a head in the aftermath of a massive famine between 1769 and 1770 in Bengal, placing the company under increasing pressure from both the government and the company's directors that it could still carry out its functions and duties satisfactorily, especially tax collection. Warren Hastings, then governor of the Bengal Presidency, endeavored to create a British-style judicial system that was grounded in local and native (i.e. Hindu and Islamic) customary laws. Although EIC officials believed native legal codes and institutions to be inherently despotic and backward, they understood that the categorical imposition of a foreign legal system in India was not an automatic solution either (Travers 2009, 116). Under Hastings's leadership, the EIC oftentimes had to seek a fine balance between economizing rule, extending the reach of the company's administrative arm, and justifying the EIC's presence among the natives as the steward of some 'ancient constitution' that he believed India possessed. Although this 'ancient constitution' was recognized to be of Mughal origin, it was also believed

that the Mughals were the inheritors of Hindu legal tenets and precepts that antedated Muslim rule of India (Travers 2009).

This then required Hastings to embark on a mission to uncover the tenets of this ‘ancient constitution’ and draft it in a manner that could be interpreted within a British common law framework, comprehensible to EIC officials. In 1773 the British Parliament passed the Regulating Act which placed the Bombay and Madras Presidencies under the command of the Bengal Presidency, which meant that Hastings, as the governor of the Bengal Presidency, became the governor-general. The act also established a supreme court based out of Calcutta, which provided the platform for Hastings to enshrine the tenets of this ‘ancient constitution’ within a British-style legal framework (Dirks 2006). In the preceding year, Hastings had already presented a judicial plan for the legal governance of company territories to a group of senior EIC officials who comprised a ‘Committee of Circuit’. In his plan, Hastings noted that:

[I]n all Suits regarding Inheritance, Marriage, Caste and other religious Usages or Institutions, the Laws of the Koran with respect to Mahometans and those of the Shaster (shastra) with respect to Gentoos shall be invariably adhered to (Rocher 1972).

This plan left inheritance, personal, and criminal laws within the domain of ‘Hindu law’ and ‘Islamic law’, but this required EIC officials to seriously ponder how to codify religious laws in a manner that would facilitate governance and regulation. Hastings then commissioned the publication of the *Code of Gentoos Law* in the same year. It was meant to serve as a consolidated compendium of the legal codes of the Hindu Dharmashastra to assist British judges and pandits, who were employed to advise the courts, to interpret and implement laws that were meant to apply to Hindus. The codification of the Dharmashastra in the form of the *Code of Gentoos Law* was critical for the EIC to be used as a means to convince the British government in London that Hindu law was a sophisticated enough system of body of laws that justified its implementation in India. Later on, Sir William Jones, a scholar of Sanskrit and a judge, began drafting an updated version of a standardized code of Hindu laws to address the perceived failings and shortcomings of the *Code of Gentoos Law*. Unfortunately, Jones passed away before he could finish the project, but *A Digest of Hindu Law on Contracts and Successions* was eventually completed by Henry Thomas Colebrooke and published in English in a four-volume format in 1798 (Rocher 2010).

Similarly, work on the compilation of Islamic law into a compendium-style format that was comprehensible to British officials soon started as well in the wake of the 1772 Judicial Plan. The first major work that was commissioned was translation of the *Al-Hidayah fi Sharh Bidayat al-Mubtadi*, or “*al-Hidaya*” for short, which was a Hanafi legal treatise written by the twelfth-century Central Asian scholar Burhan al-Din al-Marghinani. *Al-Hidaya* was initially translated from Arabic into Persian, a language which many British orientalists were more familiar with, before the Persian edition was thereafter translated into English by Charles Hamilton and published in 1791. However, the treatise omitted the subject of inheritance laws, and in the following year William Jones was commissioned to translate the *As Sirajiyah Fil Mirath*, or “*Sirajiyah*” for short, a prominent Hanafi treatise on inheritance laws, to supplement the *al-Hidaya* (Anderson 1993). The dream of a comprehensive Islamic legal code, however, remained elusive. The EIC then undertook another strategy to bolster the process of codification and standardization of Islamic law through the publication of court decisions and proceedings in the Islamic law courts of British India. The first of these types of books, *Principles and Precedents of Muhammadan Law*, which was published by William Hay Macnaghten in 1825, served to introduce the common law concept of ‘binding precedent’ based on a compilation of court decisions, which was a rather alien concept in Islamic jurisprudence. However, this was served to make Islamic law more predictable, and thus more palatable, to British dispositions (Kugle 2001). As with how Hindu pandits served as advisors to British judges, British-appointed muftis served in similar roles. As Brian Wright has argued, the muftis were not solely collaborators of the British-style judicial system in India; many of them acquainted themselves well with the court cases they were handed in order to create a greater space for the application of Islamic law in the name of justice (Wright 2019).

