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# The intention of small and medium enterprises' owners to participate in waqf: the case of Malaysia and Indonesia

Intention of  
small–medium  
enterprises'  
owners

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## Abstract

**Purpose** – The purpose of this study is to assess small and medium-sized enterprises (SMEs) owners' intentions to participate in waqf, involving two countries, which are Malaysia and Indonesia, using the theory of planned behavior. SMEs are the backbone of many economies, representing 95% of all companies worldwide and accounting for 60% of employment. Based on this fact, this paper analyzes the influence of religiosity, knowledge and attitude to predict the intentions of SMEs' owners in waqf participation in Malaysia and Indonesia.

**Design/methodology/approach** – Data were randomly obtained from 175 SMEs owners from Malaysia and Indonesia with the Statistical Package for the Social Sciences (SPSS) used for analysis.

**Findings** – The empirical analysis data suggest that knowledge and attitude show a significant impact on the intentions of SMEs' owners to participate in waqf, while religiosity does not have a significant impact on the intentions of Malaysian and Indonesian SMEs' owners to participate in waqf.

**Practical implications** – This study aims to assist SMEs in Malaysia and Indonesia to formulate appropriate strategies and marketing using waqf for the sustainability of SMEs which represent more than 90% of business establishments in both countries. The strategy is a necessity, especially because the government is targeting to promote a sustainable Islamic financial system, improve governance policy and halal industry for SMEs, strengthen the development of Malay Reserve land, providing as financial independence to higher learning institutions and invest in digitalization and advanced technology through waqf funds. Therefore, both countries should take the initiative to provide training to equip SMEs with extensive knowledge through multiple platforms to further encourage their participation in waqf.

**Originality/value** – Because of the increasing interest in waqf participation both in Malaysia and Indonesia, this study claims three essential contributions. First, it aims to examine the intention of SMEs in waqf participation among the business owners in Malaysia and Indonesia. Second, the study findings are expected to benefit the development of literature in accordance with Islamic social finance, particularly waqf. Third, this study provides an insight into the inclusive knowledge and attitude of SME owners and their intention to participate in waqf.

**Keywords** Indonesia, Malaysia, Waqf, Small–medium enterprises, Intention

**Paper type** Research paper



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## 1. Introduction

Small and medium-sized enterprises (SMEs) act as a catalyst for economic growth (Gamidullaeva *et al.*, 2020). SMEs are the foundation of many economies across the world, accounting for 95% of all businesses and 60% of all occupations. SMEs are a significant part of most governments' development strategies, with accounting for 60% of economies in developed nations and 99% of firms in developing countries (Zulu-Chisanga *et al.*, 2021). In Southeast Asia, SMEs dominate the business environment representing 97.2% of all enterprises, 69.4% of the national workforce and 41.1% of a country's gross domestic product (GDP) between 2010 and 2019. Important to realize, that finance is crucial to SMEs as it is not just a driver of a firm's growth but influences most of the other key challenges (Wasiuzzaman *et al.*, 2019). Owing to SMEs' nature, they potentially face moral hazards by being wrongly categorized by Financial Institutions (FIs) that attempt to obtain credit to reduce their Financial Institutions risk of default.

SMEs are important in the most economical, especially in developing nations. The definition of SMEs varies between countries. In Malaysia, SMEs can be identified based on two components: first, their sales turnover, and second, the number of their full-time employees. It varies across different sectors. Sales turnover in the manufacturing industry should not exceed RM50m, with any more than 200 full-time employees. In contrast, sales turnover in the services and other industries should not exceed RM20m, and full-time workers should not exceed 75 (SME Corp. Malaysia, 2021a). On the other hand, micro-enterprises refer to sales turnover of less than RM300,000 or employees of less than five for all sectors, including manufacturing and services (SME Corp. Malaysia, 2021b). Indonesia, on the other hand, refers to SMEs as firms with less than 100 employees (Tambunan, 2008). According to Law Number 20, 2008, small enterprises owned assets worth Rp 50m to Rp 500m and obtain between Rp 300m to Rp 2.5bn of revenue yearly, while medium enterprises owned assets worth Rp 500m to Rp 10bn and obtain between Rp 2.5bn to Rp 50bn of revenue per annum (Dipta, 2017). Microenterprise is a term used to describe small companies founded and run by underprivileged people with the help of sponsoring organizations (Midgley, 2008). Indonesia's Law Number 20, 2008 also defined a microenterprise as an efficient business run individually or a corporate organization that meets the conditions for microenterprise as established in the Law; a business with a maximum asset worth Rp 50m or maximum yearly revenue of Rp 300m (Tambunan, 2019).

SMEs account for 99% of current firms in Indonesia and create more than 60% of the national GDP (Sakudo, 2021). Even before the pandemic, the necessity of business digitization for SMEs was on the radar. The nation has announced programs such as 2018 Making Indonesia 4.0 Roadmap, the 2019 E-Commerce Roadmap and the 2020 Go Digital Vision, all of which emphasize assistance for strengthening SMEs' competitiveness in the digital economy. Collaboration between businesses and the government is also essential for SMEs to flourish. The official Gojek digital platform, for example, cooperates with a variety of stakeholders, including the government, to provide solutions that help SMEs progress to the next level through its initiative #MelajuBersamaGojek. This program, according to Gojek co-CEO Andre Soelistyo, is an attempt by the Gojek ecosystem to make it easier for SMEs to integrate digitalization at every stage of their everyday company operations (The Jakarta Post, 2020).

