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Financial Sustainability of Selected Waqf Institutions in Malaysia During Covid-19

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Abstract

Covid19 pandemic affect Malaysian in many ways. Some lose their jobs, hence unable to provide necessity for their families. Waqf institutions can reduce this burden by providing sustain in term of cash and other supports. The financial sustainability of the waqf institutions therefore becomes paramount for the institutions to achieve this objective. Being a non-profit organization, the financial sustainability of waqf institution is heavily dependent on donations. Donations to these institutions were reducing during Covid19 as Malaysian were conserving cash. The objective of this paper is to examine whether the financial sustainability of selected waqf institutions in Malaysia were reduced during Covid19 pandemic. Financial sustainability of the selected institutions was analysed based on ratio analysis using Tuckman and Chang, 1991 model. The financial sustainability of these institutions was indeed reduced during Covid19 pandemic. Findings from this study can encourage waqf institutions to diversify their revenue streams to not rely only on donations. For future research, incorporating data from the other waqf institutions would be proposed. In addition, this study did not evaluate factors that influence the financial sustainability of the waqf institutions. This will become an avenue for future research.

Keywords: COVID19, Financial Sustainability, Non-Profit Organisation, Waqf Institutions, Malaysia.

Introduction

The COVID-19 pandemic has taken the world by surprise. Many countries needed to prepare for the effects of the pandemic during and after. Malaysians are not being spared, either. Many Malaysians lose their jobs, and obtaining daily necessities becomes a struggle. Government assistance became limited during the pandemic period as many were affected. At this instance, there is a need for Non-profit organisations (NPOs) to step in. These NPOs can help these Malaysians reduce their burden during the pandemic. Waqf institutions are considered NPOs. These waqf institutions thus can help Malaysian in reducing the impact of the pandemic. History has proven that waqf can be used for social development and poverty eradication. During the Ottoman Empire, waqf was used to build houses, and orchards and funds agricultural activities in Turkey (Ibrahim & Mohamed Isa, 2021, Senkaya, 2012). Waqf Seetee Aishah land in Penang Malaysia was successfully developed into properties development. The development generates monthly income and profit for the waqf institution (Ismail et. al., 2021). These developments benefit local communities. In order to continue providing financial assistance to these communities, the financial sustainability of waqf institutions become imminent.

The financial sustainability of waqf institutions is highly dependent on continuous donations from the government and public. As waqf donations are not compulsory and are based on the concept of voluntarism, donations will be limited as money becomes a scarce resource for many during the COVID-19 pandemic. This study plans to determine whether the financial sustainability of selected State Waqf Institutions (SWIs) is affected during Covid19 pandemic. The significance of the study is to highlight, if the financial sustainability of these institutions is indeed affected, there should be a plan to improve the financial sustainability. Those in charge of the governance of these institutions shall devise a plan to diversify their source of income and not only rely on donations received. Diversification of source of income will ensure continuous supply of revenue stream into these institutions. The availability of funds in any situation can be used to provide uninterrupted financial assistance to local communities.

Literature Review

The 2030 Agenda for Sustainable Development Goals (SDG) was adopted by the United Nations (UN) Member States in 2015. The purpose of creating these goals is to address problems associated with social, economic, and environmental problems that are affecting the world currently. Malaysia is part of the UN members and is also facing the same issues, hence the SDG become part of the national agenda. 17 SDGs were listed as the plan to achieve by 2030. Among the 17 SDGs that the UN wants to reach are no poverty, zero hunger, good health and well-being, and quality education. The responsibility of achieving these goals do not rest with the Malaysian government only. These goals collectively are the responsibility of all Malaysians, be it individuals, companies, and non-profit organizations. Sustainable Development Goals 2030 have incorporated non-profit organisations' roles in social service delivery to be part of sustainable development (SDG, 2030).

Non-profit organisations can help achieve some of the 17 SDGs such as reducing poverty, hunger, and assistance in providing quality education, reducing the government's burden. By nature, NPOs are established for specific objectives and usually to cater to the benefits of certain groups. One of the NPOs' objectives is to assist the poor in improving their well-being. These NPOS can assist the Malaysian government in achieving the SDG. Waqf institutions are considered non-profit organisations that can help reduce the burden of the government in achieving these SDGs through donations received. Donations collected by waqf institutions can be used to achieve the SDG (Awang & Chik, 2023). *Waqf* donations were indeed being used to achieve sustainable goals before even the 17 SDGs were released (Dembele & Bulut, 2021).

The numbers of NPOs increase over time. In the last 25 years, NPOs increased by more than 50% in Latin America, Africa, and Asia Pacific by 66% and 75%, respectively (Cordova Paredes et al., 2019). The increase in the number of NPOs has resulted in them competing over the number of limited resources (Lacerda et al.,2019). NPOs face the issue of becoming financially sustainable as they face resource constraints, particularly a need for more funds (Ab Samad & Ahmad, 2021). The main challenge these organisations face is an overreliance on private funding (Sontag-Padilla et al., 2012). In a recent study, this view is also supported where the study stated that 47% of NPOs in India were funded by donors, either from the public or the government (Varghese, J., 2021).

These organisations compete for financial resources from government funding and private and public donations. The main challenge these organisations face is over-reliance on private funding (Sontag-Padilla et al., 2012). These organisations are generally only able to sustain themselves financially with funding. As funding is becoming limited, the financial sustainability of these NPOS is questionable.

