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## Internal Factors Affecting Continuous Donations among Cash Waqf Donors

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### Abstract

Cash *waqf* has a great potential as one of Islamic innovation financial instrument to alleviate the poverty and increase socio-economic in the society. Studies into the factors contributing to the charity among public or first donation are abound. However, the factors effecting donor continuous donation or repeat donation have not yet received significant attention within the academic community. Therefore, this study aimed to identify the internal factors affecting donor's motivation to continuous donation among cash *waqf* donors who are constantly contributing donation through monthly salary deduction. This article postulates that although the factors positively affecting first donation may also impact repeat donation, but the effects of these factors on the two behavioral motivations may vary. The study shows that donor continuous donation is most influenced by donor's trust to the organizations, familiarity with the cause of organization and perceived efficacy of the contribution. These preliminary study is considered important to develop a clear understanding with regard to further improve the relationship between donors and *waqf* organizations in Malaysia.

**Keywords:** Donors, Trust, Familiarity, Perceived Efficacy, Non-Profit Organization, Cash *Waqf*.

### Introduction

The word *waqf* in Islamic Law is refer to the contribution intended for religious purpose, family welfare, charity and other things for the sake of Allah. Principally, the contribution of *waqf* are encompassed immovable property such as land and building. As Islam does not put boundaries for people to do charity, the dedication of *waqf* does not only limited to high value asset but also anything that can bring benefit to other people. Eventually, the practice of *waqf* has been widened to the variety of item and services, for instance al-Quran, books, foods, cash and even skill and expertise.

One of the most popular *waqf* practice are in cash. Cash *waqf* is a dedication an amount of money by the *waqif* (donor) and offering it to the benefit of other people. In Malaysia, the Fatwa Committee of the National Council for the Religion of Islam confirmed the legality of cash *Waqf* at its 77th meeting on 10 to 12 April, 2007. According to Antonio,

(2002), cash *waqf* has a variety of benefits due to its flexibility. Among them are it is affordable by everybody, great alternative to developed the abandoned *waqf* land, the cash *waqf* could help institutions of education that have a cash flow problem, and the cash *waqf* could reduce the dependency of Islamic charity institutions on the government.

Therefore, the motivational factors among cash *waqf* giver is considered significant to be identified in order to recognized which factor most influence Muslim's donor to patronage in cash *waqf*. Consequently, all necessary action would be taken by the *waqf* organization to enhance donor's satisfaction, as the organization are heavily rely on individual donors to increase the amount of collection and for the organization sustainability. The main aim of this study is to identify internal factors that motivate donors to continuous giving cash *waqf*. Internal factors refer to controllable factors by the donors that cause them keep donating after the first time (Johari et. al., 2015). Past studies have suggested that several factors impact donor's decision to continuous donation. Among the factors are trust to the organization (Sargeant & Lee, 2004), familiarity with the organization (Beldad, Gosselt, Hegner, & Leushuis, 2014), and perceived efficacy of contribution (Beldad et al., 2014).

### **Trust to the Organizations**

Trust refers to the reliance by one person, group or firm upon a voluntarily accepted duty on the part of another person, group or firm to recognize and protect the rights and interests of all others engaged in a joint endeavour or economic exchange (Hosmer, 1995). In profit sectors, there are a wealth of empirical evidence support that trust to the organization plays important role in building relationships between companies and customers (Gounaris, 2005; Hallen, Johanson, & Mohamed, 1991; Valtakoski, 2015). They also illustrate that when a relationship already exists, higher levels of commitment will be generated by virtue of the presence of trust, and that higher levels of both sales and loyalty will accrue as a consequence (Dwyer, Schurr, & Oh, 1987).

In non-profit sectors, trust can be define to the extent of donor belief that a charity will behave as expected and fulfil its obligations (Sargeant & Lee, 2004; Sargeant and Woodliffe, 2005). According to Snip (2011), trust is one of the factors that explain larger part of a person's intention to donate to a charity organization. Therefore, it is important for charity organizations to focus on the factors that have influence on a person's trust in their organization. As such, trust is the foundation of charity and voluntary organizations because of the nature of charity organization is managing the public fund and there are no guarantees that the money given will be used appropriately (Tonkiss & Passey, 1999; Torres-Moraga, Vásquez-Parraga, & Barra, 2010). In facts, trust is far more important in charity organization because the organization are heavily relying on individual donations and struggle to collect sufficient resources if the people do not have trust to the organization.