In Malaysia, FIs which consist of banking institutions (BIs), Development Financial Institutions (DFIs) and Islamic banking (IB) had broadly been developed to provide business financing to SMEs (BNM, 2020). Notably, financial institutions represent the core of funding for SMEs, contributing to about 97.0% of overall loans, with RM307.3bn issued and RM69.0bn in new funding granted to over 123,600 SME clients (SME Corporation Malaysia, 2020).

Markedly, although Malaysia FIs play a significant role for the SMEs in shaping their economic growth, yet, the institutions are facing poor repayment rate performance. On the other hand, the Indonesian government has implemented several legislations to increase SMEs’ access to finance, but a tiny percentage of enterprises have actually taken out a loan from banks (Tambunan, 2015). Credit Guarantee Scheme (CGS) is a common instrument used by Indonesian SMEs, where PT Asuransi Kredit Indonesia (Askrindo) and Perum Jamkrindo, a state-owned organization, were established. Bank Indonesia (BI) holds 55% of the organization, while the Finance Ministry holds 45%. The coverage rate is a measure of how much of a bank’s qualifying credit is guaranteed, ranging from 50% to 70% (Tambunan, 2017). According to OECD (2020), the Indonesian government created the People Business Credit Program, often known as Kredit Usaha Rakyat (KUR) in 2007 with the goal to boost SMEs’ access to capital by acting as a bridge between them and a financial institution’s lending plan.

The Covid-19 pandemic has resulted in more immediate effects on the global business ecosystem, particularly in developing countries (Gutiérrez-Romero and Ahamed, 2021). Because of that, the Malaysian government has introduced Prihatin Rakyat Stimulus Package to assist SMEs by injecting RM110bn allocations to sustain their business operations. Bank Negara Malaysia Fund also provides financial facilities to SMEs with an allocation of RM13.1bn to ease the financial burdens of SMEs coping with the pandemic. However, there also lies a concern with a set of challenges for the FIs. It is worth noting that 98.5% of the country’s business entities comprise SMEs, the vast majority, 76%, represent micro-sized enterprises, 21.2% are small-sized enterprises and only 2.3% are medium-sized (SME Corporation Malaysia, 2019). A study by Piette and Zachary (2015) shows that banks perceive SMEs as presenting a higher risk during crises. This is because SMEs are exposed to a major vulnerability that is likely to generate insufficient cash flow, yet businesses must still meet their financial obligations during a pandemic (Zheng and Zhang, 2021). A total of 37,000 SMEs in Indonesia have declared themselves to the Ministry of Cooperatives and SMEs impacted by the Covid-19 epidemic as of April 17, 2020 (Setiawan, 2020). According to Afriza (2021), the major effect of the Covid-19 epidemic on SMEs is a drop in revenue. In an effort to reduce the impact of Covid-19, since March 2020, the Indonesian Government has been using large-scale social distancing measures (PSBB) in an effort to reduce Covid-19 transmission. These policies have influenced social movements and the economic output of SMEs. They also announced an US\$725m policy plan that covers financial incentives, subsidies and tax reductions for the tourist, aviation and real estate industries (OECD, 2020). A stimulus package for SMEs amounting to Rp 123.46tn was also allocated for SMEs financing and interest subsidies for microcredit (KUR). Indonesia’s government expanded the budget for Covid-19 and the National Economic Recovery Program in mid-2020 by announcing the largest economic stimulus program, at Rp 695.20tn. However, after several amendments to the package toward the end of 2020, overall expenditure has currently hit Rp 744.28tn (KPMG, 2020).

Several issues impacting SMEs in Malaysia include limited financial and material resources, difficulties in attracting quality talent and facing the market and knowledge constraints, all of which hampered their growth and contribution to the economy (Hashim, 1999; Ting, 2004; Thaker, Asmy and Mohamed, 2013). SMEs faced a significant threat of elimination if they did not improve their competitiveness in the new, fast-changing environment of globalization. These issues appear to be similar to those faced by SMEs in Indonesia. They are up against tougher competition, especially in urban areas, because they have limited access to bank loans or government support (Irfayanti and Azis, 2012). Aside from the challenges of acquiring finance, a study by Rahadi (2016) found that SMEs in Indonesia lack the skills and experience to manage their human resources and operate businesses requiring the use of technology. However, most academics have examined approaches for expanding the role of waqf in an

environment that is inefficient because of numerous constraints, one of which is a lack of financial resources (Nasution and Medias, 2019). It was discovered that cash waqf could be a remedy to SMEs' lack of access to funding, therefore enabling them to better allocate their resources through the investment of cash waqf assets (Tohirin, 2010).