Waqf

Waqf, in comparison with *zakat*, is voluntary. It is equivalent to *sadaqah*. A simple definition of *waqf* is an endowment or donation made by a Muslim to a religious, educational, or charitable cause. According to Malaysian law, *waqf* is any property that is moveable or immovable from which a *usufruct* (a right to use the asset) or benefit may be used for any charitable purpose (Syed & Mohamed, 2014). The purpose of *waqf* to the donors is purely religious. The donors want good deeds to be carried forward hereafter. It is also the wish of the donors that the benefits reaped from waqf are continuous and perpetuated.

Financial Sustainability

Sustainability is the buzzword that echoes in many non-profit organisations. Sustainability is the organisation's survival by continuously servicing and meeting the community's needs (Weerawardena et al., 2010).

The financial sustainability of a profit-oriented firm can be determined easily by referring to the ability of the organisation to pay all expenses due yearly. In a profit organisation, funds generated from business activities pay the financial and operating costs. The financial sustainability of this type of organisation can be determined by assessing the profitability of its business operation. The main factor ensuring these organisations' sustainability is continuous funding from agencies (Cordova Paredes et al., 2019) or public donations. Donations received have been reduced during the COVID-19 pandemic as government grants and public donations have been reduced.

In Malaysia, COVID-19 effects were severe to the Small Medium Enterprise (SME). SMEs in Malaysia were affected financially during COVID-19 pandemic. A survey conducted in the year 2020, documented that 80.9% of SMEs in Malaysia were affected financially. 68.6% of these SMEs did not have surplus funds for more than 3 months to cover operating costs (Hasin et. al., 2021). SMEs that operate in tourism and hospitality industries were even being liquidated due to unavailability of funds (Abhari et. al., 2022). The potential of becoming financially sustainable during the pandemic was high if financial assistance was not provided by the Government.

In United States, a study was conducted in the NPOs to determine the financial impact of COVID-19 on this NPO. The nursing homes were impacted heavily during the COVID-19 pandemic. The nursing homes were forced to reduce their operation as revenues substantially decreased. The financial sustainability of these nursing homes is questionable if the funding is not addressed (Gadbois et al., 2021).

Waqf institutions, being non-profit organisations, rely heavily on donations to finance their daily operations. Compared to profit organisations, where the most significant source of funds comes from their business operations, waqf institutions' most significant source of funds comes from donations. These waqf institutions do not have other means of generating funds. As stated earlier, financial sustainability is considered one of the most critical aspects of the sustainability of these institutions (Ab Samad & Ahmad, 2022). Waqf institutions faced issues concerning waqf land development and administrative costs due to insufficient funds (Mohd Fadzli et al., 2017; Hassan et al., 2022).

Sulaiman and Alhaji Zakari (2019) documented that only two of the seven waqf institutions they evaluated were financially stable. This study used the 2014 annual report of the institutions. Another recent study using yearly reports from 2014 to 2018 of three waqf institutions documented that only one institution is financially stable compared to the other two (Hanefah et al., 2020).

Impact of the COVID-19 Pandemic

COVID-19 first hit China in October 2019. The virus was highly contagious. Malaysia registered its first COVID-19 infection in January 2020. The virus was brought by eight Chinese nationals traveling from Singapore to Malaysia (Sheikh Yahya, 2020). The most significant cluster recorded for 2020 came from the *Tabligh* cluster in March 2020. The first nationwide lockdown in Malaysia was in March 2020. Offices and businesses were instructed to close during this lockdown. Several lockdowns were administered from 2020 to early 2021.

The impact of the lockdown on the Malaysian economy was very significant. These are some of the measurements, among others. Malaysia's GDP was negative, at -5.5%, during the COVID-19 pandemic (Malaysia's GDP shrinks 5.6% in COVID-marred 2020 - Nikkei Asia). The unemployment rate was 4.54% and increased by 1.28% from 2019. The increase was mainly due to layoffs during a series of lockdowns in Malaysia. The unemployment rate in 2020 was the highest ever recorded (www.macrotrend.net.). An online study by The Malaysian Department of Statistics (DOSM) found that 78,372 participants out of 168,182 lost their jobs during the COVID-19 outbreak (Halid, 2020). As employment becomes an issue, many Malaysians will face financial constraints. Spending will only be focused on essential items, and donations will not be a priority since it is based on voluntarism.

COVID-19 viruses first hit the world from China in 2019. The virus impacted Malaysia the most, ending in 2019 and 2021. A series of lockdowns were administered during the year 2020 and 2021. As lack of funds is considered an essential aspect of financial sustainability, the funds became more limited during COVID-19 (Ab Samad & Ahmad, 2022). COVID-19 also gave rise to a reduction in the Malaysian financial economy. Malaysians were struggling with even necessities as many were laid off due to business closures (Halid, 2020). The impact of COVID-19 occurred not only in Malaysia but throughout the world. In France, 90% of NPOs were affected by the crisis. 93% of these NPOs canceled their functions during the crisis (Plaisance, G, 2021). The study also highlighted that more than 50% of the NPOs that employed more than 50 employees had to cease their activities (Plaisance, G, 2021). Canadian NPOs were also not spared by the impact of the COVID-19 pandemic. These NPOs were required to reduce their activities as revenues were reduced (Loomis, J., 2020). Another study highlighted that NPOs with more operating reserves can cushion the impact of COVID-19 on their operations (Kim & Mason, 2020).