The systematization and codification of ‘Anglo-Hindu’ and ‘Anglo-Muhammadan’ laws following Hastings’s Judicial Plan represented the clearest thrust of the EIC policy, which continued into the British Raj period, of governing the subcontinent: a system of governance founded upon a ‘divide-and-rule’ binary classificatory system (Adcock 2013), one which would have major implications not only for colonial policies in India, but also the nature of the anti-colonial movements that would emerge in the nineteenth and twentieth centuries, as well as the eventual independence and partition of India. Besides the need for a standardized legal code for administrative purposes, the British also understood that it had to foster legitimacy amongst the native populace, especially in areas where it had directly replaced the erstwhile ruling powers. In order

to generate consent and bolster legitimacy to its rule, both the EIC and the British Raj undertook many of the rights and privileges that were guaranteed under previous rulers. In line with the policy of respecting local customary norms and laws and the binary classificatory approach to governance, the EIC and the Raj initially became protectors and patrons of Hinduism and Islam in the subcontinent (Smith 1963). The British became financial supporters and administrative managers of temples and mosques, and British officials also actively supported and openly participated in religious festivals. The British grew particularly fond of Islam and Muslims during its period of rule in India, most likely because the British and Muslims were both minorities vis-à-vis to the majority Hindus, which greatly facilitated social relations between both groups. This relationship ostensibly took on ‘an element of romance’ (Pugh 2019: 62).

This policy of religious neutrality buffeted by active and financial support for religious institutions and festivals underwent a major shift during the mid-nineteenth century period. One major factor was the increasing influence of Christian missionaries and proselytizers in India, who had always professed their open disagreement with the policies of the EIC and the Raj that favored the sponsorship of Hinduism and Islam. In the earlier days of the EIC, the company balked at supporting any form of missionizing activities for fear of upsetting natives whose support and consent they relied upon greatly, a policy pursued with remarkable consistency in throughout much of the EIC period (Carson 1990). Eventually, pressure from Christian Evangelicals both in Britain and India forced the EIC to end its patronage of and support for Hindu and Muslim religious institutions and their participation in non-Christian religious festivals. In 1833, the EIC’s board of directors issued a dispatch that required the company to cease any forms of involvement in any Hindu or Muslim religious institutions in India, even if in reality the EIC continued to subsidize temples and mosques for some time beyond that (Smith 1963, Carson 1990). Queen Victoria’s Proclamation of 1858, which was issued in the wake of the Indian Rebellion of 1857-1858 to address the causes of discontent that led to its outbreak, reaffirmed the EIC era policy of religious neutrality and non-interference, including any forms of involvement in the administration of religious institutions and financial support for them as well:

Firmly relying ourselves on the truth of Christianity, and acknowledging with gratitude the solace of religion, we disclaim alike the right and the desire to impose our convictions on any of our subjects. We declare it to be our royal will and pleasure that none be in any wise favoured, none molested or disquieted, by reason of their religious faith or observances, but that all shall alike enjoy the equal and impartial protection of the law; and we do strictly

charge and enjoin all those who may be in authority under us that they abstain from all interference with the religious belief or worship of any of our subjects on pain of our highest displeasure (Adcock 2013).

The Indian Rebellion was a watershed moment that forced a major rethink of British rule and Britain's relationship with its colonial subjects, both in India and in other British colonies (Bender 2016). By 1858, the last vestiges of the Mughal Empire had finally crumbled and this granted a renewed vigor to the British to revamp its system of governance in India through the imposition of direct rule by the Crown. The newly-installed Raj created a judicial system that now relied on a common law system, including matters pertaining to religion. Since judges now ruled on precedent rather on pre-existing customs, there was little need for them to be experts on Anglo-Hindu or Anglo-Muhammadan laws (Acevedo 2013). Whatever laws within the Anglo-Hindu or Anglo-Muhammadan legal frameworks that was preserved within the British Indian common law system became binding on future court decisions, thus making redundant the pandits and muftis who had been greatly relied upon by the EIC. Consequently, they were no longer needed in service of the British Indian courts from 1864 onwards (Hussain 2015). As a matter of fact, from the beginning many British legal officials were not enthused at all with having pandits and muftis in their advisory capacities (Guenther 2009).