Therefore, this study aims to add knowledge to the existing body of literature on this area by assessing SME owners' intentions to participate in waqf, involving two countries which are Malaysia and Indonesia. This study intends to fill a gap in the literature on waqf SMEs in the neighboring country, Malaysia and Indonesia. This paper is organized as follows. The subsequent section provides a brief review of the literature on the proposed factors influencing SMEs' owner intention to participate in waqf. Thereafter, the proposed model is followed by the methodology. Next, the analysis will be presented, and the last section will be the conclusion and recommendations.

## 2. Literature review

### 2.1 Definition of waqf

The word waqf or awqaf, which means stopping containing, or preserving something, is derived from the root verb in Arabic. Waqf in Arabic literally is al-Habsu 'an at-Tasaruf, which means to hold, keep or detain. Waqf is also known as Boniyat or Habs, whereby these two terms are used primarily in Iran and North Africa, respectively. In other words, waqf means a unique form endowed by a waqif (donor or endower) who gives up some of his personal assets (for example, in the form of cash) to be used forever or for a certain period of time in accordance with their interests (Husin, 2020). Azganin *et al.* (2021) defined cash waqf as a perpetual mobilization of funds from donors to be invested in productive assets that provide revenues or usufruct for future consumption while taking into consideration the guidelines and policies given by donors as well as recipients (Hassan *et al.*, 2017). This is known as the conditions of waqif (Shart alWaqif) in Arabic. The most acceptable waqf is cash waqf, which is an endowment of certain amounts of money for investment (Hasan *et al.*, 2019), as it is managed by a waqf manager (Mutawalli).

### 2.2 Importance of small and medium-sized enterprises

SMEs play a critical role in fulfilling the sustainable development goals (SDGs). SMEs have produced four out of every five available employments in developing economies, accounting for around 90% of total formal sector employment. SMEs provide jobs, which boost the economy and assist the poor and vulnerable, notably women and youth (Harris, 2018). It alleviates poverty, provides money and has a favorable influence on household investments in education and health care, all of which are critical to achieving multiple SDGs. According to a report by OECD in 2017, SMEs make up the majority of business in the OECD 42 region, acting as the primary source of employment accounting for over 70% of all employments on average, and are significant contributors to value creation, providing between 50% and 60% of total value added (OECD, 2016). It was also found that SMEs account for up to 45% of total employment and 33% of GDP in emerging economies. When informal firms are factored in, SMEs represent more than half of all employment and GDP in most countries, regardless of income level (Internal Finance Corporation, 2010).

SMEs are undeniably important in the economic growth of many countries, representing 90% of businesses and more than 50% of employment worldwide. They are a significant source of entrepreneurs' skills and innovation for most enterprises throughout the world. Therefore, the development of SMEs is considered important for every country globally. In Indonesia, for example, SMEs make up over 90% of all businesses across all industries,

where agriculture accounts for the majority of these businesses, with trade, hotels and restaurants coming in second and manufacturing coming in third (Tambunan, 2008).

SMEs account for 99% of current firms in Indonesia and create more than 60% of the national GDP (Sakudo, 2021). Even before the pandemic, the necessity of business digitization for SMEs was on the radar. The nation has announced programs such as the 2018 Making Indonesia 4.0 Roadmap, the 2019 E-Commerce Roadmap and the 2020 Go Digital Vision, all of which emphasize assistance for strengthening SMEs' competitiveness in the digital economy. Collaboration between businesses and the government is also essential for SMEs to flourish. The official Gojek digital platform, for example, cooperates with a variety of stakeholders, including the government, to provide solutions that help SMEs progress to the next level through its initiative #MelajuBersamaGojek.

SMEs are often regarded as the economy's backbone, accounting for 98.5% of all company establishments in Malaysia (Kaur, 2021). SMEs make up a significant portion of the economy and, consequently, contribute significantly to a country's growth. According to the Malaysian Department of Statistics, the contribution of SMEs to overall GDP grew to 38.9% in 2019 from 38.3% in 2018. However, the recent pandemic COVID-19 had had a huge impact on SMEs' growth where the GDP dropped by 7.3% in 2020, which was worse than the 5.6% and 4.6% declines in Malaysia's GDP and non-SMEs GDP. Various efforts done in preventing the spread of COVID-19 during the pandemic have led to the downfall of all economic sectors, particularly SMEs (Ikram, 2021). The next section will discuss on a few waqf models that can be linked with SMEs.

### *2.3 Waqf participation among small and medium enterprises*

Various waqf models have been introduced by past literature toward SMEs. Anuar *et al.* (2019) proposed a model framework to examine the role of Islamic microfinance as an instrument in facing the COVID-19 pandemic impact on SMEs. It was further said that improvement of waqf can be done in terms of liquidity issues and consistency of donation by waqif. According to the study, the donor first contributes the funds using several accessible payment platforms which then will be managed by waqf institutions who will identify potential SMEs in financial distress. Membership privileges will be granted to donors who make a specified sum of cash waqf contributions and they will receive a preferential discount or accessibility to the services offered by the waqf-assisted SMEs. This model is significant as it improves donor trust in the waqf institutions, reduces the waqf institution's reliance on government funds to continue offering services, and stimulates wealth circulation from excess units to deficient units during Covid-19.

