CASH WAQF PROCEEDS AS SUSTAINABLE FUNDING FOR QARḌ ḤASAN: A NEW MODEL FOR PERSONAL FINANCING IN MALAYSIA

BY

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ABSTRACT

This study proposes a sustainable personal financing model, the Qarḍ Ḥasan via Cash Waqf (QHCW) model, as a proactive solution to mitigate future economic crises. Grounded in the Theory of Planned Behavior (TPB), it assesses the model's acceptance by examining respondents' knowledge, objectives, and perception within the B40 and M40 income groups, who are often excluded from conventional financial services during downturns. The model establishes a structured, interest-free fund sustained through Sharīʿah-compliant investments, incorporating standard operating procedures (SOPs) from the Prophetic tradition to encourage reciprocal contributions upon repayment. Following the Dinc Framework, the QHCW fund relies on initial contributions from unaffected individuals, permitting withdrawals only after securing these deposits. Public donations remain open, with all funds allocated to low-risk, Sharīʿah-compliant ventures to ensure sustainability and cover administrative costs. A mixed-method research design integrates quantitative survey data from snowball sampling with qualitative insights from open-ended respondent feedback and practitioner interviews, offering a comprehensive evaluation of feasibility, acceptance, and implementation readiness. Empirical findings confirm the QHCW model's viability, with no Sharīʿah compliance concerns identified. As an ethical alternative to interest-based banking, the model provides a sustainable financial safety net, particularly in times of crisis. The study also raises an urgent ethical concern: financial institutions, despite their mandate for economic stability, continue to impose interest during crises, deepening financial hardship. This contradiction underscores the necessity of ethical, interest-free mechanisms. The QHCW model is ready for implementation, presenting a viable, Sharīʿah-compliant intervention to strengthen Malaysia's financial resilience, enhance social welfare, and ensure economic stability in future crises. It offers actionable insights for policymakers, industry stakeholders, and Islamic financial institutions.

ملخص البحث

تقترح هذه الدراسة نموذجًا مستدامًا للتمويل الشخصي، وهو نموذج القرض الحسن عبر الوقف النقدي، كحلٍّ استباقي للتخفيف من حدة الأزمات الاقتصادية المستقبلية. وتستند الدراسة إلى نظرية السلوك المخطط، حيث تُقيّم مدى قبول النموذج من خلال دراسة معارف المشاركين، وأهدافهم، وتصوراتهم، ضمن فئتي الدخل المنخفض والمتوسط، اللتين غالبًا ما تُستبعدان من الخدمات المالية التقليدية خلال فترات الركود. يُنشئ النموذج صندوقًا منظمًا خاليًا من الفوائد، ويُستدام من خلال استثمارات متوافقة مع الشريعة الإسلامية، ويتضمن إجراءات تشغيلية معيارية مستوحاة من السنة النبوية، لتشجيع المساهمات المتبادلة عند السداد. ووفقًا للإطار النظري لدينتش. يعتمد صندوق القرض الحسن عبر الوقف النقدي على مساهمات أولية من الأفراد غير المتأثرين، ولا يُسمح بالسحب إلا بعد تأمين هذه الودائع. كما تظل التبرعات العامة مفتوحة، وتُخصص جميع الأموال لمشاريع منخفضة المخاطر ومتوافقة مع الشريعة الإسلامية، بما يضمن الاستدامة وتغطية التكاليف الإدارية. يعتمد البحث على تصميم منهجي مختلط، يدمج بين بيانات كمية تم جمعها باستخدام أخذ العينات المتسلسلة، ورؤى نوعية مستخلصة من تعليقات المشاركين المفتوحة ومقابلات مع ممارسين، مما يوفّر تقييمًا شاملًا للجدوى، ومدى القبول، وجاهزية التنفيذ. وتؤكد النتائج التجريبية على جدوى نموذج القرض الحسن عبر الوقف النقدي، دون وجود أية مخاوف تتعلق بالامتثال لأحكام الشريعة الإسلامية. وكبديل أخلاقي عن الخدمات المصرفية الربوية، يوفر النموذج شبكة أمان مالي مستدامة، لاسيما في أوقات الأزمات .وتُثير الدراسة أيضًا قضية أخلاقية ملحة: فالمؤسسات المالية، رغم دورها في تحقيق الاستقرار الاقتصادي، تواصل فرض الفائدة خلال الأزمات، مما يُفاقم من المعاناة المالية. ويؤكد هذا التناقض على الحاجة الملحّة إلى آليات تمويلية خالية من الفائدة تتسم بالأخلاق والعدالة. نموذج القرض الحسن عبر الوقف النقدي جاهز للتطبيق، ويُعد تدخّلًا قابلًا للتنفيذ ومتوافقًا مع الشريعة الإسلامية، يعزز من مرونة الاقتصاد المالي في ماليزيا، ويدعم الرعاية الاجتماعية، ويضمن الاستقرار الاقتصادي في الأزمات المستقبلية. كما يقدم هذا النموذج رؤى عملية لصنّاع السياسات، وأصحاب المصلحة في القطاع المالي، والمؤسسات المالية الإسلامية.

APPROVAL PAGE

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DECLARATION

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This thesis is dedicated to my parents for laying the foundation of what I turned out to be in life.

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CHAPTER ONE

INTRODUCTION

1.1 RESEARCH BACKGROUND

The world is currently recovering from of a health crisis unlike any other. Since 2020, coronavirus (Covid-19) has infected over 202 million people worldwide. By August 2021, it had killed 4 million people (Pan American Health Organization 2021). The pandemic also has impacts on economies worldwide, including Malaysia (Shaharuddin 2020). Based on data from Malaysia Population and Housing Census (2020), paid employment and self-employment, which were the primary sources of income, fell by 16.1% and 9.7%, respectively, in 2020. Households or people who faced income loss or reduction, particularly employees, the self-employed, or others, contributed to these declines. These decreases in income were mainly due to job loss, reduced working hours, and increased skill-related underemployment.

The impact of the Covid-19 pandemic on local economies can be managed by learning from previous experiences. In 2003, Malaysian local industries, especially tourism, experienced a significant decline during the severe acute respiratory syndrome (SARS) outbreak in East Asia. As a result, gross domestic product (GDP) declined from 7.1% in the third quarter of 2002 to 4.6% in 2003. However, following the implementation of a comprehensive economic stimulus package, the country's economy recorded a strong recovery rate of 6.5% in the fourth quarter of 2003. The government implemented the same approach in managing the economic impact of Covid-19 in the year 2020 through various stimulus packages (Shah et al. 2020).

As predicted by the International Monetary Fund (IMF), the Covid-19 pandemic triggered a global economic recession in 2020. The effects were worse than the global financial crisis in 2008 (Michelle Fox 2020). Many countries used fiscal action to improve public health and simultaneously protect companies and employees (IMF 2020). In Malaysia, the Malaysian government estimated a loss of RM63 billion as a result of the countrywide lockdown in 2020 ((Shaharuddin 2020). Thus, it is timely and more important than ever for Islamic banks to play an aggressive role in supporting the

country's financial stability by offering the right products for the B40 and M40 income groups in Malaysia, especially post-Covid-19. Malaysia has 18 Islamic banking institutions registered under Bank Negara Malaysia or BNM (BNM, 2019). Malaysia's Islamic banking structure consists of the Board of Directors (BOD) overseeing strategy and policy, the Sharīʿah Committee (SC) ensuring Sharīʿah compliance, Senior Management executing policies, and dedicated Sharīʿah Risk, Review, and Audit Units monitoring adherence. The Sharīʿah Advisory Council (SAC) of Bank Negara Malaysia serves as the highest authority, providing industry-wide Sharīʿah rulings. This governance framework enhances Sharīʿah integrity, risk management, and regulatory compliance, fostering public trust and strengthening Malaysia's position as a global leader in Islamic finance (Hasan, 2007).

From one point of view, the sharia-compliant products offered by Malaysian Islamic banks show minimal variation, even when the country faces an economic crisis. Dependence on government funds alone after an economic crisis is an unhealthy practice. In the absence of governmental fiscal intervention, a significant proportion of banking institutions, including Islamic banks, will face liquidity constraints. However, Islamic banks must proactively broaden their funding base by strategically employing a range of Sharīʿah-compliant instruments, including Sukuk issuance, interbank placements, Islamic money market instruments, and equity-based investments to mitigate these risks. Furthermore, bolstering the resilience of the Islamic financial system necessitates the integration of innovative mechanisms, such as Sharīʿah-compliant liquidity management tools and advanced digital financial solutions, to enhance financial resilience and ensure stability during economic crises. (Rahman 2010).

The minimal product variations limit the ability of Islamic banks to assist customers, especially the B40 and M40 groups, during the Covid-19 crisis. Thus, it is crucial to innovate Islamic financing products to help the targeted groups rise from the financial crisis, mobilise the microfinance segment, and strengthen value-based intermediation. (Shaharuddin 2020).

Looking at the current situation like post-Covid-19, one of the potential Islamic financing products for B40 and M40 groups is qarḍ ḥasan. The term "qarḍ" originated

from an Arabic word that means “loan”. It appears in six places in the Qur’an, and no verse mentions the term “qard” alone. It is always combined with the term “hasan”. This term is mentioned in several surahs, namely *al-Baqarah* (verse 245), *al-Mā'idah* (verse 12), *al-Ĥadīd* (verses 11 and 18), *al-Taghābun* (verse 17), and *al-Muzzammil* (verse 20). The term “hasan” is an Arabic word that linguistically means “good”. In the Islamic financing product context, through the qarḍ ḥasan approach, the borrower is offered a loan for basic needs without having to pay more than the borrowed amount, even if the repayment period is exceeded (Rifa’i, 2018).

In practice, qarḍ ḥasan aims at helping those in need. It is also understood as a loan made only for the short term, hoping that it can be circulated among those in need ((Widiyanto, Mutamimah, and Hendar 2011). During times of crisis, Qarḍ Ḥasan emerges as the most effective financial solution for those facing economic hardship, as it provides interest-free financing without adding financial burdens on affected individuals. In contrast to conventional banking practices that often accrue interest even amidst crises, Qarḍ Ḥasan upholds the principles of social responsibility and financial inclusion, ensuring that assistance reaches vulnerable individuals without exacerbating their financial struggles. This aligns with the ethical and humanitarian objectives of Islamic finance, reinforcing its role as a resilient and equitable alternative in addressing economic distress, as seen during crises like COVID-19.

However, the implementation of qarḍ ḥasan, which does not involve profit, is not widespread among Malaysian Islamic banks (Asbeig 2019). The unpopularity of qarḍ ḥasan among Islamic banks is due to three mafin factors. First, qarḍ ḥasan products cannot generate any profit. Second, the model implemented is not sustainable due to high administrative and transaction costs. Third, there is a lack of support from the top management of the Islamic banks (Noraini Mohd. Ariffin. and Muhammad Akhyar Adnan. 2010). In addition, (Shada Al-Muwallad and Umar Idris 2021) identified five major reasons for qarḍ ḥasan’s unpopularity. These reasons are profit maximisation, not classified as a core business activity, charity, time value of money, and qarḍ ḥasan is only for the sake of Allah.

While it is unpopular in Malaysia, qarḍ ḥasan is already implemented in several other countries. Faisal Islamic Bank of Egypt offers qarḍ ḥasan for people in need and

those who suffer from unexpected circumstances; these loans are to be repaid without any extra fees or charges (Bank 2020). Jordan Islamic Bank Law allows qarḍ ḥasan for productive purposes in various fields; it is used for justified social purposes to achieve social solidarity among society (Jordan Islamic Bank 2021). Pakistan's Islamic financial system offers qarḍ ḥasan with no service charge imposed on borrowers, and the operations are concentrated in the banks' head offices (Ahmad 1994). Iranian banks, using a portion of their financial resources, provide the qarḍ ḥasan service to small producers, entrepreneurs, and farmers who cannot secure investment financing or working capital from alternative sources and to needy customers (Gharzolhasaneh Resalat Bank 2021). In the above instances, the entire qarḍ ḥasan term is used instead of the partial term (qard only).

Overcoming the challenges that have hindered the qarḍ ḥasan implementation in Malaysia is crucial to ensuring that the product serves social purposes, benefits the implementing Islamic banks, and becomes sustainable. Noraini (2010) asserted that her study underscores the critical role of the Qarḍ Ḥasan implementation mechanism in ensuring its sustainability as an Islamic financing product. For example, for start, qarḍ ḥasan funds can be generated through the cash waqf approach. Once the fund reaches its sustainability level, it can be offered to anyone in addition to those in the B40 and M40 groups.

Furthermore, BNM does not permit the use of the term "Qarḍ Ḥasan" in Malaysia, giving an instruction to remove the term "hasan" in "Qarḍ Ḥasan" and keep the term "qard" only (Bank Negara Malaysia 2010). BNM also emphasises disclosing the actual loan costs to the public and does not allow excessive service charges (Azman and Muhamad Nasir 2016).

In other parts of the Islamic world, national fatwa councils such as the Indonesian Fatwa Council have allowed qard to receive minimal service charges ((DSN MUI 2001). Thus, several studies have supported the imposition of service charges on qarḍ ḥasan loans in the activity of providing financial facilities to small traders (see (Afonso and Khan 2019); ('Ainimmahya 2019) (Oyesanya et al. 2019).

(Noraini Mohd. Ariffin. and Muhammad Akhyar Adnan. 2010) found that Islamic banks in Malaysia are familiar with the qarḍ ḥasan approach. However, the Islamic banks agree to implement qarḍ ḥasan only if the mechanism is well studied to ensure appropriate policies are developed to avoid injustice. Another study by (Norajila Che Man 2015) proposed implementing qarḍ ḥasan as a corporate social responsibility (CSR) activity of the banks involved by organising donation projects, sponsorships, and scholarship programmes, as well as other types of financial support.

On a different note, cash waqf is an attractive potential funding source for a sustainable qarḍ ḥasan implementation. (Worthington and Hamidi 2018) suggested four principles for Islamic social banking by including the Prophet (ﷺ) as a symbol of guidance and thoughts in addition to profit, planet, and people in the theory of social banking for the conventional sector. Meanwhile, (Mohammad 2011) proposed a model of waqf bank, in which the bank can collect cash waqf from the public for specific disclosed purposes. The implementation of the waqf bank and Islamic social banking will undoubtedly provide strong competition for the currently available Islamic banks.

In both Islamic social banking and waqf bank models, the main focus is philanthropy instead of profit. However, Islamic banks are business that seek to make profit via financing products. The qarḍ ḥasan model can balance the social and profit-making purposes if cash waqf is made a dedicated and sustainable resource for the qarḍ ḥasan fund. In this instance, the funds raised are placed in profitable and Sharīʿah-compliant investments. Apart from that, the funds are also used to finance loans, using the qarḍ ḥasan model, to the needy among the B40 and M40 groups. As a result, the qarḍ ḥasan via cash waqf model is sustainable, resilient, and competitive with other financial products.