In 1862 the Indian Penal Code was introduced to standardize criminal laws that drew inspiration from the criminal law reform movement in Britain during the decades preceding the Indian rebellion. While the movement largely failed to achieve its goals, what they could not achieve at home they could pursue it, and successfully so, in India (Skuy 1998). The Indian Penal Code itself did away with many Anglo-Hindu or Anglo-Muhammadan laws regarding criminal law. Warren Hastings, whose Judicial Plan began the formalization of Anglo-Muhammadan law in India, personally held a dim and contemptuous view of criminal law in Islam, having believed that Islamic law was too lenient to criminals and punishment should instead be meted out by the state (Hallaq 2009). In the realm of personal law and inheritance law, the British enshrined religion-based customary laws in the legal system of British India, while enacting additional laws to refine them. For example, the British passed laws that allowed converting Christians to leave their spouses who chose not to convert. In the implementation of inheritance laws, even as the courts continued to rely on customary inheritance laws, a lot of confusion ensued as Hindu inheritance laws continued to apply to female Muslim converts. There was a drive in the early twentieth century to pressure the colonial authorities

to implement reforms to Muslim personal law, which culminated in the passing of the Muslim Personal Law (or the Shariat Act) in 1937, which touched upon matters relating to inheritance, marriage, divorce, property rights, trust, trust properties (including waqfs) (Bhuiyan 2017). The act standardized Muslim personal laws that would apply to all Muslims in India unequivocally, except for matters of intestate inheritance, in which they could adhere to local customary laws. However, the wholesale application of these laws also served to undergird unity among the Muslims of India on the eve of independence (Newbigin 2011).

The Administration of Islam in Postcolonial Bangladesh

In 1947, the territory that comprises Bangladesh today gained its independence from Britain as part of Pakistan. First known as East Bengal, in 1955 it was then renamed East Pakistan and governed as a province of Pakistan. In the ensuing years, however, the greater concentration of political power in West Pakistan bred grievances amongst the population of East Pakistan, and the Bangladesh Liberation War broke out in March 1971. With the eventual support of India, Bangladeshi forces were able to defeat the Pakistani army in December 1971 and became recognized as an independent state the following year. Since then, Bangladesh has undergone transitions between military rule and unstable democratic periods of rule. In much of the postcolonial period, much of how Islam has been administered has largely stuck to the colonial era judicial model of governance. There has been little move toward the extensive bureaucratization of Islam - certainly not to the degree witnessed in colonial Malaya and independent Malaysia (see the next section).

When the first Bangladeshi constitution was promulgated in 1972, secularism was enshrined as the foundational component of the new state in order to placate India as well as the Soviet Union, both of whom had aided Bangladesh in the war against Pakistan (Huque and Akhter 1987). In the ensuing years, however, the society underwent a wave of Islamic revivalism; Bangladesh very much quickly became a secular state only in name. While this was arguably part of the larger global trend of Islamic revivalism that the Muslim world experienced beginning in the 1970s, the prominence of Islam in the socio-political sphere in Bangladesh has also been deliberately cultivated by successive governments and political leaders in order to strengthen their political status and/or create legitimacy of rule. As a consequence, the type of state-sponsored Islamization of Bangladesh, both during the military rule of Ziaur Rahman and Hussain

Mohammed Ershad, as well as under the multiparty pseudo-democratic period of rule under Khaleda Zia and Sheikh Hasina, approximated the ‘sacralization’ of Bangladeshi society. Sacralization here refers to ‘the primary aspects of life, from family to politics, will be suffused with religious symbols, rhetoric, and ritual’ (Stark and Iannaccone 1994: 234).

Ziaur Rahman (or Zia), for example, revoked the constitutional clause that committed Bangladesh to secularism, as well as enforced the display of Quranic verses and hadith (recorded sayings of Muhammad) in public offices. Under Ershad, Islam was officially made the state religion of Bangladesh, and the Islamic call to prayer began to broadcast on all forms of media five times a day (Islam and Islam 2018). As Bangladesh moved away from military rule toward multiparty rule in 1990, inter-party competition also led to adoption of Islamic rhetoric and symbolism to serve political ends (Lorch 2019). There were policies that were implemented to institutionalize Islam and lend support to existing Islamic institutions; for example, under Ershad’s rule, the *madrassa* (Islamic religious schools) system experienced an expansion and received increased government funding, in addition to an increase in the quality of instruction. The government also established a separate directorate within the education ministry solely to manage the *madrassa* system (Ahamed and Nazneen 1990). On the whole, however, there has been little will or drive to institutionalize Islam in a deep-seated manner that would allow the state to manage and administer effectively all matters and policies pertaining to Islam and Muslims - including charity, and more specifically, cash waqfs.