Moreover, according to Anuar *et al.* (2021), the Qard al-Hassan Funds (QHF) framework can be established for Islamic banks to assist SMEs with interest-free loans during the pandemic. The objective is banks can help their target clients in times of emergency or liquidity crisis. These requirements are easily met by Qard services, which assist banks in establishing a strong and stable affiliation with their consumers. Further improvement in terms of selecting participants for the QHF program can be implemented to ensure stricter payment policies and reduce the level of risk. Therefore, even without an interest-based lending system, IB has provided useful instruments that can be developed and adapted to allow microfinance SMEs to sustain in the current economy.

Many industries relate to waqf and SMEs, for example, the education sector, agriculture, and tourism. Abdel Mohsin (2013) reported that Kuwait has succeeded to establish an International Islamic Charitable Organization (IICO) to provide humanitarian aid worldwide through a cash waqf scheme in the educational scheme. This scheme succeeded in financing educational and social charitable services such as sponsoring orphans, providing medical

care, financing the teaching of Arabic and Islamic subjects and paying the salaries of teachers in Chad, Gambit, Philippines, Albania and Kosovo. In Malaysia, Islamic Finance Council UK (2021) reported that Bank Muamalat Malaysia Berhad (BMMB) introduced a cash waqf scheme which is used to develop education, health care, infrastructure and to train young entrepreneurs.

In Indonesia, Saidon *et al.* (2019) illustrated waqf in education practiced in Pondok Modern Darussalam Gontor (PMDSG). A successful waqf-oriented educational institution in Indonesia was used to demonstrate waqf in education in Indonesia (PMDSG). The study adopted both primary and secondary data to look into the administration of the PMDSG, specifically its waqf management. The philosophy practiced is to accept any donation or sponsorship from any agency, but it is not obligated by the conditions of the donor. This PMDSG administration delivers services that are autonomous, transparent and trustworthy. According to the findings of the study, the waqf-based education model used in PMDSG is a viable method to be used in today's educational system.

The agriculture sector is one of the most powerful industries that have the potential to end extreme poverty and feed around 9.7 billion people by 2050. Growth in this industry is two to four times more effective in increasing incomes among the underprivileged population (Azganin *et al.*, 2021). An alternative viable financing solution is required to enable small farmers to access funds, end poverty and address several other problems such as food security and hunger. In this sense, one of the main practiced philanthropical concepts throughout Muslim history is waqf, which has contributed tremendously toward addressing economic and social issues in various sectors, including agriculture. Thus, the importance and benefits of waqf agriculture, issues in agriculture-related to land and efforts in waqf agriculture through a crowdfunding scheme are discussed.

Besides hotels, Che Man *et al.* (2019) mention that the waqf mechanism can also serve to build and preserve historic places. Next are the examples of preserving historic places. The welfare complex of Sultan Haskei Jerussalam founded in 1552 by the wife of Caliph Sulaiman of the Uthmaniyyah government in Palestine and Lebanon was financed through a waqf fund. This waqf mechanism also plays a dynamic role in the restoration of the entire area of abandoned and damaged buildings and the replacement of old and obsolete with the new buildings. Moreover, in Egypt, waqif plays a role as the developer in developing the regions which were dilapidated and destroyed. They will buy the buildings and develop the area with the construction of new buildings. In another context, the waqf fund can also be used to develop the areas of history which become tourist attractions or recreational areas that have the potential to be developed as a focal point.

**2.3.1 Religiosity.** A belief in God (McDaniel and Burnett, 1990), a collection of consumption norms (Coşgel and Minkler, 2004) and a system of beliefs and practices (Kuo *et al.*, 2014) have all been used to describe religiosity. In this context of study, religiosity is characterized as the extent whereby an individual adheres to religious concepts, values and practices in their everyday lives (Worthington, *et al.*, 2003). Contributing waqf is a wonderful deed that helps the ummah thrive while also fulfilling a religious (Islamic) responsibility and receiving benefits from Allah. A study by Osman *et al.* (2014) discovered that religiosity has a significant influence on the behavioral intention of young intellectuals in contributing waqf.

Several academics also have underlined the necessity of considering many aspects of religion because each component may influence prosocial actions in a different way (Lam, 2002; Rostosky *et al.*, 2003; Son and Wilson, 2012). For instance, Son and Wilson (2012) considered both private (spiritual practices at home) and public (communal rituals and events) aspects of religion and discovered that only private religiosity had a positive influence on the responsibility to serve others.

On the other hand, it was argued that market and institutional inefficiencies might be prevented if religious entrepreneurial organizations were recognized as a viable option for members' corporate investment, financial and expertise assistance and wealth redistribution in favor of economically poor community members (Javaid *et al.*, 2020). The study further claimed that Muslim entrepreneurship in Pakistani communities encourages and promotes their members' business activities. However, it is not only limited to entrepreneur in Pakistan. A study by Dali *et al.* (2014) found that the dimensions of religiosity involving commitment, practice and belief were proven to have a beneficial impact on intentions to become entrepreneurs. Further study by Sulung *et al.* (2020) involving SMEs in Indonesia showed a significant relationship between religiosity and entrepreneurial intention.