Thus, this study explores the potential of qarḍ ḥasan, supported by Cash Waqf, as a sustainable Islamic financing solution for the B40 and M40 income groups in Malaysia. Given the financial challenges exacerbated by the Covid-19 pandemic, this research aims to assess the viability of integrating qarḍ ḥasan into the Islamic banking framework, ensuring both social impact and financial sustainability. By addressing the limitations of current Islamic banking products and examining global best practices,

this study contributes to the ongoing discourse on financial resilience and inclusive economic recovery.

1.2 STATEMENT OF RESEARCH PROBLEM

The Covid-19 pandemic exposed significant financial vulnerabilities among individuals who lost their jobs, experienced salary reductions, and operated small businesses. Many of these individuals lacked the necessary documentation required by financial and banking institutions to secure financing. Conventional financing criteria demand proof of financial stability, making it nearly impossible for those affected by the crisis to access much-needed financial assistance. At the same time, they remained burdened with pre-existing financial commitments, further exacerbating their financial distress. These challenges highlight the structural limitations of conventional financing in addressing financial exclusion during economic downturns.

From another perspective, Islamic banks in Malaysia (IBs), with their ethical and risk-sharing principles, offer a potential solution through Qarḍ Ḥasan, which provides interest-free financial assistance. However, the practical application of qarḍ ḥasan remains limited due to several key challenges. One major concern is sustainability, as IBs hesitate to offer qarḍ ḥasan due to the absence of a structured and continuous funding source. IBs' constraints further limit their availability, as many financial institutions prioritize profit-driven products over social financing mechanisms. Moreover, the scalability and accessibility of qarḍ ḥasan remain restricted due to the lack of a sustainable financial framework, making it an impractical option for widespread adoption. IBs also perceive qarḍ ḥasan as high-risk due to potential repayment defaults, reducing their willingness to extend such financing.

To address these limitations, this study proposes a new financing model that integrates qarḍ ḥasan with cash waqf (QHCW) as a proactive financial safety net. This model ensures that Islamic banks establish dedicated reserve funds to provide emergency financing without disrupting existing deposit structures. By leveraging cash waqf, a renewable and philanthropic funding source, the QHCW model enhances the

sustainability and institutional viability of qarḍ ḥasan, making it a practical tool for financial inclusion.

This model serves a dual purpose: first, it provides immediate financial relief to those in crisis without imposing interest-based debt burdens; second, it establishes a long-term framework for Islamic banks to support financial stability during economic downturns. By strengthening the role of Islamic social finance, the QHCW model aligns with financial inclusion goals and reinforces the resilience of the Islamic banking sector in responding to future crises.

1.3 RESEARCH QUESTIONS

Achieving the objectives of the research requires addressing the following research questions:

1. What is the current practice of qarḍ ḥasan in the Islamic financial system?
2. What are the procedures involved in the implementation of the QHCW model?
3. What is the level of acceptance of the QHCW model among B40 and M40 Muslims as borrowers and contributors?
4. What are the necessary recommendations and suggestions for improving the product development of the Islamic banking system?

1.4 RESEARCH OBJECTIVES

The specific objectives of this research are:

1. To explore the existing practice of qarḍ ḥasan in the Islamic financial system.
2. To develop the procedures for the implementation of the QHCW model.
3. To examine the level of acceptance of the QHCW model among B40 and M40 Muslims as borrowers and contributors.
4. To provide recommendations and suggestions for the improvement of product development in the Islamic banking system.

1.5 HYPOTHESES OF RESEARCH

After reviewing the literature, and previous studies, and conducting a deep observation, this study finds that Islamic banks face two key challenges in offering qarḍ ḥasan: it does not generate financial returns or account for the time value of money, and awareness is limited due to a resolution by the Sharīʿah Advisory Council (SAC) of the Central Bank of Malaysia (BNM), which removed the term *"Hasan"* to clarify that *qard* is a repayable loan, not a charitable act. Despite these challenges, the study supports the hypothesis that after an economic crisis, the desire to contribute and assist those in need increases (H^1). It also hypothesizes that knowledge positively influences respondents' acceptance of the QHCW model in Islamic banking (H^2). To enhance financial inclusion, *Qarḍ Ḥasan* should be restructured within Malaysia's Islamic banking system and offered as an alternative financing option for B40 and M40 groups, with *Cash Waqf* as a sustainable funding source. This is especially crucial for future economic crises, as unbankable individuals have access only to one-off assistance and moratoriums, with no dedicated financial products to support them. The specific hypotheses developed for this research are stated in subsection 3.3.1.

1.6 SCOPE AND LIMITATIONS OF THE RESEARCH

This study focuses on three crucial scopes, consisting of the latest Qarḍ Ḥasan implementation, model development, and public acceptance as well as practitioners' experiences. Therefore, qualitative and quantitative studies were carried out. Qarḍ ḥasan implementation and model development were examined using the content analysis method, and public acceptance of the model was analysed through Partial Least Squares Structural Equation Modeling (PLS-SEM) for data analysis, using SmartPLS software to perform the analysis. The selection of three key constructs knowledge, objective, and perception was made to address RQ3 by assessing respondents' acceptance of the new model. Grounded in the modified Theory of Planned Behavior (TPB), knowledge reflects respondents' understanding of the model, objective captures its practical benefits, and perception represents their attitudes toward it. The dependent variable, acceptance, measures their willingness to adopt the model. To evaluate these factors,

the questionnaire included items on knowledge, objectives, perception, and acceptance of cash waqf and qarḍ ḥasan. The study employed the snowball sampling technique to analyze respondents' acceptance, providing deeper insights into the behavioral drivers influencing the adoption of the proposed model.

1.7 SIGNIFICANCE OF RESEARCH

This study provides an innovative solution to Islamic financing products to help targeted groups (B40 and M40) rise from the financial crisis and to promote stability in economic growth by offering qarḍ ḥasan for personal financing. This solution can help to boost the rate of borrowing in society, increase the people's purchasing power, and ultimately mobilise the economy. The results of the study will be beneficial to the following groups:

1. B40 and M40 groups: Those who lost their jobs and their source of income due to the economic crisis will benefit from this study. Financing can be offered to cover shortages and as capital to find a new job because currently, applications for personal loans require solid financial documents that cannot be met by those affected by the financial crisis.
2. Community: Those who are not in the first category above also have the opportunity to borrow from the qarḍ ḥasan fund. At the same time, they can also contribute to the qarḍ ḥasan fund by making cash waqf before borrowing, provided that the qarḍ ḥasan fund has passed its advantage level. Thus, all community members will benefit.
3. Islamic financial institutions: qarḍ ḥasan financing is different from *zakat*, *sadaqah*, and waqf that offer no return. Under the qarḍ ḥasan cash waqf model, the funds raised through cash waqf must be invested. In the future, this model can be used as one of the digital currency assets, backed by the value of gold.

CHAPTER TWO

LITERATURE REVIEW

2.1 *CASH WAQF* CONCEPT AND APPROACH

Modern Islamic jurists and scholars often debate on the allowability of cash waqf. Based on the traditional waqf characteristics that usually focus on permanent and immovable property such as land, buildings, graves, trees, and books, there is no significant difference between the traditional waqf and cash waqf approaches. Traditional jurists define waqf (*al-ta'bīd*) as perpetuity or permanence and irreversibility or non-retraction *('adam al-tarāju'*). In other words, it hands over the original ownership or restricts the transferability or use of an entitlement (Rose-Ackerman 1985), or cannot be revoked or *luzûm al-waqf* (Çizakça, 1995a). In other words, waqf is created solely for philanthropic purposes(Muhammad Ridhwan Ab. Aziz 2017).

Even so, traditional scholars disagree with cash waqf. This is due to the requirement for the perpetual use of the suspended assets in waqf, whereas cash waqf has no provisions for utilization (*al-intifā'*). As long as the assets remain utilised, the reward will flow. The more lasting it is, the better. Waqf is vital to social, economic, cultural, and religious life (Cizakca, 2004a). The waqf topic is usually concerned with high value waqf assets such as land, houses, fruit trees, and water wells.

Over time, waqf is understood as not only encompassing high-value items but also including giving money. Fundraising from the public aims to raise awareness among those privileged to incorporate social responsibility and well-being with religious meaning. The utilisation terms in traditional waqf does not apply in cash waqf unless the money is used or invested in multiplying profits and returns. Therefore, Islam places waqf as one of the most encouraged types of worship (M. F. Rahman 2009).

Waqf is derived from the Arabic word "waqafa", which means to stop or hold. According to the *Musnad al-Shāfi'ī* (Al-Shāfiʿī 1951), waqf is the same as *taḥbīs* and *tasbīl* which means to hold or lock. It is said "*waqaftu khadza*" means "I hold it". According to the term of *shar'u*, it is to maintain several assets that can be utilised,

while the principal (assets) remains intact. Likewise, Muslim jurists from the four leading schools of jurisprudence, namely, Ḥanafī, Mālikī, Ḥanbalī, and Shāfi'ī, various waqf declarations explicitly define whether a waqf can be made conditional or committed to perpetuity (Ab Rahman and Amanullah, 2017). This leads to the discussion on cash waqf in contemporary practice. The most correct (*al-rājih*) of the dispute among scholars is the argument that cash waqf is permissible by analogy (*qiyas*).

As a result of the prohibition, such a narrowing the excellent need, immoveable assets may lose their benefits when they are damaged or no longer useable. Thus, cash waqf is a solution to ensure the benefits continue. For example, before a damage occurs, assets must be serviced and repaired so that the benefits will continue to flow. For that reason, the present study intends to examine the role of qarḍ ḥasan as a loan financing instrument with the use of cash waqf as a tool to raise the required funds.

2.1.1 *Cash Waqf* Framework Structure

Cash waqf is from the moveable assets discussion because cash waqf is not mentioned directly in the Qur'an. Further, Abdullah found evidence of the implementation of cash waqf during the era of the Ottoman Empire (Abdullah 2020). For that reason, most of the jurists from Ḥanafī, Mālikī, Shāfi'ī, Ḥanbalī, Ẓāhirī, and Imāmi schools agree with the legitimacy of waqf. However, there are disputes regarding the perpetuity of the assets, either movable or immovable. The disputes lead to the discussion on cash waqf.

Waqf from a donation contract that is intended for donations and charity is permitted according to the original principle of waqf. There is no restriction on doing so, whether the owner contributes his property, such as alms and gifts, or he contributes monetary benefits or terminates his original ownership in the traditional waqf. Thus, nothing prevents cash waqf, as there is no evidence from Sharīʿah or religious orders making it forbidden. Thus, cash waqf is valid.

2.1.2 Cash Waqf (CW) in Islamic Jurisdictions System

According to Muḥammad ibn Mukarram ibn ʿAlī ibn Aḥmad ibn Manẓūr al-Anṣārī al-Ifrīqī al-Miṣrī al-Khazrajī Jamāl al-Dīn Abū al-Fadl (*Ibn Manẓūr*) in *Lisān al-ʿArab*, the term "cash" linguistically refers to currency ((Manẓūr 2010). Cash includes gold, silver, or other things with which it deals. At the same time, money in the terminology is what people use to measure values, as a medium of exchange, and as a tool for savings. Thus, cash waqf is defined as a liquid fund offered for the benefit of the public.

Cash waqf is not a new tool. Scholars' discussions on cash waqf can be found in classical books and *fatwa* (religious order). Scholars unanimously agree that cash waqf is permissible. They say that the evidence of Mālikī's permission of cash waqf is in the book by Mohammed bin Ahmed bin Arafa al-Dasukī al-Mālikīs entitled *Hāshīyah al-Dasûkī 'ala al-sharhī al-kabīr* (p. 67, vol. 4). Further, for the Ḥanafī school of thought, the book by Imam Abu Al-Saud entitled *Risālah Abī al-Masûd* discusses the permissibility of cash waqf. Almost the same position is held by the Ḥanbalī school of thought, to the extent that Sheikh al-Islam Ibn Taymiyyah prefers to say that cash waqf is permissible in *A great compilation of fatwa* (*Majmû' al-fatawā*). Among the schools, the Shāfi'ī school is the most lenient in permitting the endowment of money., as stated in in *Al-hāwī al-kabīr* by Abū al-Ḥasan ʿAlī Ibn Muḥammad al-Māwardī. However, the ruling is briefly discussed, and it was not widely used during that century (Hamzah 2017). In the 15th to 16th century of Ottoman empires ((Khademolhoseini 2008), cash waqf was used to grant loans to artisans and merchants at an annual interest rate, and the revenue went to charitable bodies such as mosques and schools. It was treated differently from the proceeds of traditional waqf assets such as real estate and land (Liba and Nuqasi 2009).

There are differences in opinion among Islamic scholars regarding cash waqf ruling and procedures ((Yusof and Mohiddin 2015), mainly on benefit permanence or perpetuity principle (Haji-Mohiddin, Hajah, Mas 2015). In general, scholars from the Ḥanafī school of thought (except Imam Zafar), some Malikī scholars, and scholars from the Shāfi'ī and Ḥanbalī schools of thought said that Cash Waqf is not permissible at all (Liba and Nuqasi 2009) (Faddād 2008). The reason is that money has no lasting

elements or endless benefits. Money can only be used by consuming it or destroying it, and repaying the loaned money is like returning the substance of the goods legally. Ibnu Qudāmah (Muḥammad 1985) confirmed this view in his book *Al-mughnī* (p. 262, v. 6), saying, "That what cannot be used with maintaining or remains it, such as dinars, dirhams, flour, drink, and wax/candle, is not valid to be used as waqf according to the general jurists and scholars".

Meanwhile, al-Hattāb from the Mālikī school of thought 1497–1547 CE (al-Mālikīyyatt) in his book *Mawāhib al-jalīl* ((Al-Maghribī 2002) affirms that cash waqf is disapproved. His argument is that the statements on cash waqf are not in the Qur'an and the ḥadīth of Prophet Muhammad (ﷺ).

In contrast, famous scholars from the Ḥanafī school of thought, as well as the Shāfi'ī and Ḥanbalī schools of thought and adopted by Ibn Taymiyyah and Ibn Shīhāb said that cash waqf is permissible. Further, the Islamic Fiqh Council recommends the use of cash waqf.