The Non-present Bureaucracy and Cash Waqfs in Bangladesh

While Bangladesh inherited a highly-centralized bureaucracy from the colonial period, multiple attempts at reforms by the various administrations have largely failed to address the failings and inefficiencies of the bureaucracy. The politicization of the bureaucracy by successive administrations, the rampant nature of clientelism among the ranks of bureaucrats, and the dearth of engagement with civil society groups, non-governmental organizations NGOs and other non-public entities have hobbled efforts at major reforms to revitalize an enervated bureaucracy (Mollah 2011; Rashid 2014). This is on top of the colonial legacy of administering religion through the courts, which has thus led to the absence of the logic of a ‘bureaucratized religion’ that requires the existence of an expansive and entrenched bureaucracy as a starting point for the

administration and regulation of religious charity. In relation to the subject of cash waqfs, even though Bangladesh has an Office of Waqf Administration housed within the Ministry of Religious Affairs, it has yet to involve itself in the business of administration and regulation of cash waqfs (Hassan et al. 2019). One major reason for this is that the relatively small office is already inundated with the responsibilities of managing numerous traditional waqf properties throughout the country itself (Nabi et al. 2019), leaving little latitude for the agency to embark on a program that administers and regulates cash waqf schemes.

The realm of institutionalized forms of religious charity has therefore emerged in the public sphere in spite of, rather than because of, the paucity of state directives. The emergence and presence and presence of cash waqfs in Bangladesh has resulted from the initiative of local Islamic banks. In 1997, Social Islami Bank Limited (SIBL) was the first Bangladeshi Islamic bank to offer cash waqf deposit schemes. Currently, at least five out of eight Islamic banks and at least four conventional banks with Islamic banking windows offer some type of cash waqf deposit schemes (Sarker 2019). Many of these Islamic banks are also at the forefront of Islamic microfinance in Bangladesh, another popular avenue of poverty alleviation, which differentiates itself from conventional microfinance by offering non-interest-based models of financing (Kaleem and Ahmed 2010).

The British Residency System and the Management of Religion in British Malaya

The EIC established its presence in the Malay Peninsula only some time after it had done so in the Indian subcontinent. The company first secured territory in Penang in 1786, and later on secured Singapore in 1819 and Malacca in 1825. The EIC eventually governed these three territories as a single administrative unit known as the Straits Settlements beginning in 1826. Only in the latter half of the nineteenth century did British colonial authority began to expand deep into the Malay Peninsula. By 1867, the governing of the Straits Settlement now came under the direct purview of the Crown itself. For much of the nineteenth century, British presence was therefore largely limited to the three Straits Settlement territories even though they held economic interests throughout the Malay Peninsula. British colonial officials eventually managed to convince the Secretary of State for the Colonies, Lord Kimberley, for need to intervene in the Malay

states to forestall any likelihood of intervention by the other European powers (Chew 1965). In 1874, the British colonial authorities signed the Pangkor Treaty with the Sultan of Perak, which proved to be a watershed moment in the history of Malaya. This treaty, which helped a weak pretender to the Perak throne, Abdullah, to become the Sultan of Perak, established the position of 'Resident', one which had been directly recommended by Lord Kimberley. The British Resident's primary role was to advise the sultan on all matters pertaining to governance barring religion and custom (Gullick 1992).

The British did not seek to regulate and administer religion and custom as they had endeavored to protect Malays and their way of life as they had understood it. Similar to earlier general British attitudes towards the natives of India, the British perceived majority Malays to be 'civilized' as their language, customs, and religious practices had significant Hindu-Buddhist influence. Other native groups in Malaya and Southeast Asia that did not have evidence of these deep historical ties to South Asia were perceived to be 'uncivilized' as a result (Carroll 2011). As such, the British saw themselves as the protectors of the Malays, keen to shield them from the excesses of modernity and capitalism that could destroy their largely pastoral way of life worth upkeep (Misra 2008). Their respect for Islam also lent hope to the British that that Malays would eventually be able to rid themselves of practices that were morally decadent, such as debt bondage (Stockwell 1982). It was thus better to allow religion to take hold of Malay society outside of the Resident's responsibilities and British influence.