Problem Statement

Waqf institutions, being non-profit organisations, depend highly on funding from public and private donations. During the COVID-19 pandemic in 2020 and 2021, the funding will be reduced as Malaysians face financial constraints. As funds become scarce during COVID-19 periods, will limited number of funds impede the financial sustainability of waqf institutions in Malaysia?

Research Objectives

RO1: To compare the SWIs' financial sustainability during the four years (2018-2021).
RO2: To investigate whether SWI financial sustainability was reduced during the COVID-19 pandemic (2020-2021).

Research Questions

RQ1: Are there any differences between SWIs' financial sustainability during the four years (2018-2021)?
RQ2: Is the financial sustainability of SWIs reduced during Covid19 pandemic (2020 – 2021)?

Conceptual Framework

This study uses the Resource Dependency theory as an underpinning theory. The resource dependency theory states that NPOs depend on the resources the stakeholders provide (Plaisance, 2021). In the case of NPOs, the stakeholders consist of personal or corporate donors. These NPOs compete over limited resources as the number of NPOs is increasing. The survival of these NPOs is highly dependent on these resources. The COVID-19 pandemic challenged the NPOs to obtain their limited resources. Financial contributions from donors become scarce. This will, therefore, affect the financial sustainability of the NPOs.

This study will use the model developed by Tuckman and Chang's model (1991) to measure the financial sustainability of SWIs. The model Tuckman and Chang (1991) developed evaluates whether a non-profit organisation is financially sustainable. This study uses the model as it is the best model that can predict the financial vulnerability of non-profit organisations (Tevel et al., 2015). Tuckman and Chang (1991) used 4 components of ratio analysis to determine financial sustainability. The higher ratio indicates that a non-profit organisation is financially stable. Financial sustainability is measured by using four variables, as shown in the table below:

Table 3.1: 4
Financial Sustainability Ratios

Items	Measurement
Equity Balance	Equity/ Total Revenue
Revenue Concentration	Square of % share of each revenue/ Total Revenue
Administrative Cost	Administrative/ Total Cost
Operating margin ratios	Net Income (or Loss)/ Total Revenue

The conceptual framework is illustrated as follows:

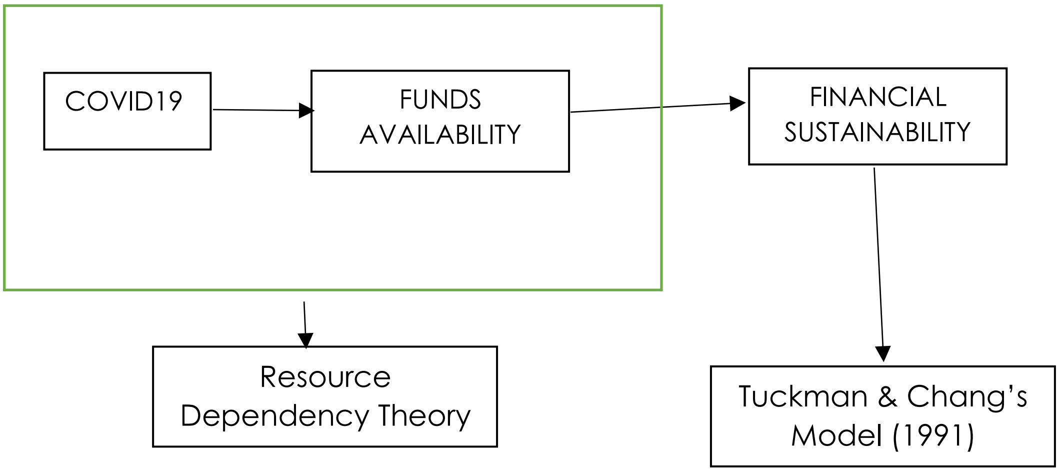

Diagram 3.1: Financial Sustainability Conceptual Framework

Research Methodology

This research focuses more on Quantitative Method. Data are analyzed based on ratio analysis. Financial data obtained from the waqf institutions financial statements are analyzed using ratio analysis. The four ratios analyzed are prescribed by Tuckman and Chang's (1991) model of NPOs' financial sustainability.

Sample

There are, in total, 14 state waqf institutions (SWI) in Malaysia. These waqf institutions are under the State Islamic Religious Council (SIRC) jurisdiction. Each state has its own SIRC that is entrusted with managing waqf assets. Every state has its enactment—the enactment detailed waqf administration in every state (Ahmad Ayed et al., 2019). The table below highlights specific SIRCs responsible for managing waqf institutions in Malaysia's 14 states (Ahmad Ayed et al., 2019).

States	Responsible SIRC
Selangor	Perbadanan Waqf Selangor
Perak	Waqf Perak Ar-Ridzuan
Kedah	Majlis Agama Islam Kedah
Perlis	Majlis Agama Islam Perlis
Sarawak	Tabung Baitulmal Sarawak
Penang	Perbadanan Waqf Penang
Kelantan	Majlis Agama Islam Kelantan
Johor	Waqf An-Nur Corporation Berhad (special nazir appointed by Majlis Agama Islam Negeri Johor)
Terengganu	Majlis Agama Islam dan Adat Melayu Terengganu
Pahang	Majlis Agama Islam Pahang
Melaka	Majlis Agama Islam Melaka
Negeri Sembilan	Perbadanan Waqf Negeri Sembilan Sdn. Bhd.
Sabah	Majlis Agama Islam Sabah
Federal Territory	Waqf Centre for the Federal Territory Islamic Religious Council (PWM) Sdn. Bhd.