According to Sargeant and Sargeant (2017), donors who trust the organization will be significantly more loyal than those who lack the trust. The study also finds that the drivers of trust in an organization will lead to donor's commitment and satisfaction, which lead to donor retention. Loyal donors will disseminate positive 'word of mouth' and tell their friends about the organization, talk up its programs and services, and advocate that others should offer their support to the organization (Palmer, 2014).

Gaskin (1999), states that trust is also important to create public goodwill, which could lead to donor's retention and increase the amount of donations to the organization. Sargeant and Lee (2004) further state that trust is the foundation for every long-term relationship

between an organization and its customers and that this is especially true for charity organizations and their donors. Sargeant and Woodliffe (2007) add that trust in charity organizations can lead to commitment and loyalty to the charity organizations. When donors are committed and loyal to the organization, they tend to give more regularly, assuring the organization with regular income.

Gefen and Straub (2004) note that people reduce uncertainty by relying on the trust they have in a person or organization. This is especially true in situations when society has no choice, but to choose an organization that has legal and absolute power, which is the case of donating *waqf* in Malaysia. According to Alina (2011), there is no legitimate resources for any party to inquire if anything that might arise pertaining to the management of a *waqf*. The author further suggested that this right should be entrenched in the legislation. Any party should be allowed to questions if they have any doubt to the *waqf* authorities. This crucial issues need to be address because, donating money to a charity organization can be risky if the money has not been used as intended by the donors.

### **Familiarity with the Organization**

Familiarity relates to the experience and the knowledge of a brand, product, or organization (Torres-Moraga et. al., 2010). It results from the user's accumulation of related experiences as consumers or players in other interactions (Hoch & Deighton, 1989). Familiarity involves understanding of something on the basis of past interactions, experiences, and learning (Gefen, 2000). In a non-profit sector, donor's knowledge of charity organization's projects and activities are strongly related to the donor's familiarity to the organization's social role (Sargeant & Lee, 2002). On this basis, Sargeant and Lee (2002) find that familiarity with charity organizations is related to donor's trust and participation.

Familiarity with the organization has also been found to be a reason for monetary donations (Torres-Moraga et. al., 2010). This finding was supported by the finding of Snipes and Oswald (2010), concluded that familiarity with the non-profit organization is a reason for monetary donations. According to Bennett and Savani (2003), individual's general knowledge about and familiarity with charities are significant determinants of how favorably the individual felt about charities and could influence their perceptions about the performance of the charity organization. Additionally, donor's familiarity with the charity sector have a positive effect on donor's trust on charity organization (Torres-Moraga et. al., 2010). However, according to the Bendapudi et. al. (1996) criticise that most of the studies on helping behavior are more focus on promotion and solicitation strategy and has not been adequately addressed the important issues of donor perceptions of familiarity. The authors stressed that it is important to integrate all of these effects because helping behavior is most likely a function of all of these influences.

According to Jalil & Ramli, (2008) donors are not aware or familiarity with the project and activities held by *waqf* organization. It is due to the fact that the building or the project does not exist yet at the time of contribution. Hence, to avoid the factor of *al-jahalah* (lack of information), the religious authorities should be prescribed in details about the potential project, thus the donors will have enough information and know where their money is invested. This is important to ensure the donor's familiarity to the *waqf* organization.