In conclusion, some scholars argue that cash waqf is not permissible because money cannot be utilised except by consuming or destroying it, just like food and drinks (Qahf 2000). However, some scholars from the Shāfi'ī school of thought highlight that money can be utilised for investment, such as in a mudarabah scheme, and the return from it can be shared in charities in various fields (M. R. A. Aziz, 2013). For example, in education loans, the benefit of money remains in perpetuity. The correct opinion is it is permissible because it meets the purposes of the cash waqf ruling, which are to achieve the principle of solidarity among Islamic community members and find an economic balance (Hamzah 2017). Besides, cash waqf provides a solution to numerous social, economic, educational, and health problems afflicting the contemporary society. Money or cash is the ultimate tool of freedom nowadays, and it has the purchasing power. As such, the benefits of cash waqf can be realised and utilised (Qahf 2000). It should be emphasised that the waqf ruling is not derived from the Qur'an directly. Rather, the determination and implementation of cash waqf is from the independent reasoning (*ijtihad*) of Islamic scholars (Al-Zarqā 1997); (Jafri and Noor 2019). The summary of prominent scholars' opinions on cash waqf is tabulated in Table 2.1 below.

Table 2.1 Summary of Scholars' Opinion on *Cash Waqf*

Scholars	Rulings on *Cash Waqf* and Its Justifications	References
1. Abū Ḥanīfa al-Nuʿmān 2. Abû Yûsof (Al-Ḥanafiyyāt) 3. Abû Shāsh and Ibnu Al-Hājib (Al-Mālikiyyāt) 4. Al-Shāfi' īyyāt 5. Al-Ḥanābilāt 6. Al-Zaydiyyāt	Not Permissible Justification: The benefits are exhausted and not perpetual	(Liba and Nuqasi 2009) (Faddād 2008) (Baltājī 2016) (Asni and Sulong 2017a)
1. Al-Mālikiyyāt 2. Text from Imām Aḥmad, quoted by Sheikh Ibnu Taymiyyatt (Al-Ḥanābilāt) 3. Al-ʻAnṣārī (Al-Ḥanafiyyāt) 4. Al-Zaydiyyāt 5. ʿIbādiyyāt 6. Ẓāhiriyyāt 7. Al-Imāmiyyāt	Permissible Justification: The endowment is not required for perpetual and the benefit transferred to the investment project / Money cannot access its utility except by consuming its asset. The benefits of money are visible when used, even if	(Liba and Nuqasi 2009) (Faddād 2008) (Hubbuallah 2011) (Asni and Sulong 2017a)

	they are not permanent	
1. Al-Hattāb (Al-Mālikiyyāt)	Abominable Justification: Solution for out of the dispute parties	(Liba and Nuqasi 2009)

It can be seen that the differences of opinion among traditional scholars on the ruling of cash waqf can be divided into three categories. One category views it as abominable (*makruh*), and the others either allow or forbid it. Classical jurists define waqf in terms of inalienability, perpetuity, and irrevocability (Jafri and Noor 2019). On the contrary, the latest views are more flexible. Nowadays, anything that can benefit others can be endowed (Ab Rahman and Amanullah 2017). Thus, this study intends to innovate a new model of financing with QHCW based on the jurists' disputes. For that reasons, cash waqf fund for QHCW model must be invested in order for long-lasting utilization.

2.1.3 Jurists Doctrines on The Validity of *Cash Waqf*

Perpetuity and right to benefit are the main features of waqf. Abū Ḥanīfah and Abū Yūsuf do not allow cash waqf for any circumstances (Muḥammad 1985). Thus, money is among the items that cannot be endowed, except animals and swords for the use of war, as these are clearly stated in the hadith. Hence, the assets to be endowed must be

immovable. Moreover, according to the Ḥanafī school of thought, permissibility is given to endow what is done in the culture (norm) for moveable assets. The Ḥanafī school of thought is very firm on the waqf issues. Nonetheless, Ḥanafis provide flexibility to endow moveable assets for public interest due to *al-istihsān* (Al-Kasānī 1986). For that matter, their general argument is, "What the Muslims saw is well, good for Allah too", as narrated by Ibnu Mas'ûd, and the hadith is *mawquf*, as related by Ahmad in *Al-musnad.* On the contrary, Zufar and Ansārī from the Ḥanafi school allow investing cash waqf using the concept of mudarabah, as their argument is based on the concept of analogy or qiyas (Al-Hanafi 2015).

Meanwhile, the view of the Shāfi'ī school of thought on cash waqf is guided by *al-ijarah* (rental). That is, if the asset can be rented, then it can be endowed too, and vice versa (Al-Shāfi'ī 2000). This is the more correct (*al-'sah*) view according to the Shāfi'ī school. This argument is supported by the following hadith,

> When Umar got a piece of land in Khaibar, the Prophet (ﷺ) said, "If you wish you can keep it as an endowment to be used for charitable purposes". So, Umar gave the land in charity, i.e., as an endowment on the condition that the land would neither be sold nor given as a present, nor bequeathed, used for the poor, the kinsmen, slaves, *jihad*, and for guests and travellers; and its administrator could get some wages in a reasonable just manner, and he also could feed his friends without intending to be wealthy by its means. (Al-Shāfi'ī 1951), *Al-musnad*)

Based on the above hadith, it can be inferred that as long as the property has benefits and remains utilised, waqf is allowed. In other words, the benefit from the property is continuous. Meanwhile, the Hanābilah school of thought allows all tradable assets to be endowed. However, if the asset cannot be utilised except by consuming it, it cannot be endowed (Muḥammad 1985).

On the other hand, waqf by lending (*waqf bi iqrāḍihā*) is possible. This view is supported by Imam Malik ((Al-Dasūqī 2010), Zufar and his friends Al-Ansārī from the Ḥanafis, as well as Imam Ibn Taymiyyah (Asni and Sulong 2017b).

The disputes among jurists on cash waqf lead to the following conclusions. Firstly, the endowment does not need to be perpetual, leading to the permissibility of

cash waqf. Secondly, the endowed assets cannot be used except by destroying or consuming it, and the assets are considered real waqf transactions. If the waqf is part of a donation contract, the basic principle is it is allowed by Sharīʿah. Cash waqf, like traditional forms, aims for lasting impact by preserving endowed money and using generated profits to support designated causes indefinitely. The validity and legality of waqf are derived from general evidence, as there are no specific verses on it in the Qur'an. The basic principle on waqf is not to prohibit it unless it is expressly forbidden in the legal text sources.

Further, an endowment of movable assets occurred during the time of Prophet Muhammad ﷺ. He also allowed waqf for animals and weapons for jihad. In modern times, the need for property jihad is more urgent than the jihad of weapons and animals. Allah mentioned financial jihad four times in the Qur'an, more than self-jihad. Hence, since it is allowed to endow weapons and animals, it should be even better to endow money, especially during an economic crisis. The permissibility of cash waqf is stronger based on the logical reasoning (qiyas) method, and it is more beneficial to the public. At the same time, prohibiting it will narrow the door of virtue.

2.1.4 *Cash Waqf In* Ottoman Empire As An Example Model

In the 15th century, cash waqf was used as financial and social facilitation since the time of Sultan Murad II and Mehmet II. Cash waqf aimed to provide financial services to the various social classes of the community, and it continued until the first year of the new Turkey after the Ottoman Empire collapsed. Since then, it has manifested in the form of Islamic banks under the name of special finance houses and finally changed to participation banks in 2005 (Özdemir and Özdemir 2017)(Özdemir and Özdemir 2015). All these shreds of evidence can be found in *Tahrir* records, the waqf censuses in the 18th century.

In the studies by (Özdemir and Özdemir 2015) 2017), there were six models of cash waqf investment during the Ottoman Empire era, namely, *muamele-i ser'iyye* or *bay' al-'īnah* model, *bey' bi'l-vefa* and *istiğlal*, *bida'a* (*ibḍā'*), mudarabah, *murabahah*,

and Qarḍ al-Ḥasan. Table 2.2 below presents the description of each model with an example of its application.

Table 2.2: Summary of Ottoman Cash Waqf Investment Model.

Investment Models	Model Description
Muamele-i Ṣer'iyye or Bay 'īnah model	(1) The borrower sells the asset to *Cash Waqf*, i.e. property symbolically worth RM200 (2) *Cash Waqf* pays RM200 to the borrower (3) *Cash Waqf* resell the same asset to the same borrower at RM220 and request that he pay it one year later. (4) One year later, the borrower pays RM220 to the *Cash Waqf*. Note: RM20 is the profit of *Cash Waqf* and spent on the waqf activities.
Bey' bi'l-vefa and Istiğlal	(1) The borrower sells the real estate to the *Cash Waqf*, i.e. at a value of RM 1,000. (2) *Cash Waqf* pays RM1, 000 to the borrower. (3) Borrower leases the real estate from the *Cash Waqf* for a specific time, i.e. one year. (4) The borrower pays the rent, i.e. RM10 per month, a total of 1 year is RM 120. (5) The borrower repays the full debt at the end of 1 year (RM1, 000) and retakes real estate ownership. Note: RM120 is the profit of the *Cash Waqf* and is to be spent for the Waqf.
Bida'a (Ibda')	(1) *Cash Waqf* lends an amount of money to the borrower to manage it and generate profit in business activities. i.e. RM100.

	(2) Borrower invests/trade it for income-generating activities. (3) Borrower returns the proceeds (i.e. RM20) and principle RM100 to the *Cash Waqf* without taking any commission or other profit.
Muḍārabah	(1) Borrower and *Cash Waqf* agree on a business plan with a specific partnership ratio. i.e. 80% - 20% split. If profit occurs at the end of the project, 80% of the profit goes to *Cash Waqf*, 20% goes to the borrower. *Cash Waqf* gives RM100 to the borrower to start their business. (2) Borrower invests RM100 for business activities, i.e. trade. (3) a. If the business generates profit, i.e. RM20. 16 (20x0.80) + 100 – RM116 is paid back to *Cash Waqf*, and RM4 belongs to the borrower. b. If the business generates a loss, i.e. RM20. 80 (100-20) RM is paid back to *Cash Waqf*. Borrower dost does not bear the loss if there is no negligence or violation of the borrower's contract.
Murābaḥah	(1) Borrower comes to *Cash Waqf* to buy a specific asset with deferred payment, and they agree on the mark-up, i.e. 20%. (2) The *Cash Waqf* pays the price of the asset to the supplier in cash, i.e. RM 100. (3) The supplier delivers the asset to the *Cash Waqf*. (4) The *Cash Waqf* resells the asset for RM120 to the borrower for deferred payment, i.e. monthly instalment for one year 12 x 10 = 120. (5) The borrower repays the instalment and principle to the *Cash Waqf*.

Qarḍ Al-Ḥasan	(1) *Cash waqf* gave a Qarḍ Al-Ḥasan to the incredibly needy people to meet their consumption needs. Note: Only the principle of the loan is required during maturity.

Source: (Özdemir and Özdemir 2017).

The current study proposes a new model for qarḍ ḥasan based on the cash waqf approach. The money collected from the cash waqf must be invested, and the profits can be divided into two parts: Qarḍ Ḥasan loans and capital and management costs. Financing or loans will be offered to those who have lost their source of income due to the Covid-19 pandemic, comprising individuals from B40 and M40 groups, while the T20 group and entities will be encouraged to contribute to the cash waqf fund for the qarḍ ḥasan products.

2.1.5 Cash-Waqf Model

From the 10th to the 13th century, the Islamic financial system influenced the economic development in Europe, as shown in the study by (Gaudiosi 1988). There is concrete evidence showing that Islamic waqf institutions were rebranded in the West as foundations, trusts, or endowments, with universities like Oxford, Cambridge, Harvard, and Stanford, with well-established funds, such as Harvard University's over $30B. The Oxford Merton College endowment was designed following the concept of Islamic waqf. Many other educational institutions have imitated the Oxford endowment model, such as Cambridge University, and France, Spain, and Italy (Gaudiosi 1988). Monti in Pieta in Italy is similar to the cash waqf written in classical Islamic books (ÇIZAKÇA 1998).

Investing waqf funds is not something new in the Islamic economic system. In Ottoman courts, the investing activities started as early as the 15th century and the end of the 16th century (Cizakca 2004b). The activities expanded extensively to all over Anatolia and the European provinces of the empire. Interestingly, Ibnu Taymiyyah

stated in his book *Waqfan lil iqrāḍ* that cash waqf is for lending (Al-Hambalī 1950). In this case, qarḍ ḥasan can operate to facilitate the needs of personal borrowers, saving them from borrowing from unregistered lenders or making interest-based loans. Alternatively, the cash endowment can be used to buy real estate properties to be rented to them. The proceeds can be spent on charitable means, which is qarḍ ḥasan. This model is mentioned in the book written by Dr Ahmad Hadād (Hadād 2006), who quoted from Mohammed Amīn bin ʿOmar bin ʿAbdul ʿAzīz Ābidīn al-Dimashqī (Ibn' Ābidīn), the author of the book *Durr al-mukhtār fi sharkh tanwīr al-abṣār.*

Dr Ahmad Hadād listed six models that can be used to mobilise the cash waqf fund, namely, *ashum*, *bay' al-'umalāt*, *sukōk al-muqāraḍah*, al-mudarabah, *al-ibḍā'*, and *al-tijārah*. The execution of cash waqf has changed over time. For instance, cash waqf has been innovated to specific types and models. The banking model of corporate waqf is used in Wakaf Selangor Muamalat, which is a result of a partnership with Selangor Endowment Corporation ((Ramli and Jalil 2014). The term "corporate cash waqf" in Malaysia was pioneered by Johor Corporation (JCorp), which launched its corporate endowment in 2006 with RM200 million worth of shares in its subsidiaries Kulim (M) Berhad, KPJ Healthcare Berhad, and Johor Land Berhad ((Hashim 2007). The purpose is to focus specifically on health under Wakaf An-Nur Corporation. The Koç Foundation in Turkey is another example of a massive corporation creating a waqf ((Çizakça 2013). The Koç Foundation spends 80 per cent of its income on educational purposes and saves 20 per cent for real estate investments, administrative expenses, and emergency funds (Cizakca, 2004b). Moreover, there is an accumulated emergency fund to ensure that the waqf share can be sustained. In other words, when the corporation decides to enhance its overall capital, the foundation uses its accumulated emergency funds to participate in this capital enhancement by buying the newly issued shares to keep its share in the corporation is constant. This is based on Imam Zufar (d.775), the student and companion of *Abū Ḥanīfah*, who said monetary endowment is permissible if the endowment funds are invested and the returns are used for the benefit of society (Mandaville 1979). All of the transactions use mudarabah contracts (sleeping partnership) or known in Europe as *commend* (Firestone 1975).

Waqf plays a crucial role in shaping the economy. In 2017, six Islamic banks which were members of the Association of Islamic Banking and Financial Institutions Malaysia (AIBIM) pledged to play a joint role in creating a waqf fund (myWakaf). The

waqf has four main objectives, namely, economic empowerment, education, health, and investment (AIBIM 2017). They also manage the fund by creating links to the website for transparency and monitoring. Thus, none of the models focuses on personal borrowers, which is a gap for research. Simultaneously, borrowers' needs are significant, even more so during the economic downturn caused by the Covid-19 pandemic.