This study selected only three (3) SWI. The reasons for selecting these 3 SWI are as follows: The first reason is because these institutions are incorporated institutions. WAQF donations under the incorporated institutions are not combined with other types of funds such as from *zakat* and *sadaqah*. This study is only focusing on waqf institutions. In addition, these waqf institutions were chosen as their audited annual reports were accessible from their web page. The other 11 were not included as their annual reports were not published on the web page. The audited annual reports of these institutions are required to be obtained manually from the responsible SIRCs.

This study uses a convenient sampling method as only retrieved 3 out of 14 waqf institutions. The advantages of convenience sampling are that responses are easily obtained, and the cost is lower (Etikan et. al., 2016). In addition, the study used audited reports, which provided the most reliable documents for data to be gathered, as third parties verified the reports. The three SWIs were labeled SWI J, SWI S, and SWI M to hide their identity confidentially.

Data Collection

Audited annual reports for 2018, 2019, 2020, and 2021 were retrieved to calculate the financial sustainability ratios. 2018 and 2019 were gathered to compare the financial sustainability ratios before the COVID-19 pandemic. In 2020 and 2021, Malaysian SWIs faced the COVID-19 pandemic with a series of lockdowns. These audited annual reports were obtained from the waqf institutions web page. The financial sustainability ratios are calculated using the financial statements in the audited annual reports. Ratios are calculated by obtaining the financial figures in Statement of Financial Positions and Statement of Expenditure.

Data Analysis

Data from the financial statements' section are collected and calculated based on the four ratios prescribed by Tuckman and Chang's (1991) model. The waqf institutions are financially sustainable if their scores in these measurement areas exceed the amount in the table below.

Ratio Analysis	Financial Sustainability Measurement
Equity Balance	More than 10
Revenue Concentration	A ratio close to "0."
Administrative Cost	More than 50%
Operating margin ratios	More than "0."

Results and Discussion

Results obtained by calculating the four ratios as above will be compared against the 3 SWIs. The first comparison will concentrate on the results of each of the four ratios, which are Equity Balance, Revenue Concentration, Administrative Costs and Operating margin ratios. Performance of each of the 3 SWIs will be compared against the four ratios for the year 2018 to 2021.

The second comparison will evaluate the 3 SWIs financial sustainability during Covid19 pandemic. The discussion will examine whether the financial sustainability of these 3 SWIs were reduced. Each of these comparisons is discussed as follows:

Comparison of Financial Sustainability

Research objective 1 is to compare SWI's financial sustainability during the four years from 2018 to 2021. The following tables present the financial sustainability of the three SWIs for four years, from 2018 to 2021. The tables are arranged according to the four (4) ratios.

Equity Balance

The equity balance ratio for the three SWIs is presented in the table as follows:

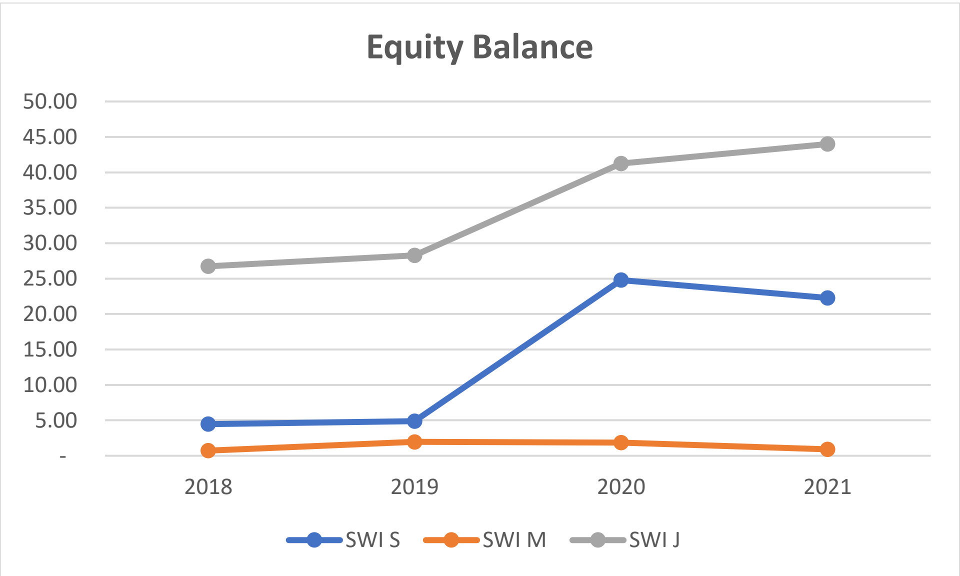

Diagram 5.1: Equity Balance

The equity balance ratio must exceed 10, as proposed by Tuckman and Chang (1991), to meet the criteria for the financial sustainability of non-profit organizations. The greater the equity balance, the higher the ability of the SWIs to sustain the loss of income (Sulaiman & Al Zakari, 2019).

SWI S did not meet the criteria in 2018 and 2019, as the ratios were less than 10. During the COVID-19 pandemic, the ratio increased to more than 10 for the years ending 2020 and 2021. For SWI M, the equity balance ratios did not meet the criteria in the four years reviewed. SWI J, on the other hand, met the requirements for the four years under review. The three SWIs recorded an improvement in the ratio for the year 2019 and 2020. SWI M ratio, however, reduced slightly in the year 2020. There were slight reductions in the ratio for 2021 except for SWI J.