While local Malay elites initially assumed that the Resident served merely an advisor and a consultant to the sultan, the British insisted that all of the Resident's advice was binding and the sultan had to act upon them. Following several reprisals against native chiefs and rulers who did not accept the Resident's strong executive powers, this system eventually took hold in several other states of the Malay Peninsula - Selangor in 1874, followed by Pahang and Negeri Sembilan in 1888. The British also established State Councils, advisory bodies at the state level that comprised a group of local Malay elites together with the Resident, ostensibly formed to advise the sultan on matters of governance. In reality, the Resident held full executive powers and the councils served largely to rubber stamp British directives (Gullick 1992). In 1896, these four states - British protectorates, for all intents and purposes - were reorganized into the Federated Malay States (FMS), administered centrally from its capital in Kuala Lumpur by a Resident-General, who served as its chief executive officer. The other five Malay states, which consisted of the southern state of Jo-

hor, and the northern states of Kedah, Perlis, Kelantan and Terengganu that the Siamese ceded to the British in 1909, also had British Residents appointed to 'advise' the sultans, but these states formally remained outside of the FMS. Thus, for much of the first half of the twentieth century, the Malay states were being governed under a patchwork of different types of administrative systems, even as the British remained as the true power broker in the peninsula (Yegar 1979).

The terms of the British Residency system that was first agreed upon in the Pangkor Treaty remained remarkably similar throughout the Malay Peninsula, especially pertaining to the Malay sultans' undisturbed sovereignty over domain of religion and local custom, both in the FMS and the unfederated states. As a consequence of the loss of the sultans' power and control to the British Residents over various other important aspects of governance, the legitimacy of the throne now rested solely on the ability of the sultans to project themselves as the protectors and defenders of Islam in their respective states. Iza Hussin has argued that '[b]y making Malay sultans guardians and arbiters of religion and custom, legal negotiations over the control of the Malay peninsula placed local rulers at the center of Malay ethnic and Muslim religious identity during the colonial period and made legal codes and institutions a key instrument of their power (Hussin 2007, 765). This limited sphere of influence was enabled and actively supported by the colonial authorities (Milner 1981). In essence, the sultans began to consolidate their ability to administer Islam in the form of a centralized bureaucracy at their respective state level. This bureaucratization revolved around 'the concentration of doctrinal and administrative religious authority in the hands of a hierarchy of officials directly dependent on the sultanate establishments for their position and power' (Roff 1967, 72).

Therefore, in contrast to the developments in India, in which the British ended patronage and support for religious institutions but administered the affairs of Hindus and Muslims through the courts, the various Malay sultans held free reign over the administration of Islam. While matters relating to religion were divided between the centralized judicial management of personal laws of Muslims (and Hindus) and the fissiparous administration of religious institutions at the local level in India, centralized and expansive bureaucracies at the state level were established to manage almost every single aspect of Muslim affairs in the Malay states. This is not to say that there were little parallels with the developments that had been going on in British India earlier. For one, the colonial authorities and local Malay elites also had to engage in a process of negotiation over laws and regulations that fell within the domain of religion and custom,

which meant that there was a need to determine what constituted ‘Islamic law’ in the Malay states. As with what happened in British India, Islamic law in Malaya underwent a similar process of standardization and codification. In some of the Malay states, however, these processes were not led by the British but by the local rulers themselves. In 1913, for example, the state of Johor officially adopted the Islamic Civil Law Code, which was in turn drawn from the *Majalla*, the codified civil code of Hanafi law of the late Ottoman era (Hussin 2009).

What truly distinguished the Indian experience from the Malayan experience is the emergence of ‘bureaucratized Islam’ in the latter. During the colonial period in Malaya, muftis, qadis (magistrates or judges) and imams (heads of congregational prayers), and other members *ulama* effectively became civil servants, whereas previously they had never been part of the ruling stratum (Yegar 1979; Mohamad 2020). Slowly but surely, every Malay state began to establish some type of administrative and bureaucratic agency with the support of the colonial authorities to administer Islam, be it in the form of special committees, sub-committees of the individual state councils, or religious departments. Examples included the Council of Chiefs and Ulama in Perak; the Shaikh al-Islam (head mufti) in Kedah, Perlis and Terengganu; and the *Majlis Ugama Islam dan Isti’adat Melayu* (Council of Islamic Religion and Malay Custom) of Kelantan (Yegar 1979). Of these, the establishment of the Majlis in Kelantan in 1915 was *sui generis* to the time. The Majlis effectively claimed bureaucratic and judicial jurisdiction over all matters pertaining to Islam, a degree of governance that had not yet been achieved in the other Malay states at the time. The Majlis supervised all imams, had the power to appoint officials to administer the mosques, supervised cemeteries, printed religious magazines, collected zakat, established religious schools, and even partook in adolescent healthcare (Yegar 1979: 75-76).