Furthermore, the branding of myWakaf is too general, even though the funds raised are from cash waqf. People should be allowed to borrow for desperate needs so that they do not need to rely solely on government aid in the form of one-off payments. Accordingly, the QHCW model should be developed.

2.1.6 Cash-Waqf Investment

Investment is related to economic activities that involve using resources to produce goods and services (Jackson and Jackson 1982). It can also be defined as growth (Al-Kasānī 1986). The question is, how to benefit from the goods that cannot be invested? This argument is for those who oppose cash waqf. The benefits of money will be lost if it is used. However, the cash value and the price would grow if it used in economic activities, which are investments. The study by Aldeen, Ratih, and Herianingrum (2020) examined most of the journal articles written on cash waqf. The articles were categorised into eight topics, namely as (1) cash waqf for microfinance, (2) cash waqf for SMEs, (3) cash waqf for education, (4) cash waqf for poverty alleviation, (5) factors influencing the contributors of cash waqf, (6) management of cash waqf, (7) e-cash waqf, and (8) cash waqf for socio-economic development. Further, (Zabri and Mohammed 2018) examined corporate cash waqf models, such as the cash waqf financial cooperative *musharakah mutanaqisah* (CWFCMM) home financing model. The model has long been highlighted by Wakaf Selangor Muamalat in collaboration with Bank Muamalat Malaysia Berhad (BMMB) (Ramli and Jalil 2014). Muamalat Invest Sdn. Bhd. plays a role as the Sharīʿah-compliant investment entity for the venture.

Ismail Abdel Mohsin (2013) listed six schemes of cash waqf operations, namely, co-operative waqf scheme, waqf shares scheme, deposit cash waqf scheme, compulsory cash waqf scheme, corporate waqf scheme, and deposit product waqf scheme. These public waqf schemes emerged in Muslim and Muslim minority countries such as Malaysia, Indonesia, Kuwait, and the UK in recent decades. The schemes' primary goal is to earn cash or raise public funds to support the welfare of society. It is difficult to determine how those countries invest the cash waqf schemes, but the schemes are well known (Hj. Abd. Shakor Bin Borham 2011). Saham Waqf Johor is an example of a successful implementation of such schemes. Investment-generated revenues are used to fund various projects such as developing the existing waqf lands, constructing mosques and religious schools, financing medical facilities, providing physical provisions for the Muslim community and religious facilities, purchasing *da'wah* vehicles, and constructing religious centres.

Likewise, Kuwait General Endowment Foundation or Kuwait Awqaf Public Foundation (KAPF), which was established in 1993, has specific purposes for endowment and the development of endowment projects for the community. The projects undertaken by KAPF have benefited the community. Among the projects carried out are providing financial assistance to needy students and assisting the Kuwait Autistic Center. Other charitable activities carried out by KAPF that comply with the waqif conditions are providing free drinks in public places, providing food assistance to the needy, providing clothing assistance to needy families, and providing food during Ramadan for needy families (A. A. Rahman 2009).

2.2 QARḌ ḤASAN

2.2.1 Qarḍ Ḥasan in Al-Qurān.

Six verses in the Qur'an confirm the legitimacy of the qarḍ ḥasan, telling the extent of the great reward and goodness that a person will receive from it. For example, Allah SWT says in surah *al-Baqarah* verse 245, "Who is it that would loan Allah SWT a good loan so Allah may multiply it for him many times over? And it is Allah SWT who withholds and grants abundance, and to Him, you will be returned".

According to Wahba al-Zuhailī (died 1436 AH) in his book *Al-tafsīr al-wasīt*, the verse was revealed due to the following story pertaining to Abu al-Dahdah:

> Abu al-Dahdah al-Ansari said, "O Messenger of Allah, does Allah want a loan from us?" He replied, "Yes, O Abu Dahdah." Then, he said, "Give me your hand, O Messenger of Allah". Then he held the hand of the Prophet SAW and said, "I lend to the Lord my garden which there is six hundred palm trees, his wife and family". Then Abu al-Dahdah went into his garden, and he called, "O Umm al-Dahdah!" She replied, "Yes," Abu al-Dahdah, said, "Since I have lent to Allah, so let us leave this garden".

According to *al-Tabarī* (Abu Jaafar Muhammad bin Jarir bin Yazid al-Tabari, died 310 AH), qarḍ ḥasan refers to anybody who spends in the cause of Allah in this world to seek Allah's favour, and Allah will reward more for what that person has given (loaned) to Him, such as spending in the cause of Allah. That is, whoever spends anything in the cause of Allah, it will be recorded for him as much as seven hundred times.

Meanwhile, *al-Baydawi* (Nasir al-Din Abu Saeed Abdullah bin Omar bin Muhammad al-Shirazi *al-Baydawi*, died 685 AH), in his comments on qarḍ ḥasan, said whoever lends Allah a good loan, that is one who spends his money in the hope of receiving compensation, is like someone who lends and spends the money sincerely and gives the best property. Therefore, it can be surmised that in the case of a lender who spends his money in the cause of Allah with a good intention and a good soul, the amount spent will be returned to him many times over, and Allah will expand his sustenance, health and others, meaning that Allah will reward him for his good deeds. Further, the term "hasan" in the Qur'an does not mean giving without receiving repayment of the debt. Instead, the term indicates sincerity when lending in the hope of receiving multiplied rewards from Allah.

In another verse, Allah SWT says in surah *al-Ĥadīd* in the 11th and 18th verses, "Who is it that would loan Allah a good loan so He will multiply it for him and he will have a noble reward" and "Indeed, those men and women who give in charity and lend to Allah a good loan will have it multiplied for them, and they will have an honourable reward". Ibn Kathir (Abu al-Fida Ismail bin Omar bin Kathir al-Qurashi al-Basri al-Dimashqi, died 774 AH) in his book, *Tafsīrul al-Qur'ān al-'azīm*, referring to the

second caliph Umar Al-Khattab, the verse indicates the meaning of spending (infaq) for the sake of Allah, it is spending on family members. Limit its meaning to infaq to the family only, such as narrowing the scope of the discussion. The ruling is based on the general meaning not on the specific reason, so everyone who spends in the cause of Allah with a pure intention and sincere determination is included in the generality of this verse.

(Abdullah Sulaiman Mustofa Abu Taligh 2006) pointed out that the word infaq in the Qur'an has 12 meanings, including qard. The loan (qard) is linked to Allah in many verses in the Qur'an to urge, encourage, and motivate (entice) effort and spending for the sake of the human soul and society, and Allah will grant a great reward for the effort.

Furthermore, Allah SWT says in surah *al-Taghābun*, verse 17, "If you loan to Allah SWT a beautiful loan, He will double it to your (wealth), and He will grant you forgiveness, for Allah SWT is most ready to appreciate (service), Most Forbearing" (refer to *Al-tafsīr al-wasīt* by Muhammad Syed Tantawi in interpreting verse 17 of surah *al-Taghābun*).

According to Tantawi, if a person spends his money on charitable causes that Allah loves, Allah Almighty will multiply his reward with sincerity and kindness. The spending and lending (the good deed) by the person will be rewarded tenfold to seven hundredfold. In other words, if a person lends Allah a good loan, because he spends his money in Allah's cause, the reward for his good deed will be multiplied tenfold to seven hundredfold, and Allah will forgive his sins. Verse 17 of surah *al-Taghabun* is in line with verse 261 of surah *al-Baqarah*, in which Allah says that, "the example of those who spend their wealth in the way of Allah is like a seed [of grain] which grows seven spikes; in each spike is a hundred grains. And Allah multiplies [His reward] for whom Allah wills. And Allah is all-Encompassing and Knowing" This verse seems to give the impression that giving debt is better than giving charity. Thus, when a believer lends to Allah, he is earning himself goodness and a great reward that outweighs every other reward.

Qarḍ Ḥasan in the above verse can be understood as, when a person loans to Allah and for the sake of Allah, Allah will reward the person with a multiplied reward. Allah does not need to borrow from His servants because Allah is the Greatest and the Richest. However, if His servant lends to the needy for the sake of Allah, then Allah will repay with an excellent reward. Comparing this with the meaning of loans nowadays, people go to the banks to apply for borrowings. Thus, the Islamic finance and banking system has a great opportunity to help the needy by using the debt method outlined in the Qur'an.

In another verse, Allah SWT says in surah *al-Muzzammil*, verse 20:

> Recite whatever you can from Qur'an. And continue to perform regular prayers, pay alms [tax], and lend to Allah a good loan. Whatever good you send forth for yourself, you will find it far better and more rewarding with Allah. And seek Allah's forgiveness. Indeed, Allah is All-Forgiving, Most Merciful.

In this verse, qarḍ ḥasan is mentioned together with the command to pray and pay zakat. It is preceded by these two obligatory acts of worship. This verse illustrates the importance of qarḍ ḥasan. Al-Tabari in his book *Jāmiʿ al-bayān ʿan taʾwīl āy al-Qurʾān* interpreted qarḍ ḥasan as *nafaqah*. This is the same as that reported by Ibn Kathir above.

Finally, Allah SWT says in verse 12 of surah al-Māidah:

> Allah made a covenant with the Children of Israel and appointed twelve leaders from among them and then said, "I am truly with you. If you establish prayer, pay alms [tax], believe in My messengers, support them, and lend to Allah a good loan, I will certainly forgive your sins and admit you into Gardens under which rivers flow. And whoever among you disbelieves afterwards has truly strayed from the right path.

In the above verse, qarḍ ḥasan is mentioned after the command to pray, pay zakat, and believe in the messenger of Allah. In this verse, Allah tells the story of the Banī Israel, who constantly violated the commandments of Allah, even though they had made a solemn promise (*al-misāq*) to Allah.

Furthermore, the verse indicates that qarḍ ḥasan is interpreted as sadaqah *mandûbah*, which is a voluntary act of charity according to Fakhr al-Din al-Razi (Abu Abdullah Muhammad bin Omar [Khatib al-Rai] bin al-Hassan bin al-Hussein al-Taimi al-Razi, died. 606 AH) in *Mafātīh al-ghayb*. The verse also narrates that many rewards will be given to those who establish prayer, pay zakat, believe and help the messenger of Allah, and lend to Allah. They will be admitted to Paradise.

In conclusion, the term "qarḍ ḥasan" in the Qur'an is interpreted as nafaqah in its general context. This interpretation coincides with Jamal (2006), which states that nafaqah or infaq is not limited to only sadaqah, waqf, and other sincere giving, but also includes debt, which can also be defined as infaq. In this case, it can be concluded that qarḍ ḥasan is not infaq, but it is included within the definition of infaq, similar to the difference between *al-dayn* and *al-qard.* The word al-dayn is more commonly used than al-qard because al-dayn covers the debt to Allah and the debt to humans, whereas al-qard is more specific than al-dayn because it is specific to the value of money in life (Serbini 2020). Moreover, as reported in Abū Manṣūr Muḥammad ibn Aḥmad al-Azharī in his book *Tahdhīb al-lughat* (pp. 339–342, volume 8), the word qard itself has various meanings. It can be translated as beautiful, praiseworthy, fairness of justice, surpassing, and lifting adversity. Eventually, it can be concluded that qard has the meaning of goodness and promoting positive values, and these meanings coincide with the value of sincerity in lending to help those in need. Further, the word "hasan" is an additional reinforcer for the word "qard". That is the reason Allah uses the term "qarḍ ḥasan" in all verses to symbolise the characteristics of generosity and indebtedness. In the context of this modern age, banking and financial institutions are the most powerful institutions to offer loans.

Moreover, based on the discussion above, a qard is defined as a loan agreement where one party transfers ownership of an asset, usually money, to another party, who is obligated to return an equivalent amount. The borrower gains full ownership of the loaned asset and can use it freely, with the responsibility of repaying it later.

Qarḍ Ḥasan (goodly loan) shares the same fundamental characteristics as qard but includes additional moral and religious dimensions. It is mentioned in the Quran multiple times, emphasizing its charitable and benevolent nature. Unlike standard qard,

qarḍ ḥasan is typically extended to those in need with the possibility of the lender forgiving repayment in cases of hardship.

Islamic scholars and financial institutions often use qard and qarḍ ḥasan interchangeably, but there is an ongoing debate about whether they are truly the same. Some view qarḍ ḥasan as any act of charity that aligns with Islamic values, while others restrict it specifically to interest-free lending for social welfare purposes. This distinction is crucial in Islamic finance, particularly in differentiating between loans used for banking operations and those meant for social and economic upliftment.

2.2.2 *Qarḍ Ḥasan* in Hadith

The legitimation of qarḍ ḥasan in the hadiths supports the verses in the Qur'an. Therefore, it can be concluded that lending, especially to those in need, is highly encouraged in Islam. The rewards in this world and the hereafter are also mentioned in the hadiths of Prophet Muhammad (ﷺ). Prophet Muhammad (ﷺ) taught the *ummah* to pay more to the creditor as a token of gratitude. In Forty hadith of an-Nawawi, hadith no. 36 mentions that:

> On the authority of Abu Hurayrah (may Allah SWT be pleased with him), Prophet (ﷺ) (peace and blessings of Allah SWT be upon him) said, "Whoever removes a worldly grief from a believer, Allah SWT will remove from him one of the griefs of the Day of Resurrection. And whoever alleviates the needy person, Allah SWT, will alleviate his needs in this world and the Hereafter. Whoever shields [or hides the misdeeds of] a Muslim, Allah SWT will shield him in this world and the Hereafter. And Allah SWT will aid His slave so long as he aids his brother". (grade: sahih in Al-Banī's view) (An-Nawawi)

The hadith above underscores the virtues of removing hardships, helping the needy, and protecting others' dignity. It promises divine reward both in this life and the Hereafter while emphasizing that aiding others leads to Allah SWT's assistance. The teaching encourages a compassionate and cooperative society, reinforcing Islamic ethics of generosity and support.

Another hadith states, “No Muslim lends to another Muslim twice except that it is equivalent to giving charity once” (Sunan Ibn Majah, Hadith 2430, Vol. 2). Al-Tirmidhi classified this narration as *hasan* (good) and *sahih* (authentic), as cited in *Irwā' al-Ghalīl fī Takhrīj Ahādīth Manār al-Sabīl* by Al-Albānī (Vol. 5, p. 225). Another hadith reports that the Prophet Muhammad (ﷺ) said: “On the night of my *Isrā'* (Night Journey), I saw written at the gate of Paradise: ‘Charity yields a tenfold reward, whereas a loan brings an eighteenfold reward.’ I asked, O Jibril! Why is a loan superior to charity?’ He replied, ‘Because a person may seek charity without being in true need, whereas a borrower only requests a loan in times of necessity’” (Sunan Ibn Majah, Hadith 2431). While this narration is classified as weak, Al-Suyūṭī deemed it *hasan* (good). These hadiths emphasize the virtue of benevolent lending in Islam, illustrating that Qarḍ ḥasan (benevolent loans) not only provide essential financial relief but also carry immense spiritual merit, as they directly address urgent economic needs with a greater sense of responsibility and accountability than general charity.