Various non-profit organizations and government agencies have begun to support waqf activities as an alternative source of community growth and development. Some modern scholars believe that waqf participation, especially in the form of cash, has become inevitable (Al-harethi, 2019). Waqf instruments, such as cash waqf, have certainly significant potential to improve Muslims' economies, particularly in financing social and cultural activities, one of which is higher education (Anuar *et al.*, 2019). It was also found that awqaf plays an important role in the establishment of religious institutions, including mosques, cemeteries and orphanages (Ahmad and Ab Rahman, 2011).

Moreover, several studies have highlighted the correlation between religiosity and waqf participation. According to Ali *et al.* (2019), when it comes to assessing zakat and waqf payments, religiosity plays an important role. The study also found that in ultra-micro-business owners, the religious factor dictates cash waqf payment. Another study by Amin *et al.* (2014) highlighted that perceived religiosity appears to be a strong predictor of online waqf acceptance. Similarly, Khadijah *et al.* (2017) showed that waqf selections are explained by human traits such as religion, altruism, personal fulfilment and commitment. Thus, the following hypothesis is proposed:

*H1.* Religiosity has significant relationship with SMEs owner's intention to participate in waqf.

*2.3.2 Knowledge.* Knowledge of waqf is typically seen as a sort of sadaqah that will benefit the donor or endower in the hereafter (Shukor *et al.*, 2017); nonetheless, knowledge on the idea of waqf, forms of waqf and methods of giving waqf must be adequately disseminated to reach potential contributors. Endowers' understanding of monetary waqf is crucial because it influences the intensity of the link between attitudes and behavior (O'Casey *et al.*, 2013). Previous study indicates that persons with greater knowledge are more confident in making accurate judgments and exhibit less interest in the information and views of others (Goldsmith *et al.*, 2006; Carlson *et al.*, 2009). Thus, it is believed that broad knowledge and comprehension of waqf, particularly monetary waqf, will inspire endowers to contribute.

Previous studies have shown links between knowledge and entrepreneur success. Woods and Joyce (2003) found that the elements that lead to an entrepreneur's inability to sustain his/her business include their lack of knowledge in entrepreneurship foundations, where some people enter the industry without having the necessary knowledge, experience or training in how to run a successful enterprise. The development of SMEs begins with knowledge, understanding about entrepreneurship and a desire to establish a firm (Azmi and Hanifa, 2015). According to Salleh *et al.* (2018), knowledge is the most important factor in a person's success because it is what motivates them to decide. As a consequence, every entrepreneur must understand how to expand his/her SME firm while achieving profitable outcomes (Esa *et al.*, 2021).



Moreover, Amin *et al.* (2014) and Mokhtar *et al.* (2015) have found that information or knowledge positively influences people's decisions to donate online waqf. Similarly, Shukor *et al.* (2017) conclude that the knowledge variable is the antecedent of the attitude toward cash waqf.

On the other hand, apart from cash waqf, participation in other form of waqf such as waqf land and waqf education was also determined. Nor and Rosman (2017) found that the community is hesitant when it comes to implementing waqf education for higher education institutions in Malaysia because of lack of knowledge of waqf as well as waqf governance that has not been properly implemented. Waqf land was also challenging to be developed because of non-strategic location (Mutalib *et al.*, 2019) and not properly maintained (Jalil, 2020). In terms of corporate waqf, it was found that attitude and subjective norm have a positive relationship toward the behavioral intention. (Hasbullah *et al.*, 2015). Hence, the following hypothesis is developed:

*H2.* Knowledge about waqf has significant relationship with SMEs owner's intention to participate in waqf.

*2.3.3 Attitude.* Strong attitudes possess four attributes: they are averse to change, they are consistent through time, they affect cognition and they impact behavior (Krosnick, 1995). Academics have connected many components of attitudes to strength during the previous three decades. Attitude importance is one of the most researched strength-related attitude qualities. By definition, attitude importance is a person's subjective appraisal of the significance he or she places on their attitude (Boninger *et al.*, 1995). Typically, participants are asked to indicate how important the attitude or object is to them, how concerned they are about it or how much they care about it (Gopinath and Nyer, 2009). Some measures compare the importance of one attitude object to that of another to determine the relative relevance of attitudes such as those by Klar (2014) and Ziegler and Schlett (2016). In a nutshell, attitude importance indicates how much value a person places on a certain attitude. Attaching personal significance to an attitude entails devoting to think about the attitude object, obtaining information about it, using that information together with one's attitude to make appropriate judgments and structuring one's behaviors accordingly.

Further, the attitude of entrepreneurs to demonstrate their establishment in reaching the market, managing finances, empowering their workforces in terms of both quantity and quality and increasing productivity to achieve optimal results is critical to the success penetration of micro, small and medium enterprises into the modern market (Dewi and Christian, 2017).