The Administration of Islam in Postcolonial Malaysia

Kelantan’s Majlis system became the yardstick for the administration of Islam in all of the Malay states, well into the postcolonial period as well. After the end of WWII, the Malay states were placed on the roadmap toward eventual independence in the form of a united and sovereign Federation of Malaya. The individual states thus began to enact laws and statutes pertaining to Islamic law and the administration of

Islam, all of which served as a consolidation of much of the arrangements already put in place during the colonial period. The state of Selangor first passed the Selangor Administration of Muslim Law Enactment in 1952, and this served as the blueprint for other states moving forward. It became a standard measure for each state to establish a Majlis-style body, now known as the State Islamic Religious Council (*Majlis Agama Islam Negeri*, or SIRC), headed by a state-appointed mufti. The body exercised all authority to issue fatwas, appoint all qadis, certify Islamic educators, supervise zakat collection, among other responsibilities. Each state also established a Department of Religion (*Pejabat Agama*) whose role dealt with the day-to-day administration of Islam as well as the Shariah courts (Ibrahim 1965; Roff 1998). Members of the ulama, many of whom had already been able to gain employment in the colonial era bureaucracy, continued to swell the ranks of the postcolonial bureaucracy as more employment opportunities emerged with its expansion (Osman 2008).

The centralization of Islamic authority and its administration at the federal level began earnestly in the early 1980s under the first Mahathir Mohammad administration. While this was conducted a means to coordinate and streamline the administration of Islam and the Shariah courts across all states (Mohamad 2010), it is also undeniable that the critical factor behind the bureaucratization of Islam at the federal level was the ruling United Malays National Organization (*Pertubuhan Kebangsaan Kebangsaan Bersatu*, UMNO) party's response to the increasing political popularity of the rural-conservative Pan-Malaysian Islamic Party (*Parti Islam Se-Malaysia*, PAS) beginning in the early 1980s (Liow 2004). UMNO's grand strategy under the Mahathir administration of co-opting the more 'conservative' version Islam to outflank PAS further reinforced the 'all-embracing' logic of an already well-entrenched bureaucracy that administers Islam.

The Ever-present Bureaucracy and Cash Waqfs in Malaysia

It is therefore unsurprising that administration of religious charity, beyond just the collection of zakat, falls under the aegis of the bureaucracy. Beginning in the 1950s laws began to be passed in the individual states to centralize the management and administration of traditional waqfs in the hands of SIRCs, making the body the sole trustee (*mutawalli*) of all waqfs. Consequently, it is highly likely that this move

most likely disincentivized private individuals from establishing any traditional waqfs in the name of charity (Çizakça 2018). The centralizing and all-encompassing thrust of the SIRC's have also impelled them to lead the way in the development of cash waqf programs in Malaysia. The country itself has also invested significantly in the passing of laws and building up of the requisite infrastructure to support IBF, reinventing itself as a global IBF hub since the 1980s (Rudnycky 2013; Rudnycky 2019). The introduction and development of cash waqf programs in Malaysia should, in addition, be viewed in light of the country's drive to position IBF as a viable economic system alongside that of the 'conventional' global economy.

A curious point of note is that the introduction of cash waqf programs in Malaysia came more than a decade after they had already been first introduced in Bangladesh, even though Malaysia had already worked to position itself as a global IBF hub beginning in the 1980s and well into the twenty-first century. This detail should not come as a surprise; the all-embracing nature of a robust bureaucracy that grants itself jurisdiction over all matters that pertains to Islam leaves little to no space for native or organic inventiveness outside of formalized institutions. When the federal government's Department of Awqaf, Zakat and Haj (*Jabatan Wakaf, Zakat dan Haji*, JAWHAR) issued a fatwa in 2007 which approved the use and institutionalization of cash waqfs, the government then established the Malaysian Waqf Foundation (*Yayasan Wakaf Malaysia*, or YWM) to manage cash waqf programs at the federal level. SIRC's soon followed suit. The Selangor SIRC was the first to issue cash waqfs in 2009. Later on, it established the Selangor Waqf Corporation (*Perbadanan Wakaf Selangor*, or PWS) in 2011 in order to manage all its waqf properties and cash waqf schemes (Hussin et al. 2019). Other states have since established their own cash waqf programs through their SIRC's as well.