In a nutshell, the prophet encourages his followers to help the needy by extending loans to them. Then when it is time to repay the debt, the debtor should pay more than the amount borrowed. The act of paying more is a good deed, and it is considered a sign of gratitude. Hence, the above hadith supports the verses of the Qur’an that encourage people to lend, and their act of lending will be rewarded. The common purpose between argument on hadith and Quran can be seen in the following aspects. First, the debt should be repaid. Second, the debtor should repay more than the amount borrowed if he is able to do so. Third, Allah will reward the creditor if they are sincere. For that reason, this study has taken the initiative to develop a model based on the features and characteristics found in the prophet’s hadith.

2.2.3 Justification for the Verses

The reward for qarḍ ḥasan is consistent; it is doubled and added with a generous bonus, as described in six verses of the Qur’an that have the term “qarḍ ḥasan”. The rewards are Paradise, erasure of bad deeds, and forgiveness of sins. The act of extending a loan is akin to buying and selling, that is, buying Paradise by providing a loan. All the six verses above seem to encourage giving loans and spending money on the poor and

needy. All six verses show that Allah is borrowing, but Allah is All-Rich, and He is also the All-Giver and not intended to be a borrower. Allah wants to teach His servants how to deal with debt. The term "hasan" indicates sincerity in giving debt but not sincerity to allow the debtor to not repay his debt Allah has described that repaying in excess of the debt received will earn the debtor rewards and paradise. Even though Allah does not intend to be in debt, Allah depicts Himself as owing and paying the debt, and the repayment is in the form of multiplied rewards. It means that when His servant gives a loan to the needy, Allah will reward the servant many times over in this world and the hereafter.

Moreover, the Qur'an expresses the loan (*al-qarḍ*) with a different pattern, derived from the past tense verb *qaraḍa*. Ibnu Kathir, in his interpretation, said the command verb of "*aqriḍū*" in surah *al-Muzammil* and *al-Hadīd* indicates the meaning of sadaqah. In comparison, Al-Qurtubī reported that the command verb means *al-nafaqah ʻala al-ahli* (expenditure to maintain the family). Al-Qurtubī also reported that Omar bin Al-Khattab said the word "aqriḍū" is *al-nafaqah fī sabīl Allah* (expenditure for the sake of Allah).

Al-Tabari in his book *Jāmiʿ al-bayān ʿan taʾwīl āy al-Qurʾān* interprets the word "aqriḍū" as nafaqah and sadaqah. Firstly, the command verb is explained in the Arabic language to illustrate that the action is obligatory. It is clear that the word aqriḍū does not indicate that the order must be executed; rather, it points to the action in the form of encouragement and is not mandatory. That is the reason most scholars interpret the word "aqriḍū" as sadaqah and infaq in the general point of view. Secondly, the scholars interpreted "aqriḍū" as infaq and sadaqah because, during their time, there was no banking activity. Therefore, all lending activities were done individually from one person to another.

To sum up, Islam establishes the principle of cooperation among all Muslims. Therefore, extending help to others to alleviate their distress and suffering is a commendable act. Thus, whoever relieves a Muslim of his distress will receive Allah's mercy from pain on the day of resurrection. At the same time, Islam asks borrowers to pay debts and forbids them from delaying the repayment, as such delay can cause the lender to be reluctant to lend to others. Regardless of the method or term used, the debt

must be repaid. Sincerity in giving debt causes Allah to grant a great reward, which is called “hasan”. In the present study, the researcher intends to prove that (1) qard and qarḍ ḥasan have the same meaning, which is a loan; (2) all debts need to be repaid and not given as charity; and (3) the interpretations of past commentators were more inclined to nafaqah and sadaqah in general because, in ancient times, no institution managed the debt affairs. Back then, the interpretation of qarḍ ḥasan focused on charity.

2.2.4 *Qarḍ Ḥasan* in Consensus (*Ijmā'*) Point of View

Muslim scholars, in general, agree that qarḍ ḥasan is permissible. However, there is disagreement in assessing the authenticity of the hadith regarding which is a better deed (*afdal*) between sadaqah, infaq, and qard. From *Sunan Ibn Majah*, *Book of debt*, hadith no. 2431(Al-Qazwīnī 1996), it was narrated from Anas bin Malik that the Messenger of Allah (ﷺ) said:

> On the night on which I was taken on the Night Journey (Isra), I saw written at the gate of Paradise, “Charity brings a tenfold reward, and a loan brings an eighteenfold reward”. I said, “O Jibril! Why is a debt better than charity?” He said, “Because a person may ask for charity when he does not need it, but the borrower only borrows in cases of dire need”.

However, *Al al-bānī* categorised this hadith as very weak. Nonetheless, it can be argued that even if eighteenfold rewards will not be given, the verses of the Qur’an in surah *al-Baqarah*, *al-Hadīd,* and *al-Taghabun* mention that the rewards will be multiplied many times over the amount lent. The words ad'āfan and yudā'if indicate a definite bonus of more than eighteenfold. Thus, even though *Al al-bānī* categorised this hadith as weak, the status of the hadith does not have any effect because the verses of the Qur’an have explained that multiplied rewards will be given to the creditors, and the Qur’an is the most authentic source.

Further, sadaqah is better than qard, as mentioned in the hadith “Whoever lends a dirham twice, then he will be rewarded with alms once”. (Al-Haythamī. 1987) categorised this hadith as sahih (authentic). The comparison between sadaqah and qard is based on the borrower’s condition, which one is more important. When it is unclear

whether the borrower will be able to repay the debt, then charity (sadaqah) is better than qarḍ. On the other hand, if the money is needed urgently and the debtor is more likely to be able to repay the debt, then qarḍ ḥasan should be implemented.

According to (Najeeb and Lahsasna 2013), most researchers interpret that Allah regards qarḍ ḥasan as a loan to Allah. An analysis of the complete verse of 245 of surah *al-Baqarah* shows the contrary, as Allah SWT does not want a debt (qard) from His servants, but instead, Allah will give an external reward to the creditor. The act of lending to Allah means a person giving to another with the sincere intention of helping the person in need. It is certain that the deed will earn a greater reward from Allah. In other words, giving a loan will result in receiving the reward of a place in heaven in the hereafter from Allah (Al-Shaukani 2007). The loan is linked to Allah in verse 245 of sūrah *al-Baqarah* to encourage Muslims to give and spend in order to earn better rewards. Since the human desire to spend (infaq) is weak in general, Allah SWT urges people to spend by linking the loan to His Sacred Self as an encouragement to perform a good deed and give more to the Almighty only. Therefore, when a believer lends to Allah, Allah will give him goodness and a reward that surpasses every other reward.

Also, the word "hasan" in "qarḍ ḥasan" implies that every loan is reserved for Allah, free from the filth of polytheism, hypocrisy, reputation, and ugliness. In terms of the reasons and occasions of the revelation of verse 245 of surah *al-Baqarah*, (Abu al-Fiḍā ʻImād Ad-Din Ismāʻīl ibn ʻUmar ibn Kathīr al-Qurashī Al-Damishqī 2000), in his book, also brings the hadith of Abû Dahdāh narrated by Abdullah bin Mas'ud, which says:

> Abu Dahdah Al-Ansari said: "O Messenger of Allah, does Allah want a loan from us?" The Prophet Muhammad (ﷺ) replied, "True, Abu Dahdah". Abu Dahdah said, "O Messenger of Allah, reach out your hand". So the Prophet (ﷺ) extended his hand to Abu Dahdah, then Abu Dahdah said, "Indeed I lend to my Lord my garden".

This hadith clearly shows that Abu Dahdah was sincere in his act of deed to gain a reward from Allah.

In conclusion, Muslims unanimously agree that qarḍ ḥasan is permissible and that the ummah has dealt with it since the time of the Messenger of Allah until the contemporary practice. All Islamic scholars acknowledge this. The previous verses of the Qur'an and hadith show that Prophet Muhammad (ﷺ) and his companions also borrowed money and made repayments to the creditors. There is good news for the lenders who help someone in need, for they will receive abundant rewards from Allah. Therefore, this study incorporates cash waqf as a strategic mechanism for mobilizing funds to support *qarḍ ḥasan*, ensuring both sustainability and flexibility. By leveraging cash waqf, these funds can be systematically collected and invested in Sharīʿah-compliant assets, generating returns that enhance their longevity. This approach strengthens the viability of *qarḍ ḥasan*, making it a more reliable financial instrument to assist those in need, particularly during periods of economic instability.

2.2.5 Synthesis Matrix on Previous *Qarḍ Ḥasan* Research

For the synthesis matrix exploration, the study used the Publish or Perish tool to extract the previous studies on the qarḍ ḥasan model in the Google Scholar search engine. In total, 30 journal articles published from 2017 to 2021 were found. Another seven published journal articles were extracted from the Scopus Indexed journals. The low number of journals found reflects the limited research on qarḍ ḥasan. These findings also align with several studies, such as (Asbeig 2019) and (Noraini 2010). It is observed that qarḍ ḥasan research has shifted its direction to Islamic social finance and microfinance sectors for SMEs, as can be seen in the latest previous studies, namely (Zakariyah and Abdulrahman 2021), (Muneer and Khan 2019), (Aderemi and Ishak 2020), (Afonso and Khan 2019), (Oyesanya et al. 2019), (Sa'ad and Pitchay 2019), (Harper and Khan 2017), and (Sadr 2017).

Eight articles on bank-related research were published from 2017 to 2021. These studies are by (Al-muwallad and Idris 2021), (Ahmad, Said, and Othman 2021), (Shahabi et al. 2021), (Selim & Hassan, 2020), (Asbeig 2019), (Cahyono 2019), (Selim 2019a), and (Fesharaki and Sehhat 2018).

The number of qarḍ ḥasan studies in the Malaysian context, especially in the Islamic banking sector, has declined. This scenario is caused by the rule of the SAC of BNM which states that the word "hasan" should be omitted from the term "qarḍ ḥasan". This is to indicate that the borrower must repay the given qard to the lender or financier, and the borrower's heirs will bear this responsibility if the borrower dies before he can settle all of his debt obligations. Malaysian Islamic banking institutions are obligated to comply with this resolution, which specifies that the term "qard" describes a loan in Islam and the term "hasan" describes sincere giving for the sake of Allah. However, "qarḍ ḥasan" is the term used in the Qur'an to refer to a borrowing method in Islam. Allah does not need a loan from His servant because Allah is beyond rich. Thus, the use of the word "hasan" in the Qur'anic verses infers that the lender must be sincere in giving so that he will earn a reward from Allah. The verses that contain the term "qarḍ ḥasan" in the Qur'an describe the system of lending. Allah has exemplified Himself as a debtor and His servant as a creditor; then, Allah repays His debt with a multiplied reward. It can be concluded here that a person who is in debt is obliged to repay his debt. The word "hasan" in the term "qarḍ ḥasan" does not indicate that the creditor must be sincere to the extent of not expecting repayment from the debtor. It does not indicate the debt is a gift to the debtor. "Hasan" in "qarḍ ḥasan" is interpreted as a sincere gift merely in the context of gaining a multiplied reward from Allah. Giving money for Allah's sake is categorised as sadaqah, not qarḍ ḥasan. If qarḍ ḥasan means a sincere gift without repayment, then why does Allah reward his servants with a multiplied reward? The act of repayment shows that qarḍ ḥasan must be paid. Here, it has been proven that qarḍ ḥasan is not charity. Thus, Islamic banks should not be afraid to use the term "qarḍ ḥasan" in offering debt to customers. The qarḍ ḥasan product will attract more customers because there are no charges imposed except for the actual costs, which are permissible in *fiqh* and do not oppress consumers. Thus, the perception of *riba* involvement in Islamic banking can also be eliminated.

The current economic crisis caused by Covid-19 has affected many people and resulted in job losses. Many businesses have either closed down or are on the verge of failing. Therefore, policymakers face a challenging task in minimising the economic impact of Covid-19 and resuming the economic growth. For that reason, this study examined and explored the qarḍ ḥasan model in the Islamic banking sector and the research related to qarḍ ḥasan at the global level. The outcome is a proposal pertaining

to an innovative approach via cash waqf for personal financing to maintain social justice and financial stability.

Previous studies with empirical data on qarḍ ḥasan were conducted by(Ariffin 2010a), (Zainal, Mohd, and Mohd 2011), and (Sadr 2014). The study by Noraini (2010) investigated the qarḍ ḥasan concept for financing products among Malaysian Islamic banks. The study was a pilot case study that could be branched to include multiple case studies. Noraini (2010) expected her findings to be used by regulatory bodies such as BNM and the Malaysian Accounting Standard Board in establishing accounting and reporting requirements focusing on qarḍ ḥasan. In addition, the study found that qarḍ ḥasan products had been neglected in the Malaysian banking sector compared to other products.

(Zakariyah and Abdulrahman 2021) investigated the opinions of Muslim scholars regarding the permissibility of granting qarḍ ḥasan soft loans from zakat sources. The study used analytical and inductive methods to explore the perspectives of classical and current scholars and analyse the perspectives of advanced and contemporary jurists. Muslim scholars were found to have differing views on granting soft loans using the qarḍ ḥasan approach from zakat sources, and their views were based on diverse theories. The first view is held by Al-Maududi, Abdulrahman Khalaf, Abu-Zuhra, and Yusuf Qaradawi, who believe in the permissibility of issuing soft loans using zakat sources. However, the Kuwaiti Fatwa only allows such loans for marriage purposes. The second view forbids granting soft loans using zakat sources. This viewpoint was initiated by contemporary scholars such as Rafiq Yunus al-Misri in his commentary on al-Maududi as well as the Kuwaiti Fatwa. The third view is that it is permissible to grant soft loans using zakat sources with specific conditions imposed on the borrowers. This previous research is outside the scope of banking, as it does not emphasise profit; it is thus categorised as a part of Islamic social finance. The study also proposed the establishment of a fund by zakat institutions to offer qarḍ ḥasan to non-zakat recipients. Therefore, the study indicates that qarḍ ḥasan can be implemented by zakat institutions, but with strict control. At the same time, empirical data on the provision of zakat funds to *al-ghārimin* needs to be studied and refined before its implementation.

Therefore, if qarḍ ḥasan can be implemented by zakat institutions, it is also possible to implement qarḍ ḥasan in the Islamic banking sector in Malaysia, with some modifications and innovations that meet the requirements. This is because many people have been affected by income losses or decreases due to the economic crisis caused by Covid-19. Therefore, the people's purchasing power should be strengthened, but this cannot be achieved in times of crisis when the lending approval requirements are stringent.