In terms of performance in this category, SWI J outperformed the other two SWIs. SWI J's equity balance far exceeded the other two SWIs. In 2020, SWI J's equity balance was 166% more than SWI S's, while SWI M's equity balance stood at 2233% more. In 2021, SWI J's equity balance percentage was 197% and 4887% more for SWI S and SWI M, respectively.

The results obtained for the year 2018 and 2019 from this study were consistent with previous studies where majority of SWIs equity balance were less than 10 (Sulaiman & Al Zakari, 2019, Hanefah et al., 2020). However, there was improvement in this ratio for SWI J and SWI S for the year 2020 and 2021. Both SWIs equity ratios exceed the threshold level. Future research can be conducted to include more SWIs to determine whether the equity ratios for the other SWIs are improving for the year 2020 onwards. In addition, this study did not examine factors that influence the equity balance. The reason why SWI J equity ratio far exceeded the other two SWIs cannot be determined.

Revenue Concentration

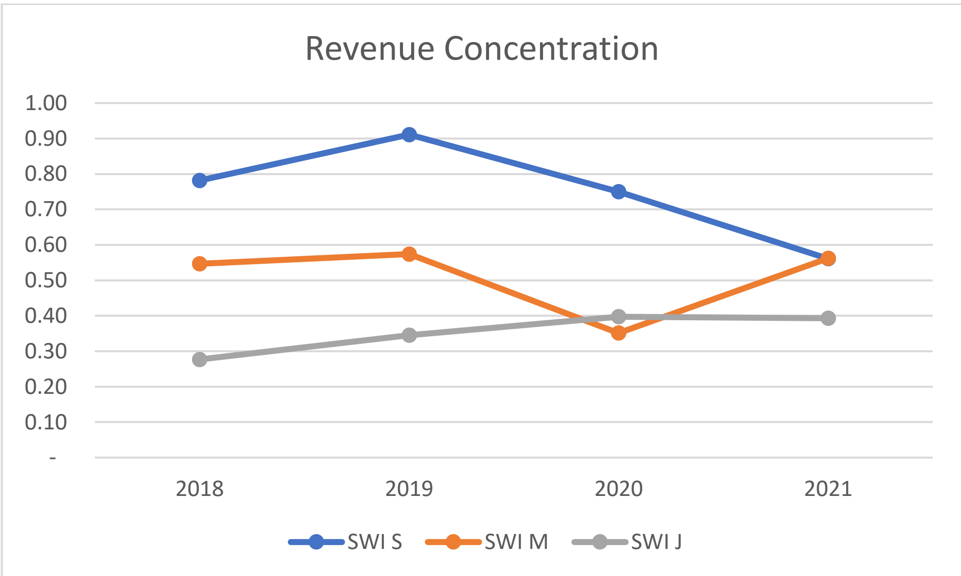

Diagram 5.2: Revenue Concentration

A revenue concentration close to “0” indicates that the SWIs are not depending only on one revenue stream (Sulaiman & Al Zakari, 2019). These types of SWIs can cushion the impact of a fall in revenue during Covid19 pandemic. All three SWIs did not meet the criteria under this category as all the ratios exceed “0”.

SWI J r revenue concentration ratio reduced in the year 2019. SWI S and SWI J revenue concentration ratios however were reduced in 2019. The ratio was improved in the year 2020 for SWI S and SWI M but not to SWI J. However, during the year 2021, the ratio slightly improved for SWI S and SWI J. SWI M, their revenue concentration ratio, on the other hand, slightly reduced from 0.35 to 0.56. SWI M revenue ratios did not follow the movement of the other two SWIs. SWI M ratio moves in a mixed reaction, increasing in the year 2019, reducing in the year 2020, and further increasing in the year 2021.

None of the three SWIs outperform each other in this category. In the 4 years review, the results did not show that any SWIs were better than the others

The results obtained from this study were consistent with previous studies where majority of SWIs equity balance were more than ‘0” (Sulaiman & Al Zakari, 2019, Hanefah et al., 2020). However, there was improvement in this ratio for SWI S and SWI J for 2021. Future research can be conducted to include more SWIs to determine whether the equity ratios for the other SWIs are improving for the year 2021 onwards. In addition, this study did not examine factors that influence the revenue concentration ratios.