Conclusion

The administration of cash waqfs are conducted by Islamic banks in Bangladesh and the bureaucracy in Malaysia. If cash waqfs are the modern iterations of traditional waqfs, which have historically been managed and administered outside of the aegis of the state, what explains why the state is involved in the administration of cash waqfs in Malaysia but not in Bangladesh? As I have argued at length, colonial legacies are the primary reason for this distinction. In British India, the EIC and the Crown, for the most part,

relied on a judicial-based method to administer all matters pertaining to Hinduism and Islam as part of their 'divide and rule' strategy. This modus operandi did not favor a bureaucratic approach to the management of religion, which carried on into the postcolonial period in Bangladesh. Even in contemporary India, all matters that deal with religion are largely judicialized, with the Supreme Court of India playing a pivotal role (Sezgin and Künkler 2014). As a consequence, the non-public private sphere has had a central role in the domain of religious charity. With cash waqfs specifically, the Islamic banks have been the ones that have pioneered the administration of cash waqf programs in Bangladesh. Arguably, this can also be viewed as the private sector picking up the slack of addressing poverty and improving the quality of life of millions throughout the country.

On the other hand, the bureaucracy is front and center in the administration of cash waqfs in Malaysia. The 'all-embracing' character of the contemporary bureaucracy resulted inadvertently from the colonial era policy of non-interference in the governing of religion and custom in the Malay states. The need for local rulers to seek nascent sources of legitimacy of rule after having lost almost all of their formal powers to the British Residents forced them to double down on the administration of Islam. The seeds of expansive bureaucracies that managed Islam were sowed during the colonial period, and their jurisdiction over all matters pertaining to Islam expanded further into the postcolonial period. All forms of religious charity is, and had already been, regulated by the SIRC's and the federal level religious agencies. Consequently, when a fatwa was passed at the federal level that permitted the offering of cash waqfs, the SIRC's (and the YWM) almost immediately began to offer them.

While cash waqfs are still relative fledglings in much of the Muslim world, they certainly offer a promising avenue for Muslims to contribute to charity as a means of addressing the paucity of goods and services. The identity of the administrators of such programs may matter, or they may not matter at all; states, banks, NGOs, and even committed and trusted individuals may opt to offer and manage them. Most importantly, it is critical to ensure that transparency and accountability should figure as the main set of concerns for regulators. The domain of charity is not insulated from inefficiencies, mismanagement, corruption, and even outright theft and embezzlement. Cash waqfs, as with other types of charities, require sufficient monitoring and regulation to ensure that the goals of charity-making are met - a much more important concern than who is running and administering them.

5

Conclusion

Generalized and Institutional Trust

In this dissertation I have sought to address both the demand and supply sides of cash waqfs. Specifically, I focused on (a) why Muslims would want to contribute voluntarily to cash waqfs, and (b) why different types of cash waqf provider institutions exist in the contemporary Muslim world. As I have argued, trust is a critical factor that drives contributions to cash waqf programs. I operationalized trust in two ways - generalized and institutional. Generalized trust in others motivate voluntary contributions towards goods and services. In Chapter 2, I show that this drives a preference for the private over the public version of the same good in Malaysia, as generalized trust becomes a coordinating mechanism between unknown others to pool capital towards the provision of a better quality type of good. In Chapter 3, I show that institutional trust matters as well for convincing potential donors to contribute to cash waqf programs in Pakistan, even if the provider institution may have actual little experience and nous in the domain of charity and public goods provision.

If trust is an important factor, it follows that the factors that facilitate the building of trust between unknown others in local communities, as well as trust in institutions that can offer cash waqfs programs, are critical as well. Where does generalized trust come from? In a review article on generalized trust, Peter Nannestad (2008) has grouped the list of explanations for the sources of generalized trust into four camps. First, civic society-based explanations suggest that civic participation in voluntary organizations foster generalized trust (Putnam 1993). Second, institutional-based organizations hone in on the presence of ‘good’ quality institutions, especially political institutions, which can generate generalized trust among citizens (Sønderskov and Dinesen 2015). Third, cultural-based explanations rely on the process of socialization and inter-generational transmission of values that engender trust in others (Uslaner 2002). Last, the degree of ethnic and/or linguistic heterogeneity increases ingroup trust but decreases outgroup trust, or bonding ties at the expense of bridging ties (Granovetter 1973).