(Al-muwallad and Idris 2021) studied the impact of a change in the time value of money vis-a-vis the qarḍ ḥasan practice. The study looked at how the value of money fluctuates over time and affects long-term loans. When the value of money declines, the lender would lose the difference between the principal and the new value. A major hindrance to applying qarḍ ḥasan in Islamic finance practices is pertaining to the breach of fiqh rulings. (Al-muwallad and Idris 2021) argue that Muslim scholars have offered various solutions to this problem, making qarḍ ḥasan seem an effective financial device for borrowing and lending money without committing any prohibited practice. The study used a secondary source of Islamic law (fiqh) involving an in-depth study of contemporary fiqh literature and interviews with contemporary Islamic scholars and specialists. The findings demonstrate that Islamic scholars and contemporary specialists have opposing viewpoints, necessitating alternative approaches to the problem. In other words, the change in the time value of money under the modern economic system affects the practice of qarḍ ḥasan. This change causes either party participating in a transaction based on qarḍ ḥasan to lose money or commit riba. As a result, numerous financial organisations, individuals, and banks have avoided qarḍ ḥasan.

Although qarḍ ḥasan has the potential to be one of the best borrowing and lending mechanisms, the difference between a loan's true monetary value and its repayment value makes qarḍ ḥasan a problematic financial device. However, making specific transaction improvements based on qarḍ ḥasan can solve its difficulty. (Al-muwallad and Idris 2021) provided the following simple example to illustrate the time value of money in modern finance:

$2000 today is not the same as $2000 10 years from now. The reason is that the purchasing power of $2000 today differs from that of the same $2000 in the future and

is usually less. The concept of time value of money first appeared in Sharīʿah when Prophet Muhammad (ﷺ) told Muslims that exchanging gold and silver had to be done on the spot, implying that gold and silver have time value and that both parties (the buyer and the seller) can benefit from the change in time value. Sharīʿah recognises that money has a time value; therefore, jurists authorise the *bay bi thaman ajil* contract, which requires payment in full at the moment of purchase or payments in instalments at a higher price. A change in the time value of money results in a decline in the purchasing power of paper money, which is called inflation. Inflation is the rate at which the price of goods and services in a given economy rises.

(Al-muwallad and Idris 2021) also highlighted the monetary policy theory by considering that discussion on the time value of money is relevant to monetary policy. Nevertheless, experts and scholars in Islamic finance have expressed concerns regarding the implementation of qarḍ ḥasan in the banking sector, highlighting key challenges such as the lack of financial returns, trust issues between banks and borrowers, and the impact of inflation on the declining value of money. Many Islamic banks view qarḍ ḥasan as a corporate social responsibility initiative rather than a core financial service(Norajila Che Man 2015) and(Ariffin 2010), leading to the minimal allocation of funds and restrictions on eligibility, often favoring high-net-worth individuals. Some experts suggest using gold instead of cash to preserve value and mitigate inflationary risks. However, others argue that qarḍ ḥasan should remain a charitable transaction for the sake of Allah, without concern for financial returns. These insights align with the qarḍ ḥasan–cash waqf (QHCW) model in this study, which seeks to integrate cash waqf as a sustainable funding source, ensuring that qarḍ ḥasan financing remains viable without burdening Islamic banks. By leveraging cash waqf, the model addresses concerns over financial sustainability, offering a structured and risk-mitigated approach to supporting the B40 and M40 income groups during economic crises. This research makes a salient contribution by directly engaging with the practical challenges of hindering the widespread adoption of qarḍ ḥasan in Islamic banking, including trust issues, inflation impact, and banks' reluctance due to a lack of returns. To overcome these limitations, the study explores innovative risk mitigation strategies, analyzesf pertinent regulatory frameworks, and explores alternative structures (e.g., gold-backed Qarḍ Ḥasan) to enhance its viability. Additionally, it examines the socioeconomic impact and potential integration of qarḍ ḥasan into

sustainable banking models, bridging the gap between theoretical ideals and practical implementation.

The study by (Kumar, Acharya, and Ho 2020) produced different results. The generalised method of moments (GMM) estimator was used to analyse the link between monetary policy and bank profitability in New Zealand. According to the findings, an increase in short-term interest rates would lead to an increase in bank profitability, but a long-term increase in interest rates would decrease bank profitability. Aside from monetary policy factors, capital adequacy ratios (CAR), non-performing loan (NPL) ratios, and cost-to-income ratios are significant determinants of bank profitability in New Zealand. CAR has a positive influence on bank profitability, but the NPL ratio and cost-to-income ratio have a negative impact. Meanwhile, (Brei, Borio, and Gambacorta 2020) found that a 1% drop in short-term interest rates led to a 0.93% rise in non-interest income. The study concludes that short-term interest rate declines can lower debt servicing costs and enable banks to expand their loan portfolios through aggressive lending, resulting in increased profitability. Moreover, the study by Kumar, Acharya, and Ho (2020) highlights the impact of short-term and long-term interest rates on bank profitability, emphasizing the role of capital adequacy (CAR) in mitigating risks. This relates to qarḍ ḥasan by reinforcing the importance of financial stability and risk management in Islamic banking. While qarḍ ḥasan is a non-profitable transaction, its role in attracting depositors aligns with CAR's function in ensuring financial resilience. Additionally, the findings support the argument that short-term financial products, including qarḍ ḥasan, can enhance liquidity and depositor confidence, contributing to overall banking stability.

To sum up, despite being a non-profitable transaction, qarḍ ḥasan is still important to banks since it helps to attract depositors. Hence, banks should offer qarḍ ḥasan products to attract as many depositors as possible. In terms of a lack of trust and confidence, qarḍ ḥasan and traditional loans with interest have the same effect. Imposing interest cannot guarantee that the loan will be repaid and instead adds to the borrower's liabilities. In addition, long-term loans are not immune to changes in the time value of money. Short-term loans may also be affected by particular economic situations, such as wars and financial crises. Finally, gold cannot be used in the place of qarḍ ḥasan, particularly in banks, because purchasing and selling gold on the market

raises bank costs (Al-muwallad and Idris 2021). Thus, past and contemporary scholars and professionals have offered various approaches to make qarḍ ḥasan more applicable. Based on their suggestions and comments, banking institutions can offer qarḍ ḥasan at a minimum amount to the needy with a short period of repayment. A comparison of the two previous studies by (Al-muwallad and Idris 2021) and (Kumar et al. 2020) leads this study to the conclusion that short-term loans can increase bank profits, and CAR must be adequate. CAR is useful for covering the risks faced by banks. The similarity between cash waqf and CAR is that they measure a bank's ability to meet obligations. Banks with a high CAR are generally considered safe and can fulfil their financial obligations. Then, here is the role of cash waqf in the model proposed in the present study.

2.2.6 *Qarḍ Ḥasan* and its Implementation

(Abdullah Ali Ahmad Malahi, Awal Adam Said, and Anwar Hasan Abdullah Uthman 2021) studied qarḍ ḥasan in the context of Yemeni Islamic banks. According to the study, Islamic banks can offer fund using qarḍ ḥasan. However, the survey discovered that the percentage of qarḍ ḥasan applications differed among the banks. Furthermore, the qarḍ ḥasan product did not include social responsibility reporting as a part of Islamic social finance, making its implementation deficient.

Moreover, Islamic banks in Yemen did not consistently issue special reports on the number of clients or the purpose of qarḍ ḥasan. The authors provided several recommendations, including the need to activate qarḍ ḥasan products on a large-scale, demonstrate its social responsibility, and fund it from several sources. The study also suggested that supervisory authorities, in collaboration with Islamic banks and relevant authorities, enact regulations and procedures relating to qarḍ ḥasan products. However, the study included only three large banks in Yemen that offered qarḍ ḥasan products. For example, in 2017, Tadhamon Bank lent as much as 41,709,000 Yemeni Rial. In 2013, Saba Islamic Bank lent 4,345,019,000 Yemeni Rial and Shamil Bank of Yemen and Bahrain lent 1,901,852,000 Yemeni Rial. All the qarḍ ḥasan funds in these three banks were from current accounts. It means that the qarḍ ḥasan financing was from depositor customers, and the total qarḍ ḥasan financing extended in the years 2010–

2019 by the three banks was about USD65,537,323 billion. The shortcoming of the qarḍ ḥasan implementation in Yemen is pertaining to the failure to prepare a detailed report. Nonetheless, the amount of loans extended is high, indicating that there is a high demand for qarḍ ḥasan products in Yemen.

Therefore, the study on qarḍ ḥasan funds in Yemeni Islamic banks underscores critical challenges in sustainability, governance, and impact, revealing that reliance on limited bank profits and donations renders the model financially unstable and underutilized. The absence of standardized governance and transparency further limits its effectiveness as a tool for financial inclusion and crisis mitigation. In contrast, the qarḍ ḥasan-cash waqf *(QHCW) model* provides a structured, self-sustaining mechanism by leveraging cash waqf as a dedicated funding source, ensuring longevity and resilience through Sharia-compliant investments. By institutionalizing cash waqf as a core financial intermediary, the QHCW model enhances accountability, mitigates liquidity risks, and optimizes fund allocation to those in economic distress. Moreover, the model aligns with regulatory calls for a more transparent and structured approach to qarḍ ḥasan, addressing the gaps identified in the Yemen study by introducing a governance framework that integrates impact assessment and investment strategies. The comparative insights reinforce the necessity of shifting from ad-hoc, donation-dependent qarḍ ḥasan models toward a systematically funded and strategically managed approach, positioning the *QHCW* framework as a more robust and scalable solution for financial stability and social welfare within Islamic banking.

In the study by (Muneer and Khan 2019), qarḍ ḥasan was highlighted as a tool used to help storm victims in 2007 in Bangladesh. Their study discussed the role of qarḍ ḥasan in poverty alleviation. The Fael Khair Waqf (FKW) Programme was created in response to the urgent need to aid cyclone victims, and it established an interest-free micro-loan (qarḍ ḥasan) plan to help a substantial proportion of the victims reclaim their livelihoods and to raise them out of poverty. The study analysed 1,600 families using an independent sample t-test and logistic regression to assess the programme's effectiveness in reducing poverty. It was found that FKW members had 1.46 times lower chance of being poor than the non-participants.

Furthermore, the qarḍ ḥasan product offered by FKW reduced borrowing costs substantially, allowing members to amass more assets, thereby helping them to improve their economic situation. In this case, the social financial sector played a positive role. The study used the cost of basic need (CBN) technique to determine poverty, adapted from the World Bank's *Handbook on poverty and inequality* (2009). The study recommends that practitioners, regulators, and future researchers should establish specific regulations based on the findings. First, given the success of qarḍ ḥasan in reducing poverty, traditional microfinance practitioners might also incorporate a qarḍ ḥasan component in their loan schemes. Second, the data suggest that savings can have a significant impact on poverty alleviation. Third, qarḍ ḥasan loans are often minimal in amount. These amounts might be increased due to their impacts on poverty alleviation. Larger loan amounts for entrepreneurial borrowers will result in long-term poverty eradication. Fourth, the third recommendation has huge consequences for regulators in terms of incentivising qarḍ ḥasan providers to offer bigger loans. Regulators might establish a minimum limit for the loans to be provided to entrepreneurs. They might also encourage the institutionalisation of qarḍ ḥasan, which is now run on an informal basis. The fifth suggestion to conduct a further study to help practitioners and academicians improve the qarḍ ḥasan model. Future research is needed to enhance the qarḍ ḥasan model's savings and big loan components, and such research can serve as a reference and a framework. The findings show that the qarḍ ḥasan model can help reduce poverty; therefore, large-scale loans can be offered according to the latest household income with strict rules in place.

The study by Muneer & Khan (2019) on the *Fael Khair Waqf (FKW) Programme* highlights the effectiveness of qarḍ ḥasan in poverty alleviation, demonstrating that participants had a 1.46 times lower probability of remaining poor compared to non-participants. However, the study also identifies key challenges, such as the limited size of qarḍ ḥasan loans, the need for institutionalization, and the reliance on a fixed waqf endowment, which may restrict long-term sustainability. In contrast, the qarḍ ḥasan-cash waqf *(QHCW) model* addresses these limitations by integrating cash waqf as a dynamic and continuously growing funding source, allowing Islamic banks to systematically collect, invest, and distribute qarḍ ḥasan financing more sustainably. While the FKW Programme successfully reduced borrowing costs and facilitated asset accumulation for cyclone victims, its emergency-focused structure

lacks the scalability and regulatory integration required for long-term economic resilience. The *QHCW* model, on the other hand, institutionalizes qarḍ ḥasan within Islamic banking, ensuring structured governance, larger loan provisions, and an adaptive mechanism that aligns with financial regulations. Furthermore, by leveraging investment returns from cash waqf, the *QHCW* model provides not only a stable source of financing for individuals but also a strategic financial instrument for mitigating future economic crises. Unlike ad-hoc relief efforts, the *QHCW* framework establishes a proactive and self-sustaining system that enables financial institutions to support affected individuals and businesses during periods of economic instability, thereby strengthening economic resilience and fostering long-term financial inclusion.

(Afonso and Khan 2019) presented the Akhuwat Islamic Microfinance (AIM) case study in their book entitled *Emerging Challenges and Innovations in Microfinance and Financial Inclusion*. They investigated the advantages and disadvantages of the interest-free microcredit model presented by AIM Pakistan and provided profound knowledge on Islamic microfinance. They identified four crucial questions regarding qarḍ ḥasan and Islamic microfinance, namely demand, sustainability, replicability, and impact.

The Pakistan Microfinance Network (PMN) data on the microfinance sector demonstrates AIM's remarkable outreach success. AIM's growth at that time was exceptional regarding the number of active clients and geographical coverage. Even though Islamic microfinance only accounted for a small portion (16% as of September 2017), the overall penetration rate of the microfinance sector in the country had increased significantly in 3 years from 11.8% as of September 2014 to 25.4% as of September 2017.

AIM's primary sources of funds are from national and international donations (including sadaqah and zakat), institutional funding from regional governments (particularly the Government of Punjab), and application fees (AIM charges a fixed and non-refundable fee of 200 Pakistani Rupees [just under USD2] for all loans). AIM believes that if a person can take out a loan without interest in the hope of improving their financial condition, that person will eventually be able to rise out of poverty. Further, AIM believes that that person has a moral obligation to help others do the same.

The experience of AIM also shows the intense desire of Muslim donors to support the qarḍ ḥasan programme as a preferred method of helping low-income borrowers. This desire is partly due to the teachings of Islam, and the borrowers themselves support the organisation's philosophy of solidarity with "others in need" and make voluntary contributions to support the programme. Despite not following the same valuation standards as traditional microfinance, AIM's qarḍ ḥasan model has proven to be financially sustainable, and it is likely to be replicated worldwide.