Administrative Cost

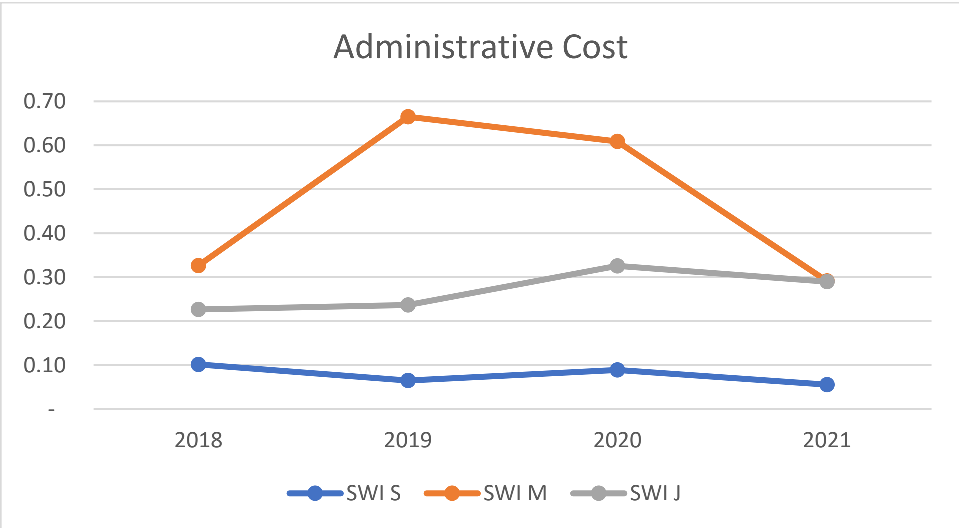

Diagram 5.3: Administrative Cost

SWI S and SWI J did not meet the requirements in the four years under review as the ratios did not exceed 50%. The higher the administrative cost ratio indicates, the better the SWI is in delivering activities that meet the objectives of the SWI (Sulaiman & Al Zakari, 2019). The reduction in the administration indicates that SWI is cutting down its activities. The reduction in activities might affect the fulfillment of SWI objectives.

The administrative cost ratios for both SWIs were substantially below 50%, where the highest recorded was 33% for SWI J in the year 2020. SWI M, on the other hand, meets the criteria for 2019 and 2020. The percentages were 67% and 61% respectively.

SWI S and SWI J slightly improved their administrative cost ratios in 2020. The ratio was reduced for all the 3 SWIs in the year 2021. Regarding performance in this category, SWI M outperformed the other two SWIs. SWI M's administrative cost ratio exceeded the other two SWIs in the three years under review. In the year 2021, the ratio was equal to SWI J.

During the COVID-19 pandemic, in 2020, only SWI M's administrative cost ratio was slightly above the 50% threshold, which stood at 61%. The other two SWIs were far below the 50% threshold level. In 2021, all three SWIs' administrative cost ratios were far below the 50% threshold. SWI M and SWI J ratios were 29%, while SWI S ratio was only 6%. The ratios indicate that the three SWIs experienced an issue in their financial sustainability during the COVID-19 pandemic.

The results from this study were inconsistent with the previous study using annual report of 2014 (Sulaiman & Al Zakari, 2019). The majority of the SWIs administrative cost ratio was below 50%. In the previous study, the majority of SWIs' administrative cost ratio was more than 50%. There was a significant reduction in administrative cost for the year 2018 to 2021. This study did not examine the factor that influenced the reduction in the administrative costs of these 3 SWIs.

Operating Margin Ratio

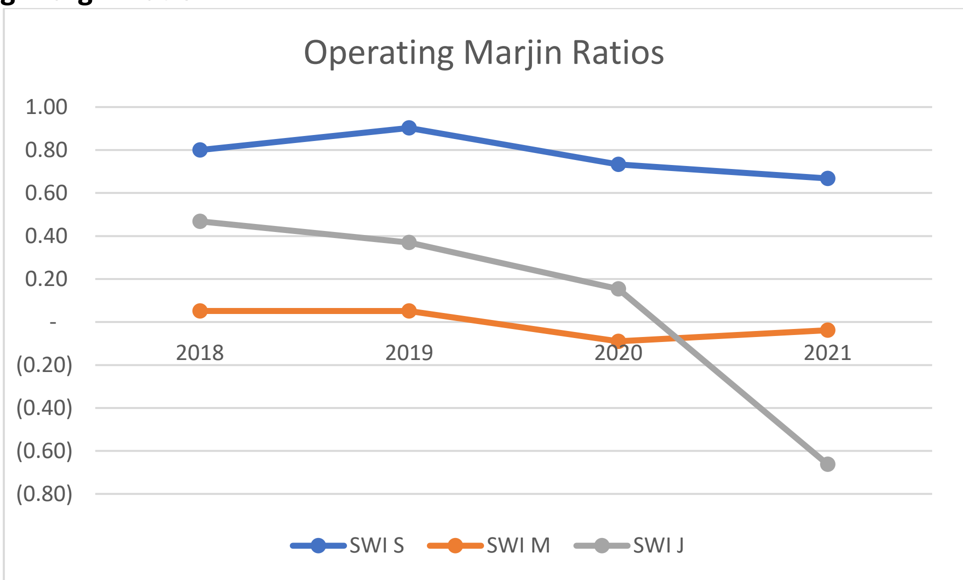

Diagram 5.4: Operating Margin Ratio

Waqf institutions will face financial sustainability issues if their operating margin is negative (Greenlee & Trussel, 2000; Sulaiman & Alhaji Zakari, 2019). The greater the ratio above "0" indicates that the SWIs are able to sustain the impact of a decline in revenue. SWI S's operating margin ratios exceeded the threshold for the 4 years under review. The operating margin ratios exceed “0” from the year 2018 to 2021. SWI M’s ratios on the other hand were the opposite of SWI S for the year 2020 and 2021. The ratios were at -0.09 and -0.04 for the years 2020 and 2021. SWI M ratios in the year 2018 and 2019 exceeded the threshold SWI J ratio dipped to -0.66 in the year 2021. SWI J operating margin ratios for the year 2018 to 2020 exceed the threshold level of “0”.

The three SWIs recorded a reduction under this category in 2020 and 2021. SWI M and SWI J ratios were negative figures during the COVID-19 pandemic in 2020 and 2021. These two institutions will face financial sustainability issues if actions are improperly taken.