### Perceived Efficacy of the Contributions

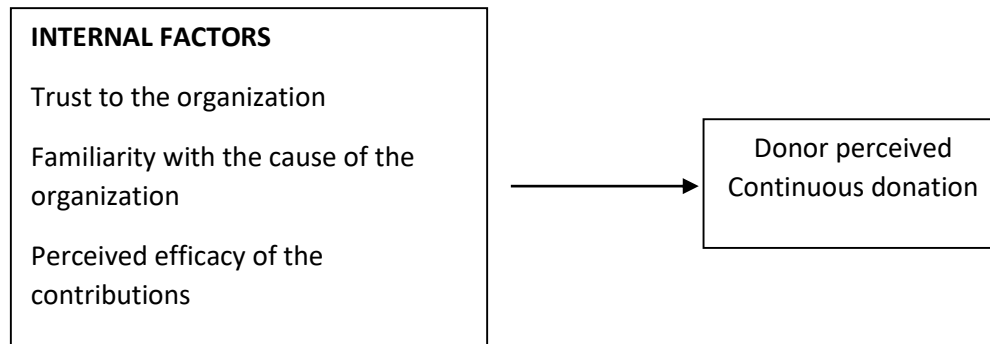
Perceive efficacy of donor's contribution is referred to as people's decision to donate money to a charitable organization and its often grounded on the expectation that the donation, regardless of the amount, will help alleviate others from their afflictions or will contribute to the resolution of a social ill (Beldad, Gosselt, et. al., 2014). Study conducted by Duncan (2004) points out that donor's perception by helping others is grounded on the expectation that he or she could 'make a difference' to other's life. Previous study reveal that when people perceive that their contributions do not make any difference, they are less likely to give again (Bekkers, 2004).

Literature on philanthropic studies have shown that if people have a positive feeling of the impact of their contributions, their willingness to donate again will be enhanced (Diamond and Kashyap, 1997). This is because perceptions of efficacy are related to charitable confidence and perceptions of accountability of fundraising organization overhead and fundraising costs (Sargeant, Ford & West, 2006). Donors who have more confidence in charitable organizations think their contributions are less likely to be spent on fundraising costs, overhead, or even pay the salaries of the staff (Bekkers & Wiepking, 2011; Sargeant et. al., 2006). Such beliefs about the efficacy of charitable organizations are likely to promote giving (Bekkers, 2006; Bennett & Gabriel, 2003).

Study conducted by Diamond and Kashyap (1997) shows that perceived efficacy is a stronger determinants of intention to contribute money. This was supported by Nathan & Hallam, (2009) noted that, "Donors are motivated by evidence that their gifts make a difference." Donors receive an immaterial gratification when they get to know how their charitable giving effectively helped the recipient. They want to know if and how the NPO achieved their target (Burnett, 2002; Sargeant, 2008). Therefore, the charity organization should regularly demonstrate to their donors the difference their support makes and how the donation benefits the charity's project and activities (Bennett & Choudhury, 2009).

In *waqf* sector, the perceived efficacy could be influence by the media. The increased of public concern on charitable organization and media attention to the social issues, influence donor's perception towards the efficacy of their contribution. The positive news will influence donors that they have 'make different' in the society, however the negative news may influential them to feel that their contribution did not bring any different to the society. For instance, some Islamic charitable organizations have been subjected to scathing media scrutiny for their controversial activities. Public attention has also been directed at the alleged exorbitant salaries managers of those charitable organizations received (The Sun Daily Online, 2015). Such negative publicity contributes to donor's fears of having their donations misappropriated by organizations. Less information about the *waqf* progress awareness and lack of sharing up to date information between *waqf* organization and the donors could slow down the effort of accumulate the fund and need double effort to appeal the donors.

## Conceptual Framework



**Figure 1: Conceptual framework of Internal Factors effecting continuous donation among cash waqf donors.**

## Conclusion

In conclusion, the importance of *waqf*, especially cash *waqf*, has been increasingly acknowledged. People from all parts of life could participate in cash *waqf* by contributing money that can benefit Muslims. Perhaps Muslims could progress and develop a better standard of living and be blessed by Allah the Al-Mighty God. Furthermore, in order to encourage and gaining fully support from the donors, *waqf* organization is advised to maintain regular contact with their donors, researching ongoing needs and preferences.

Given these as a challenge, an understanding of the reasons to continuous donation is significant to develop a highly successful marketing strategy. This imposed the need to improve the fundraising relationship which focus on 'donor- centered' instead of being 'organization centered'. Beside, understanding donor's motivation can contribute to the modelling of the relationship between donor's motivation and organizational performance. This due to the nature of *waqf* organization are 'top-down', mainly driven upon receiving directives from superior authorities rather than 'bottom-up' which put priority to the donors itself. Here we can conclude that, the influencing variables identifying in this article have an effect and need further investigation.

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