AIM's experience appears rare, especially in terms of the institution's ability to attract funds. Microcredit solutions based on qarḍ ḥasan have struggled to either scale up or attract a wider audience. In addition to AIM's creative strategy to cover its operating costs, the organisation has different tactics to maintain low operational costs and high loan payback rates besides promoting a strong sense of commitment and loyalty among its employees. One of the strategies used in maximising the availability of mosques as a lending centre and knowledge transfer in terms of Islamic finance education, references, and teachings, including the motivational aspects of helping others.

(Harper and Khan 2017) reported that AIM had grown dramatically over the last 15 years to become Pakistan's most prominent Islamic microfinance provider, with an outstanding loan portfolio of almost USD77 million and more than 567,000 active clients supported by 500 offices nationwide. Yet, it maintained an incredibly low PAR30 (Portfolio at Risk) ratio of less than 1% continuously. According to the study, AIM has demonstrated that it is possible to provide qarḍ ḥasan loans while still covering the operational expenditures. AIM receives large faith-based donations. The voluntary donations from borrowers are an intriguing component of AIM's business success. Besides, access to institutional finance from various regional government agencies has fuelled AIM's tremendous expansion in recent years.

By that, the case study of Akhuwat Islamic Microfinance (AIM) by Afonso & Khan (2019) demonstrates the viability of qarḍ ḥasan-based microcredit in fostering financial inclusion, reducing poverty, and maintaining operational sustainability. AIM's success in mobilizing funds through donations, *sadaqah*, *zakat*, and government support

highlights the strong demand for Islamic microfinance solutions. However, its dependency on voluntary contributions and institutional funding raises concerns about long-term sustainability and scalability, particularly during economic uncertainty. In contrast, the qarḍ ḥasan-cash waqf *(QHCW) model* provides a more sustainable and structured alternative by leveraging cash waqf as a perpetual funding source through Sharīʿah-compliant investments. This ensures a continuous flow of funds that can be allocated to qarḍ ḥasan personal loans, particularly for individuals facing financial distress during economic crises. While AIM effectively harnesses faith-based giving and community-driven solidarity, the *QHCW* model institutionalizes qarḍ ḥasan within Islamic banking, offering a regulated, investment-backed approach that reduces reliance on unpredictable donations. Furthermore, by positioning cash waqf-funded qarḍ ḥasan as a strategic financial instrument, the *QHCW* model not only supports microfinance but also strengthens economic resilience by providing personal loans to the needy during financial downturns. Unlike existing qarḍ ḥasan initiatives, which are often treated as part of corporate social responsibility (CSR) activities, the *QHCW* model aspires to become a core financial product within Islamic banking, ensuring its long-term viability and mainstream adoption. By shifting qarḍ ḥasan from a charitable obligation to a structured financial solution, the *QHCW* model can transform Islamic banking by offering an ethical, interest-free financing alternative that addresses both personal and economic crises while fostering financial stability and sustainable development.

Al-Hayat Relief Foundation has adopted a similar initiative for Muslims in Nigeria to improve their socio-economic conditions due to a lack of access to ethical loans (Oyesanya et al. 2019). The foundation offers two types of loans: standard loans and self-development loans. The interest-free standard loans (ranging from 25,000 to 1,000,000 naira) are extended to registered members for productive purposes. The self-development loan (ranging from 10,000 to 20,000 naira) is primarily intended to assist needy members in starting a modest business or commerce. These loans come with explicit terms and conditions. Improving Muslims' socio-economic conditions entails, among other things, making available substantial yet relative funds. Furthermore, these funds must pass Islamic ethical standards. Al-Hayat Relief Foundation has continued to play a vital role in developing an enabling framework for fund provision based on the *ta'wun* concept (cooperation and collectivity).

The initiative by Al-Hayat Relief Foundation in Nigeria, as discussed by Oyesanya et al. (2019), aligns with the broader objectives of Islamic social finance by providing interest-free loans to improve the socio-economic conditions of Muslims who lack access to ethical financing. The foundation's model, which offers both standard and self-development loans under the *ta'wun* (cooperation and collectivity) framework, demonstrates the effectiveness of qarḍ ḥasan in financial inclusion and poverty alleviation. However, its reliance on member contributions and limited loan sizes restricts its scalability and long-term sustainability. In contrast, the qarḍ ḥasan-cash waqf *(QHCW) model* addresses these limitations by integrating cash waqf as a self-replenishing financial mechanism, ensuring a continuous and scalable source of funds through Sharīʿah-compliant investments. Unlike Al-Hayat's initiative, which depends on cooperative funding with predefined limits, the *QHCW* model institutionalizes *qarḍ ḥasan* within Islamic banking, enabling larger, more flexible loan allocations to support both personal financing and entrepreneurial ventures. Additionally, while Al-Hayat's model primarily serves a localized community, the *QHCW* framework aspires to be a mainstream financial product rather than a temporary or charitable intervention, allowing for broader economic impact and resilience during financial crises. By shifting qarḍ ḥasan from a cooperative initiative to a structured, bank-integrated model, the *QHCW* approach ensures sustainability, greater financial accessibility, and enhanced economic stability for individuals and communities alike.

(Sadr 2017) confirmed the existence of several microfinance schemes that comply with Islamic principles. As a result, these schemes, the global Islamic microfinance business was expected to rise at a 5-year cumulative average growth rate of 19.7% from 2013 to 2018 due to renewed interest and efforts. The author concludes that in all economies, regardless of the economic level, qarḍ ḥasan associations are viable informal financial intermediaries. Therefore, financial authorities should implement legislative and regulatory measures to assist the needy groups and promote growth in both rural and urban areas. The proliferation and continued development of this type of interest-free financing, both in Muslim and non-Muslim nations, demonstrate the resilience of Islamic finance and its role in promoting social welfare and economic progress across the world.

As seen, in Sadr (2017) highlights the growing significance of *qarḍ ḥasan* as a viable financial instrument in both Muslim and non-Muslim economies, emphasizing its resilience and capacity to drive social welfare and economic progress. The study underscores the necessity of legislative and regulatory support to formalize qarḍ ḥasan associations, ensuring their scalability and impact. While this aligns with the *qarḍ ḥasan-cash waqf (QHCW) model* in advocating for institutionalization, the *QHCW* model advances this framework by integrating *Cash Waqf* as a perpetual funding mechanism, reducing reliance on informal financial networks and enhancing financial sustainability. Unlike existing microfinance schemes that often operate as standalone entities, the *QHCW* model positions qarḍ ḥasan as a core financial product within Islamic banking, ensuring regulatory compliance, structured governance, and broader economic outreach. By shifting qarḍ ḥasan from an informal financial intermediary to a mainstream banking solution, the *QHCW* model enhances accessibility, scalability, and resilience, making it a more robust and sustainable approach for financial inclusion and crisis mitigation.

In conclusion, qarḍ ḥasan has demonstrated significant success, particularly in the SME sector, yet studies consistently emphasize the need for further refinement to enhance its sustainability and scalability. The case of Akhuwat Islamic Microfinance (AIM) in Pakistan (Afonso & Khan, 2019) illustrates how collective contributions strengthen qarḍ ḥasan financing, ensuring its continuity. Similarly, Sadr (2017) highlights the viability of *qarḍ ḥasan* associations as a benchmark for Islamic microfinance worldwide. To elevate *qarḍ ḥasan* beyond traditional models, this study proposes the qarḍ ḥasan-cash waqf *(QHCW) model*, which integrates cash waqf as a sustainable and self-replenishing funding mechanism. Unlike existing initiatives that rely on periodic donations, the *QHCW* model institutionalizes qarḍ ḥasan within Islamic banking, positioning it as a mainstream financial product rather than a CSR activity. Furthermore, modernizing *QHCW* through AI and fintech innovations can enhance accessibility, efficiency, and transparency. AI-powered fintech applications can automate risk assessments, ensure responsible lending, and connect cash waqf donors with beneficiaries, while blockchain-based smart contracts reinforce trust by ensuring Sharīʿah-compliant fund utilization. AI-driven chatbots can further streamline financial guidance, making *QHCW* financing more seamless and inclusive. By integrating these technological advancements, the *QHCW* model has the potential to revolutionize

Islamic banking, providing a structured, scalable, and innovative approach to financial inclusion, economic resilience, and sustainable development.

2.2.7 *Qarḍ ḥasan* and *Takaful*

In the study by (Puspita, Kolkiewicz, and Tan 2020), the primary goals were to establish a computational technique to calculate the risk of destruction and construct a new risk model for modelling hybrid-takaful (Islamic insurance). Ruin probability is a crucial topic in actuarial science in determining an insurance product's solvency sufficiency. The hybrid-takaful business model employs a *wakalah* (agent-based) contract for underwriting and a *mudarabah* (profit sharing) investment contract. In the event of a deficit, a qarḍ ḥasan facility would be extended by the operator (shareholder) to the participant as a benevolent loan. This zero-interest loan would be repaid if the company makes a profit in the future. In addition, the authors suggest establishing a separate investment account for the participants' funds for better investment management. They used several numerical examples to examine the effects of certain vital factors on the takaful business model. Regarding the likelihood of ruin, they also found that their suggested takaful model outperformed the traditional counterparts.

Two options can be considered in the event of a shortfall in the takaful fund. The first option entails levying additional payments from members to offset the gap. However, this method is not widely used because it is not financially viable. The qarḍ ḥasan facility is the second option. This approach is more commonly used, and it is not only recommended by the Islamic Financial Sharīʿah Board (IFSB, 2010) and mandated by several regulatory bodies. As a result, the suggested risk model focuses solely on the qarḍ ḥasan alternative for dealing with the deficit issue. The beneficent loan, or qarḍ ḥasan, is an interest-free loan made by shareholders to the participants' fund in the event of a deficit. Qarḍ ḥasan is the portion of the shareholders' capital set aside to ensure the fund's stability. According to IFSB's (2010) policy, any qard-hasan borrowed must be returned from the future surpluses of the participants' fund. If the borrower cannot repay the loan, the lender cannot force the borrower to do so; instead, the lender must consider the transaction a charitable gesture.

Meanwhile, in (Ahmad Khilmy Abd. Rahim et al., 2017) study, a qarḍ ḥasan Issue in Mudarabah Takaful Model, examines the challenges associated with implementing qarḍ ḥasan (interest-free loans) within the Mudarabah-based Takaful operations in Malaysia. In this model, Takaful operators (TOs) act as fund managers (Mudarib), while participants provide capital (Rabbul Mal). When the Participants' Special Account (PSA) faces a deficit due to claims exceeding contributions, TOs must inject qarḍ ḥasan to cover the shortfall. However, ambiguities in repayment terms and concerns about fairness, especially regarding new participants who might bear the burden of past deficits, have been identified. The study suggests that alternative models with fewer issues, such as the Wakalah model, might be more suitable for Takaful operations.

In short, Puspita et al. (2020) explore qarḍ ḥasan as a risk-stabilization tool, while the Mudarabah Takaful model critiques its fairness and sustainability in a Mudarabah-based system. However, The QHCW model and the Wakalah Takaful models aim to provide fair and sustainable financing, but they serve different purposes. Wakalah Takaful replaces qarḍ ḥasan by charging participants a fixed fee, ensuring no unfair debt burden on new members, while QHCW provides qarḍ ḥasan financing for individuals in financial crises, funded by Cash Waqf and investments. Unlike Wakalah Takaful, which focuses on insurance stability, QHCW prioritizes personal financing, ensuring continuous support through a self-sustaining, investment-backed model that benefits individuals rather than just managing risk-sharing funds.

Based on numerical simulations, (Puspita et al. 2020) conclude that the qarḍ ḥasan facility enhances the fund’s performance by lowering the finite-time ruin probability. This is because, unlike traditional insurance, this facility provides loans at no cost and no required repayment when there is a deficit. Furthermore, repaying the qarḍ ḥasan obligation adheres to Sharīʿah law and has a beneficial impact on the business if the undrawn qarḍ ḥasan is invested in non-risky assets. Borrowers can help to increase the qarḍ ḥasan fund at a reasonable rate of return by paying off their loan obligations. The investment return is postponed until the surplus account reaches the investment trigger level if the money is kept in the surplus account. This method is similar to the qarḍ ḥasan-based crowdfunding in the study by Aderemi and Ishak (2020). Their study shows that both qarḍ ḥasan and mudarabah may be used in an Islamic

crowdfunding framework as an emerging method of financing and as an alternative Sharīʿah financing for enterprises. Further, while qarḍ ḥasan can focus on company startups, mudarabah may cater to nurturing and developing existing businesses to increase their competitiveness.

Thus, the difference between the qarḍ ḥasan model in the Takaful system and the qarḍ ḥasan proposed in this study is their purpose and beneficiaries. The QHCW model provides direct personal financing to needy individuals, supported by cash waqf and Islamic banks, ensuring financial inclusion and ethical funding without interest. In contrast, Takaful with qarḍ ḥasan is a risk-management tool where the Takaful operator lends to the Tabarru' (risk) fund to cover claim shortfalls, ensuring smooth insurance operations. While QHCW benefits individuals facing economic hardship, Takaful's Qarḍ ḥasan ensures stability in Islamic insurance, preventing fund deficits and maintaining trust among participants.

Moreover, several studies, including (Auwal Adam Sa'ad and Anwar Allah Pitchay 2019) and (Vahid Shahabi et al. 2021), highlight the role of Internet banking in enhancing qarḍ ḥasan implementation, emphasizing its ability to streamline loan processing, minimize administrative burdens, and facilitate seamless interaction between borrowers and financial institutions**.** Vahid Shahabi et al. (2021) further demonstrate that Internet banking adoption can lead to branch reductions, improved incentive structures, increased IT budget allocations, and greater efficiency in mobilizing banking transactions and financial resources. While these findings underscore the importance of technological integration in qarḍ ḥasan financing**,** they primarily focus on bank-mediated lending models. In contrast, the QHCW model expands beyond institutional banking by leveraging Cash Waqf as a sustainable funding mechanism, allowing for broader financial inclusion and independent community-driven financing. This distinction highlights the QHCW model's potential to decentralize financial access, reducing reliance on traditional banking structures while maintaining efficiency through technology.

In conclusion, the qarḍ ḥasan approach is not limited to SMEs or business startups but can also be effectively implemented in Takaful to address fund deficits. Moreover, its application extends beyond commercial purposes, offering a critical

financial lifeline for individuals during economic crises. Integrating digital solutions, such as Internet banking, has already simplified qarḍ ḥasan transactions, and emerging technologies like blockchain present new opportunities for secure and transparent fundraising. If a qarḍ ḥasan fund is established now, strategically invested, and generates sustainable profits, it can serve as a reliable personal financing tool, ensuring continuous financial support for those facing hardship while maintaining its self-sufficiency and long-term impact.