In the previous study using annual report of 2014, none of the SWIs were having operating margin ratio less than “0” (Sulaiman & Al Zakari, 2019). The results in this study however show that 2 of the SWIs had a negative figure during the Covid19 pandemic. These two institutions were having a negative surplus. There is a need to study the factor that determines the fall in the ratio for these two institutions during Covid19 pandemic.

Summary
The ratios analysis indicated that there were differences in the 3 SWIs in terms of financial sustainability ratios. Regarding performance between the 3 SWIs, all SWIs are equal to the other 2 in all four financial sustainability ratios. The results were mixed. SWI J was better than SWI S and SWI J in 2 of the financial sustainability ratios: Equity Balances and Revenue Concentrations. SWI S was better than the other 2 SWIs in operating margin ratios, while SWI M was better in the Administrative Cost ratio. Further analysis needs to be undertaken to determine the factors that influence the ratios,

Financial Sustainability during Covid19
Research objective 2, is to investigate whether SWI's financial sustainability was reduced during the COVID-19 pandemic. The summarised ratios for the 3 SWIs are shown below:

SWI J – Financial Sustainability

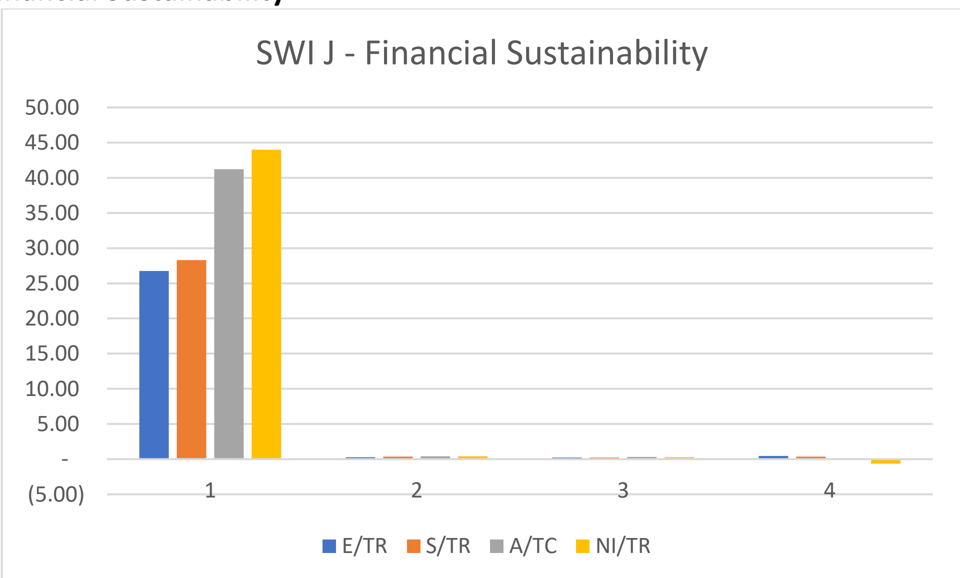

Diagram 5.5: Financial Sustainability SWI J

Equity balances for SWI J for 2018 to 2021 exceed the threshold level of 10. However, for the other three ratios, revenue concentration, administrative costs, and operating ratios, SWI J does not meet the required threshold. The revenue concentration ratio for SWI J was slightly more than '0' while the percentages for both the administrative costs and operating ratios were less than 50%.

The equity balances for SWI J have improved between 2020 and 2021. However, the other three ratios showed a reduction in the ratios. Since most ratios were reduced during 2020 and 2021, we can conclude that the financial sustainability of SWI J decreased during the COVID-19 pandemic.

The results were consistent with the other studies (Abhari et. al., 2022; Hasin et. al., 2021; Gadbois et al., 2021). The SWIs financial sustainability were also affected during Covid19 pandemic which were like SME in Malaysia and also NPOs in US.

SWI S – Financial Sustainability

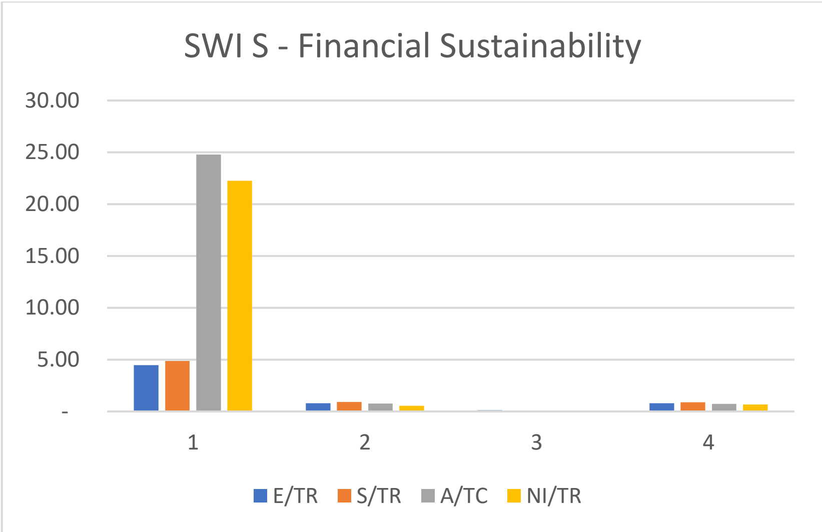

Diagram 5.6: Financial Sustainability SWI S

SWI S's equity balances for 2018 and 2019 were below 10. However, the equity balance for 2020 and 2021 the ratio exceeded 10. The ratio was slightly reduced in the year 2021. SWI S's operating ratios meet the threshold level of 50%. The four years' operating margin ratios stood at more than 50%. SWI S is slightly better in its financial sustainability than SWI J. SWI S met the financial sustainability ratios in two ratios for the years under review.