There are several studies conducted to examine attitude toward waqf participation. Shukor *et al.* (2017) determined Muslim attitude on participation in cash waqf and found that individual religiosity, faith in awqaf institutions and ease of endowment are predecessors of Muslim attitudes for monetary waqf participation, which lead to individual intention to participate in waqf. Attitude was also found to moderate peers and promotion variables in assessing factors influencing waqf participation among Muslims (Mutalib *et al.*, 2019). Osman *et al.* (2014) analyzed cash waqf participation among intellectuals and concluded that attitude, among others, is a vital element in determining cash waqf participation. Thus, the following hypothesis is proposed:

*H3.* Attitude has significant relationship with SMEs owner's intention to participate in waqf.

This study derives the framework from the past literature review. [Figure 1](#) shows a model of the hypothesized relationships investigated in this study.

### 3. Methodology

Quantitative approach was used by current study, where a survey questionnaire was used as the procedure of data collection.

#### 3.1 Sampling

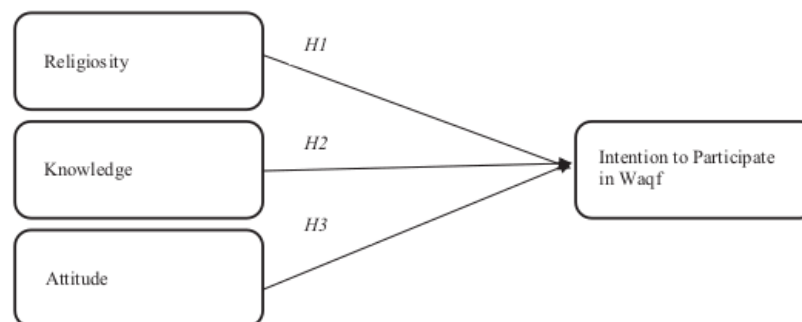
The sampling used in this study is purposive because of the involvement of specific target groups and the qualities that the participant possesses ([Etikan, 2016](#)). In this context of study, the respondents are small and medium business owners in Malaysia and Indonesia. The reason for choosing Malaysia and Indonesia is because of the large population of Islamic communities within these two countries. According to [Zikmund et al. \(2003\)](#), the sample size can be 30 units and more, whereas [Sekaran \(2003\)](#) suggests between 30 and 500 units. Therefore, a total of 175 samples were collected and used for further analysis.

#### 3.2 Questionnaire design

Online survey questionnaires were adopted in this study, which were distributed online using Google form. The survey questionnaire was divided into five main sections, started with the demographic profile of the respondents. The next sections comprised questions on factors influencing respondents’ intention to participate in waqf (religiosity, knowledge and attitude). The questionnaire using a five-point Likert scale (from 1 = strongly disagree to 5 = strongly agree) is adapted from various relevant studies such as [Kasri and Chaerunnisa \(2020\)](#) and [Shukor et al. \(2017\)](#).

#### 3.3 Data analysis

The data of this study are generated from responses to questionnaires completed by the SMEs. Statistical Package for the Social Sciences (SPSS) version 26 was used for data analysis. Both descriptive and frequency analysis were also carried out to reduce loads of data into simpler summary, thus enabling researchers to present quantitative descriptions in a manageable way. Frequency analysis was used to derive percentage-based information from the profiles of respondents on their nationality, gender, age, type of industry and operating years, while descriptive analysis involved the determination of mean and standard deviation for each item.



**Figure 1.**  
Research framework

Apart from that, reliability tests and regression analysis were conducted to assess the internal consistency of the items and to evaluate the hypotheses formulated earlier in this study.

#### 4. Result and findings

##### 4.1 Frequency analysis

The demographic profile of respondents who participated in the study ( $n = 165$ ) is presented in Table 1.

Of all respondents, 23.4% were Malaysian while 76.6% were Indonesian. In terms of gender, 56.6% were female and 43.4% were male. The majority of the respondents were between the ages of 20–25 years old (33.7%), followed by 26–30 years old (25.1%), and 11.4% are 51 years and above. A total of 11.4% of the respondents are between the age of 31 and 35 years, 8.0% are between 36 and 40 years, 6.9% are between 41 and 45 years and only 3.4% are between 46 and 50 years.

To understand more about respondents' businesses, questions were asked in this regard. A total of 72.0% of the SMEs are from the services industry, 9.7% conducted business in manufacturing industry, 10.3% were in agriculture industry, 5.7% worked in construction industry, while only 1.1% were in mining and quarrying industry. Another 1.1% contribute to others, which were in fisheries industry and retiree.

Nationality	Frequency ( $N = 175$ )	(%)
Malaysian	41	23.4
Indonesian	134	76.6
<i>Gender</i>		
Female	99	56.6
Male	76	43.4
<i>Age</i>		
20–25 years old	59	33.7
26–30 years old	44	25.1
31–35 years old	20	11.4
36–40 years old	14	8.0
41–45 years old	12	6.9
46–50 years old	6	3.4
51 years and above	20	11.4
<i>Type of industry</i>		
Services	126	72.0
Mining and quarrying	2	1.1
Manufacturing	17	9.7
Agriculture	18	10.3
Construction	10	5.7
Others	2	1.1
<i>Operating years</i>		
Less than 5 years	112	64.0
5–10 years	31	17.7
11–15 years	13	7.4
16–20 years	13	7.4
21–25 years	4	2.3
26–30 years	1	0.6
31 years and above	1	0.6

**Table 1.**  
Frequency analysis

#### 4.2 Descriptive analysis

Table 2 shows the descriptive analysis for this study.