It appears critical that states and governments have to create the conditions that engender trust; i.e. ensuring that institutions are functioning well and can promote voluntarism and/or inter-group ties. A state that is strong enough to do these things, however, are likely to be able to provide the very goods and services that cash waqfs provide, possibly rendering them superfluous. In the absence of strong states, high-trusting societies whose members have been socialized into trusting unknown others are where cash waqfs are likely to be the most effective. If generalized trust in unknown others is difficult to create or sustain, generalized trust in institutions, especially non-public institutions, is a viable alternative. Positive perceptions of such institutions, especially in areas where the state is weak and ineffective, augments the degree of trust in such institutions, which then increases the likelihood of support and funding for cash waqf programs.

In this dissertation I have only focused on the generalized and institutional aspects of trust and how they may shape contributory preferences toward cash waqfs. Given that this does have a lot of overlap with public goods games in experimental economics, this is a field where research on cash waqfs can expand into. One caveat involved here is that contributions to cash waqfs are purely voluntary, removing the possibility of analyzing the effects of sanctioning and punishment for shirkers. Nevertheless, there are several other aspects of contributing to cash waqfs that experiments can shine light on. First, when the overall amount needed to provide a particular good or service is made known, what are its effects on individual contributory patterns? Second, do contributory patterns change when contributors have a choice between a strictly religious and a non-religious good or service? Do contributors prefer contributing to a religious good even if it has been sufficiently provided, versus contributing less to a non-religious good even if it is a more pressing societal need? Third, do contributors have preferences between local and global public goods and services? Would contributors prefer to contribute to local public goods due to proximity and ease of access, or might they prefer global public goods that are harder to access but are essential? Fourth, does government spending crowd out cash waqf contributions? Unfortunately, many Muslim-majority states are ineffective if not weak; consequently, will greater state strength that is reflected in increased government spending lead to a decrease in cash waqf contributions?

These aforementioned questions are not meant to be an exhaustive list, but they present a broader spectrum of unanswered questions that research into cash waqfs can extend into.

Colonial Legacies and the Administration of Religion

Chapter 4 addresses the supply side for cash waqfs, focusing on why different provider institutions exist across the Muslim world. I argue that colonial legacies greatly influenced the nature of how cash waqfs are offered in different states in the Muslim world. Focusing on Bangladesh and Malaysia, I show how even having the same colonial power in charge can produce a variation in how cash waqfs are provided in the postcolonial period. In British India, the judicial approach that limited the regulation and administration of religion to a narrower scope created a greater space for institutions like cash waqfs to emerge in the private sector in the postcolonial period. In British Malaya, the colonial authorities left the administration of religion and custom to local sultans, who in turn embarked on bureaucratizing Islam extensively to legitimize their rule, creating the foundations for an expansive postcolonial bureaucracy that regulated and administered all things pertaining to Islam. It was only after a fatwa that permitted cash waqfs in Malaysia was passed in 2006 that the Islamic councils at the state and federal levels began to offer them, while almost a decade earlier Islamic banks in Bangladesh had already begun to offer cash waqfs, independent of any government policies.

One important question regarding the supply of cash waqf programs is whether or not who is supplying them matters as well. Alluding to the point I have made earlier, it does matter to the extent that there is trust in the provider institution. If there is widespread distrust in the institutions of the state, state-backed cash waqf programs might not be effective at all. There might be widespread demand for voluntary contributions to cash waqf but it might not be met by trustworthy suppliers in a market for charity. Another important question worth asking is why cash waqfs exist at all in some Muslim-majority states but not in others. The distinction laid out

in Chapter 4 is between the public and private supply of cash waqfs between two former British colonies that resulted from a marked divergence in the management of religion in each of the case studies. However, this sheds the spotlight on the curious case of Pakistan, where cash waqfs have barely made a splash, even though its historical colonial trajectory is tied up closely with that of Bangladesh's. Presently it is unclear why this is the case; future research should focus on this absence-presence distinction. All in all, the field of cash waqfs presents a very exciting area for future researchers to dip their toes into - an arena research that traverses the fields of religion, politics, and economics.

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