SWI S's revenue concentration and administrative costs exceed the threshold. The revenue concentration ratio for SWI S was more significant than '0' while the administrative costs ratios were less than 50%.

The equity balance for SWI S improved during 2020 but was reduced in 2021. The results of the other three ratios were mixed. In the year 2020, the operating margin ratio reduced to 0.73 from 0.90. The revenue concentration however saw an improvement in the year 2020. In 2021, we saw a reduction in all three ratios except for revenue concentration. Since most ratios were reduced during 2020 and 2021, we can conclude that the financial sustainability of SWI S decreased during the COVID-19 pandemic.

Again, the financial sustainability of SWI S was reduced during Covid19 pandemic. SWI S financial sustainability was similar to SWI J. This was consistent with the previous studies (Abhari et. al., 2022; Hasin et. al., 2021; Gadbois et al., 2021).

SWI M – Financial Sustainability

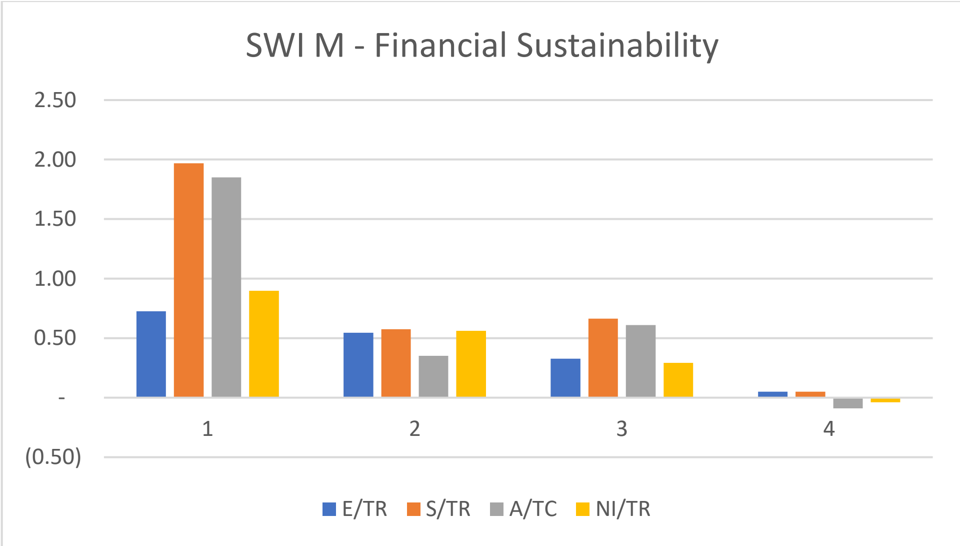

Diagram 5.7: Financial Sustainability SWI M

SWI M's administrative costs exceeded the threshold level of 50% in 2019 and 2020. The other three ratios, SWI M, did not meet the threshold level. The revenue concentration ratio for SWI M was more significant than '0'. Equity balances for SWI M for the four years did not exceed the threshold level of 10. In addition, SWI M did not meet the threshold level of 50% under operating ratios.

All the ratios for SWI M were reduced in 2020 and 2021, except for revenue concentration in 2020. To highlight, the operating margin ratios of SWI M were even below '0' in the years 2020 and 2021. Since most ratios were reduced between 2020 and 2021, we can conclude that the financial sustainability of SWI M decreased during the COVID-19 pandemic.

The financial sustainability of SWI M was also reduced during Covid19 pandemic. The result of SWI M's financial sustainability was similar to SWI S and SWI J. This was consistent with the previous studies (Abhari et. al., 2022; Hasin et. al., 2021; Gadbois et al., 2021).

Summary

The four financial sustainability ratios of the 3 SWIs above highlighted that during Covid19 pandemic, there was a reduction in the ratios. Hence, the 3 SWIs' financial sustainability was reduced and affected during the COVID-19 pandemic. The analysis has fulfilled the research objective number 2.

The results from these summarized that Covid19 pandemic did not only reduced the financial sustainability of SMEs in Malaysia (Abhari et. al., 2022; Hasin et. al., 2021) but also reducing the financial sustainability of SWIs.

Conclusion

Analysis conducted above further substantiates results from previous research that NPOs were affected during Covid19 pandemic (Loomis, J., 2020; Gadbois et al. et al., 2021 and Plaisance, G., 2021). NPOs, particularly the SWIs' financial sustainability, were affected during the COVID-19 pandemic. SWIs are advised to diversify their income. The SWIs cannot rely only on one revenue stream which is donations from the public. Those in charge of governance and running the SWIs are advised to devise a plan to look into the aspect of diversifying the source of income. Generating revenue from business ventures will be a step towards income diversification. This study in addition, has not evaluated the factors influencing the SWIs' financial sustainability. Factors such as income diversification and corporate governance mechanisms can influence financial sustainability. These areas of study will be for future researchers to examine. This study has also not incorporated all the waqf institutions due to the non-availability of audited annual report on the web page. The findings from this study therefore cannot be generalized to the rest of the waqf institutions. Future study is advised to incorporate the other waqf institutions.

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