Using the statistical software IBM for SPSS 26, the mean and standard deviation for the items used in the questionnaires were calculated. The mean refers to the centre of scores distribution while the standard deviation measures the average variability or disparity of the calculated mean.

The variable of “religiosity” shows that “My religion is very important for me” and “It is important for me to follow Allah’s Commandments conscientiously” have the highest mean score of 4.87 and “In general, I consider myself as a devoted Muslim” has the lowest mean of 4.22. Therefore, both items of “My religion is very important for me” and “It is important for me to follow Allah’s Commandments conscientiously” have the strongest influence toward religiosity on intention to adopt waqf among entrepreneurs. The mean of 4.87 on a five-point scale for “religiosity” indicates that most of the respondents are agreeing about the importance of religiosity in determining the intention of waqf adoption among entrepreneurs.

Furthermore, the variable of “knowledge” shows that “I know the difference between waqf and other forms of charity (such as zakat and infaq)” has the highest mean of 4.10 and “I feel I know a lot about waqf” has the lowest mean of 3.63. Thus, the finding indicates that “I know the difference between waqf and other forms of charity (such as zakat and infaq)” has the strongest influence toward knowledge on intention to adopt waqf. The mean of 4.10

Items	Mean	SD
<i>Religiosity</i>		
My religion is very important for me	4.87	0.553
I always perform my duty as a Muslim (e.g. pray five times a day, fasting during Ramadhan)	4.82	0.515
It is important for me to do good deeds for others	4.82	0.568
It is important for me to follow Allah’s Commandments conscientiously	4.87	0.491
Religious beliefs influence all my dealings with others	4.65	0.830
In general, I consider myself as a devoted Muslim	4.22	0.865
<i>Knowledge</i>		
I am very familiar with the concept of waqf	3.86	0.899
I feel I know a lot about waqf	3.63	0.925
I know the difference between waqf and other forms of charity (such as zakat and infaq)	4.10	0.935
I know there are several philanthropic institutions/waqf institutions that provide online platforms for waqf	3.82	1.076
I know the permissibility and existence of waqf	4.06	0.960
<i>Attitude</i>		
I believe that participating in waqf is one of my obligations as a Muslim	4.13	1.017
I believe that by participating in waqf, I will be rewarded in the hereafter	4.70	0.769
I believe that by participating in waqf is also as “sedekah”	4.61	0.850
I believe that waqf has the potential to promote the development of the ummah	4.61	0.816
Learning about waqf will be beneficial for me	4.58	0.798
<i>Intention to participate in Waqf</i>		
I want to do waqf as a form of my charity	4.33	0.892
I intend to do waqf right now	3.66	1.122
I intend to do waqf in the future	4.38	0.901
I will do waqf more often during the month of Ramadhan	4.06	0.998
I will participate in waqf as often as possible	3.99	0.980

**Table 2.**  
Descriptive analysis

IMEFM

on a five-point scale for “knowledge” indicates that most of the respondents are positive about their knowledge on waqf.

Subsequently, the variable of “attitude” shows that “I believe that by participating in waqf, I will be rewarded in the hereafter” obtains the highest mean of 4.70, while “I believe that participating in waqf is one of my obligations as a Muslim” has the lowest mean with 4.13. Hence, the results indicate that “I believe that by participating in waqf, I will be rewarded in the hereafter” has the strongest influence toward attitude on intention to adopt waqf among entrepreneurs. The mean of 4.70 on a five-point scale for “attitude” indicates that most of the respondents agree that this factor does matter in determining the intention of waqf adoption among entrepreneurs.

Finally, in relation to “intention to participate in waqf,” “I intend to do waqf in the future” obtains the highest mean of 4.38 and “I intend to do waqf right now” has the lowest mean of 3.66. This explains that “I intend to do waqf in the future” has the strongest influence on intention to participate in waqf. The mean of 4.38 on a five-point scale for “intention to participate in waqf” indicates that most the respondents are positive about their waqf participation.

4.3 Reliability analysis

The data obtained were subject to a further purification process where reliability test was carried out. Based on Table 3, the Cronbach’s Alpha values were in the range of 0.785 (Religiosity) to 0.908 (Attitude). This indicated that the instruments were reliable and could be used for further analysis.

4.4 Regression analysis

Table 4 shows the result of regression analysis of this study.

The *p*-value value for religiosity is above the significant level of 5%. Therefore, religiosity has an insignificant relationship toward the intention to participate in waqf. Religiosity has a beta value of -0.052, which means that with one unit increase of religiosity, the intention to participate in waqf will decrease by 0.052, with other independent variables being constant. Knowledge has a significant relationship toward intention to participate in waqf, indicated by its *p*-value of 0.000, which is below the significant level of 0.05. The beta value for knowledge is 0.208. One unit

Table 3. Reliability analysis

Components	Cronbach’s alpha	No of items
Religiosity	0.785	6
Knowledge	0.866	5
Attitude	0.908	5
Intention to participate in waqf	0.898	5

Table 4. Regression analysis

Hypotheses	Beta	t-value	p-value
H1: Religiosity has significant relationship with entrepreneur’s intention to participate in waqf	-0.029	-0.505	0.614
H2: Knowledge has significant relationship with entrepreneur’s intention to participate in waqf	0.195	3.615	0.000
H3: Attitude has significant relationship with entrepreneur’s intention to participate in waqf	0.707	11.777	0.000

increase in knowledge will increase the value for intention to participation in waqf by 0.208 unit, with other independent variables being constant. In terms of attitude, the  $p$ -value is 0.000, which is below the significant level of 5%. It means that attitude has a significant relationship with intention to participate in waqf. The beta value of 0.801 means that with one unit increase in attitude, 0.801 unit increase in intention to participate in waqf, with other independent variables being constant. The  $R^2$  indicates that the independent variables, namely, religiosity, knowledge and attitude, explain 65.4% of the dependent variables, which is the intention to participate in waqf. The remaining 34.6% can be explained by other factors that could further strengthen the regression equation. The  $p$ -value, indicated by the significant value of 0.000, is less than 5%, which means that the model is fit and suitable to be used in this study.

## 5. Conclusion

This study aims to investigate the relationship between religiosity, knowledge and attitude with intention to participate in waqf among SMEs in Malaysia and Indonesia. It was found that both knowledge and attitude have a significant relationship on intention to participate in waqf. Religiosity, on the other hand, was found to be insignificant on intention to participate in waqf.

Religiosity has been found to be insignificant toward intention to participate in waqf, which opposes the findings from *Amalia et al. (2018)* and *Shukor et al. (2017)*. However, it can be supported by *Syafiraa et al. (2020)*, which concluded that religiosity has no bearing on the intention to pay zakat or infaq. This indicates that one's religious beliefs do not necessarily affect their intention to participate in waqf because of its humanitarian purposes, as participants acknowledged that by contributing to waqf, they are contributing to the community's growth.

The importance of knowledge in influencing people's intentions has been validated by *Hassan et al. (2021)*, which found that knowledge has a strong and positive association with waqf participation. This was corroborated by *Kadir et al. (2018)*, which mentioned that knowledge has a major influence on the desire to donate to waqf. As a result, it indicates that knowledge will be an important component in determining one's willingness to participate in waqf.

Furthermore, the role of attitude in influencing intention in waqf participation has been supported by the research conducted by *Hasbullah et al. (2016)*, which found that intention to contribute in waqf is significantly influenced by attitude. A study by *Pitchay et al. (2015)* strengthened the findings by reporting that attitudes have a significant prediction of behavioral intention on waqf contribution. Similar to the findings of this study, the more favorable one's attitude regarding waqf, the more likely that individual is to contribute to waqf.

This study makes three important contributions in light of the growing interest in waqf participation in Malaysia and Indonesia. Its first goal is to investigate SMEs' intentions for waqf involvement among Malaysian and Indonesian company owners. Second, the outcomes of the study are likely to aid the development of literature in Islamic social finance, notably waqf. Finally, this study sheds light on the understanding and attitudes of SMEs' owners, as well as their willingness to engage in waqf.

This study aims to assist SMEs in Malaysia and Indonesia to formulate appropriate strategies and marketing using waqf for the sustainability of SMEs, which represent more than 90% of business establishments in both countries. The strategy is a necessity, especially because the government is targeting to promote a sustainable Islamic financial system, improve governance policy and halal industry for SMEs, strengthen the development of Malay Reserve land, providing as financial independence to higher learning institutions and invest in

digitalization and advanced technology through waqf funds. The Covid-19 pandemic in 2020 changed organizational processes and the way people engaged, as well as hastened the use of digital technology. Inequalities and gaps in socioeconomic status were worsened by the outbreak. The method was established to lessen the impact of the pandemic as a government that is concerned for the citizens, specifically in times of hardship. Furthermore, to attract the intent of SMEs' owners, waqf institutions must establish an in-depth knowledge of their activities. The reality is that the better an entrepreneur's understanding and attitude, the greater their desire to participate in waqf.

SMEs play a critical role in fulfilling the SDGs. They have produced four out of every five available employments in developing economies, accounting for around 90% of total formal sector employment. SMEs provide jobs, which boosts the economy and assists the poor and vulnerable, notably women and youth (Agyapong *et al.*, 2021). It alleviates poverty, provides money and has a favorable influence on household investments in education and health care, all of which are critical to achieving multiple SDGs.

There are a few limitations that may offer directions for future researchers in this area. To begin, this research examines the religion, knowledge and attitudes of SMEs' owners toward waqf involvement. As a result, future research may wish to look at additional factors that influence SMEs' willingness to participate in waqfs, such as the convenience of use or personal characteristics. In addition, this research is confined to a qualitative method. As a result, a mixed-method approach with an in-depth interview might be used to better understand the participant's responses.

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