2.2.8 Monetary Policy and Qarḍ Ḥasan Approach

Interest rates and credit availability are linked to the country's monetary policy. For centuries, monetary policy has consisted of either changing currency or issuing paper money (Bordo 2008). One of the essential tools that the government uses to regulate the economy is monetary policy (Salmanov, Zayernyuk, and Lopatina 2015). Furthermore, the origins of money are a topic of discussion among historians, economists, anthropologists, and numismatists (Bordo 2008). According to popular belief, coins first existed around the seventh century BC in ancient Lydia. However, some people say its origins can be traced back to ancient China (Brad Smithfield 2017).

The world currency system started with the token money system. This system entailed using gold and silver metals solely as exchange tools, and it lasted until before 1870 (Muhamad 2002). In 1815, several European countries held a conference in Vienna and agreed to establish a fixed exchange system in which the parity of a country's currency was assessed based on the value of gold. This system was widely practised from the 19th century until the beginning of the 20th century throughout 1880–1914. However, during that period, there were times when the whole gold standard system was not used because economic conditions did not allow it, such as the outbreak of civil war in the United States (Yaacob 2009). Moreover, this standard did not cover the whole world. Only a large group of European countries used the gold standard and maintained a fixed exchange rate.

The history of the existence of paper money is also related to seigniorage. Seigniorage is a fee charged by the government to generate profit through smelting work

or conversion of bullions into coins (Bordo 2008). The word seigniorage is also spelled "seigniorage" or "seigniorage". In the feudal system, the power to produce coins rested with the king or seignior. Thus, this part of the king's income is known as seigniorage for the king's use. Seigniorage rates change from time to time. Seigniorage can be thought of as an annual flow related to the net money issued or as the present value of all current profits, as well as expectations from the effort to withdraw money. The profit derived from seigniorage depends on attracting people to hold the amount of money printed. The greater the amount of money held by the public, the more seigniorage is gained. A government that issues legal tender is bound to gain seigniorage because its citizens must have the paper money (Yaacob 2009). The rationale for associating qarḍ ḥasan with monetary policy is significant because monetary policy is one of the most effective tools that central banks use to ensure full employment and price stability. Central banks utilise bank rates and other interest-related monetary policy instruments in a conventional interest-based system. Meanwhile, in the Islamic or Sharia-compliant system, qarḍ ḥasan or good loans is applied as a monetary policy tool to achieve full employment and price stability. The effect of qarḍ ḥasan-based monetary policy on the economy is vast ((Selim 2019a)(Selim & Hassan, 2020). Qarḍ ḥasan is interest free and infused with compassion and a desire in the lenders to alleviate the borrowers' sufferings so that the borrowers may reap the highest benefits from such loans.

Qarḍ ḥasan can be utilised as a monetary policy instrument. If the central bank replaces the bank rate with qarḍ ḥasan and provides low-interest loans, it is believed that the monetary policy will succeed. Qarḍ ḥasan can serve as a strategic monetary policy instrument by offering interest-free liquidity support, fostering financial stability, and enhancing economic inclusion (Selim 2019b). If a central bank replaces conventional bank rates with qarḍ ḥasan-based financing, it can stimulate productive investments while maintaining Sharīʿah compliance. This approach mitigates excessive debt burdens, reduces inflationary pressures, and promotes ethical financing. By providing low-cost liquidity to banks and financial institutions, qarḍ ḥasan can enhance credit accessibility, particularly for SMEs and underbanked communities, aligning monetary policy with sustainable economic growth and social welfare objectives. As a result, expansionary monetary policy will have the greatest possible beneficial effects on the economy. In other words, when interest rates are low, many borrowers can borrow, even those affected during the economic crisis caused by Covid-19. In this

scenario, purchasing power will increase, which will increase selling and buying activity.

The theoretical equation concept proposed is:

$$\{PE \approx LIR \leq QHR\} \text{ (Equation 2.1)}$$

where PE = positive economy, LIR = low-interest rate, and QHR = qarḍ ḥasan rate. Based on this equation, a positive economy is when the interest rate is less than or equal to the qarḍ ḥasan rate. For example, if a country needs $10 billion (PE) to support small businesses, but only $7 billion (LIR) is available, the QHR = $3 billion to fill the gap using qarḍ ḥasan funds, ensuring inclusive economic growth.

(Selim & Hassan, 2020) analysed how central banks can implement qarḍ ḥasan-based monetary policy and serve as a lender of last resort for both Islamic and conventional interest-based banks. Islamic banks are assured of full and equal access to borrowing facilities on a qarḍ ḥasan basis without interest when the central bank acts as a lender of last resort by implementing qarḍ ḥasan-based monetary policy.

Nearly USD165 billion was accumulated in reserves by a sample of 147 Islamic banks from 26 countries ((Boumediene 2015). However, according to the study, Islamic banks do not need to hold USD165 billion in idle cash reserves if the central bank functions as a lender of last resort under qarḍ ḥasan-based monetary policy since Islamic banks can easily borrow from the central bank. This arrangement would be equitable for both Islamic and interest-based banks. Furthermore, for over 1 year, the Eurozone and four other significant members of the Organisation for Economic Co-operation and Development (OECD) effectively pursued zero or negative interest rates or qarḍ ḥasan-based monetary policy. Therefore, the results of the study on qarḍ ḥasan-based monetary policy when the central bank acts as a lender of last resort are phenomenal: aggregate expenditures will rise, the multiplier value will increase, the equilibrium real GDP will increase, employment will increase, and the unemployment rate will fall. Furthermore, supply-side impacts will provide price stability as qarḍ ḥasan-based monetary policy reduces the overall cost of financing in all sectors of the economy and pushes the aggregate supply curve to the right. Therefore, it is timely for all countries

to embrace a qarḍ ḥasan-based monetary policy in which the central bank may play an active role as a lender of last resort to promote justice and healthy competition while reducing the risk of bankruptcies and financial crises.

When the central bank operates as a lender of last resort by pursuing qarḍ ḥasan-based monetary policy, Islamic banks are instantly empowered by gaining access to qarḍ ḥasan-based borrowings from the central bank. As a result, Islamic banks will no longer need to keep billions of dollars in liquid assets to protect themselves from liquidity problems. Then, the Islamic banks' lending capability will increase, expanding deposit growth, loan creation, and overall economic spending. As a result, real GDP and employment will increase, whereas the unemployment rate will decrease.

The study by (Kahf and Hamadi 2014) proposed a mechanism that allows the central bank, as a lender of last resort, to help Islamic banks deal with the liquidity crisis. The instruments include short-term mudarabah deposits, selling the leased assets of Islamic banks to the central bank, and using tradable sukuk for open market operations. Such tools may assist Islamic banks but will not solve all of their problems in mitigating the liquidity crisis. Only a monetary policy based on qarḍ ḥasan will offer Islamic banks the same competitive advantage as their competitors in the conventional interest-based economy. Besides, Zaheer and Farooq (2013) claimed that boosting the financial inclusion of faith-based groups (via qarḍ ḥasan-based monetary policy) through Islamic banks will improve their economic well-being and ensure financial system stability.

(Ismath Bacha 2008) outlined the critical instruments devised by Malaysia's central bank, BNM, for Islamic banks' liquidity management. *Wadiah* Acceptance is one of the instruments used to encourage Islamic banks to keep their surplus funds with BNM, and BNM is not obligated to pay any return to the Islamic banks other than as a *hibah* or gift. The same rule applies for the Ar-Rahnu Agreements (RA-1), Sukuk BNM Ijarah, BNM Istithmar Notes, and Islamic Negotiable Instruments of Deposits introduced by BNM. Such instruments may provide some liquidity to Islamic banks, but they may be insufficient when the Islamic banks require substantial amounts of liquid funds immediately. Only a monetary strategy based on qarḍ ḥasan can ensure that adequate liquid funds are available instantly.

For that reason, the impacts of qarḍ ḥasan-based monetary policy on the stability input when the central bank operates as a lender of last resort include total deposit expansion and loan creation in the economy. Consequently, the aggregate expenditure will increase. In this scenario, the economy's equilibrium income and employment will increase, and the unemployment rate will drop.

Table 2.3 by (Selim & Hassan, 2020) presents the bank rates or central bank rates for the Eurozone and a few key OECD nations that have implemented qarḍ ḥasan-based monetary policy and central banks as a lender of last resort with zero or negative interest rates. If the Eurozone, Japan, Switzerland, Sweden, and Denmark can implement monetary policy based on zero or negative interest rates or qarḍ ḥasan effectively for 1 year or more, then other nations should also be able to implement it. The Organization of Islamic Countries (OIC), in particular, should take the initiative in this regard.

Table 2.3 Qarḍ ḥasan-based monetary policy and lender of last resort with zero or negative interest rates from the Eurozone and a few prominent Organization for Economic Cooperation and Development (OECD) countries.

OECD Eurozone Countries	**Bank Rates CB Interest Rates**	**Policy in effect in years**	**LORL Interest Rates**
Denmark	-0.65	1.33	-0.65
Japan	-0.10	1.33	-0.10
Sweden	-0.50	1.25	-0.50
Switzerland	-0.75	1.33	-0.75
Australia	0.00	1.25	0.00
Belgium	0.00	1.25	0.00
Cyprus	0.00	1.25	0.00
Estonia	0.00	1.25	0.00
Finland	0.00	1.25	0.00
France	0.00	1.25	0.00
Germany	0.00	1.25	0.00
Greece	0.00	1.25	0.00
Ireland	0.00	1.25	0.00
Italy	0.00	1.25	0.00
Latvia	0.00	1.25	0.00
Lithuania	0.00	1.25	0.00
Luxemburg	0.00	1.25	0.00
Malta	0.00	1.25	0.00
Netherlands	0.00	1.25	0.00
Portugal	0.00	1.25	0.00
Slovakia	0.00	1.25	0.00
Slovenia	0.00	1.25	0.00
Spain	0.00	1.25	0.00

(Source: List of countries by central bank interest rate from (Selim & Hassan, 2020) study.)

The uncertainty caused by Covid-19 has affected the global economy and pushed it into a long-term slump. The appropriate formulation of monetary policy and crisis management is crucial in enabling decision-makers to make informed decisions to address this matter. The Covid-19 outbreak has heightened the uncertainties surrounding global demand, pricing, confidence, anxiety, investment, and, in general, the economy and social machinery.

To overcome the financial crisis caused by the pandemic, governments can use the new approach of qarḍ ḥasan (benevolent loan) suggested by Asbeig 2019). This approach, which is an alternative to the low-interest social loans, was rolled out in Libya following the implementation of a full-fledged Islamic banking system in the country. As reported by Asbeig (2019), the public funds in Libya have not been well managed, while in banking institutions and governmental agencies, the funds lack monitoring and have a loose regulatory and supervisory framework. Asbeig (2019) attempted to develop a better framework using a creative form of the qarḍ ḥasan model. The primary aim of the study is to enable Islamic banks to implement qarḍ ḥasan, and the qarḍ ḥasan fund should not be drawn from loanable bank funds or sourced from public funds. In addition, the proposal addresses the use of qarḍ ḥasan as a Sharīʿah-compliant monetary policy tool.

According to the study, the Central Bank of Libya should use its considerable statutory reserve requirement, set at 20% since 2008, to create a unique one-purpose qarḍ ḥasan reserve, where Islamic institutions can advance qarḍ ḥasan at a particular ratio within the statutory reserve requirement. The Islamic banks can use the qarḍ ḥasan reserve to extend qarḍ ḥasan-based loans or keep the entire statutory reserve in their central bank accounts. He also affirmed that Islamic banks could charge the direct cost incurred for qarḍ ḥasan, as recommended in Part 1/19 of Sharīʿah Standard No. (19) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). In addition, lending institutions can charge for the services provided and extend loans equal to the amount directly spent on such services. Asbeig (2019) concurs that non-profitability and a lack of funds are the primary reasons qarḍ ḥasan is not widely practised, and hence, uses its stereotypical trait as an ethical subject due to general impression. Accordingly, the proposed framework is intended to address these

concerns by allowing Libyan Islamic banks to remodel qarḍ ḥasan for interest-based social loans.

Furthermore, the study proposed making regulatory adjustments to facilitate the qarḍ ḥasan provision, instrumentalise qarḍ ḥasan as a liquidity management and monetary policy tool, and provide social loan seekers with Sharīʿah-compliant social loans. Finally, the relevance of qarḍ ḥasan is determined by the magnitude of the statutory reserve ratio. At the same time, the study attempted to pave the way for future applied research to address these difficulties and provide more appropriate measures for efficient practice.

Remarkably, BNM's (2020) Monetary Policy Committee reduced the OPR by 125 basis points cumulatively from 3.00% to 1.75% in four meetings held in January, March, May, and July 2020. The OPR rate of 1.75% is the lowest rate in history. This OPR reduction was intended to provide appropriate support to economic activity, which was affected by the Covid-19 pandemic. It was aimed at mitigating the impacts of the pandemic on business and household sectors. In a state of declining economic activity, OPR reduction can help alleviate the debt repayment burden and reduce cash constraints for households, SMEs, and companies. Lower interest rates also reduce financing costs and support new credit expansion and fundraising activities. Therefore, essential stimuli from a significant reduction in OPR in 2020 were expected to have a positive impact on the economy in 2021. Such measures are similar to qarḍ ḥasan, where Islamic banks' low or zero interest rates will help increase the loan facilities for those affected by the financial crisis. Therefore, the demand for qarḍ ḥasan products will increase and purchasing power will increase, thus stimulating the economy. The previous studies such as Asbeig (2019) and (Selim & Hassan, 2020) have demonstrated that qarḍ ḥasan can be used as a monetary policy to stabilize the economy after a crisis.

Finally, the Qarḍ ḥasan-Cash Waqf (QHCW) model offers a transformative approach to monetary policy, particularly in crisis periods, by integrating qarḍ ḥasan and Cash Waqf as alternative liquidity tools. Unlike conventional interest-based mechanisms, QHCW-based monetary policy enhances financial inclusion, stabilizes the economy, and mitigates excessive debt burdens without inflationary pressure. By positioning the central bank as a lender of last resort through interest-free liquidity

provisions, the model strengthens credit accessibility, particularly for SMEs and vulnerable communities, fostering economic resilience. Empirical studies affirm that qarḍ ḥasan-based monetary policy can stimulate aggregate expenditures, expand real GDP, and reduce unemployment, ensuring long-term economic stability while maintaining Sharīʿah compliance.

In the context of personal financing during economic crises, the QHCW model serves as a vital instrument for providing ethical, interest-free financial relief. Unlike traditional credit systems, which exacerbate debt distress during downturns, QHCW ensures access to qarḍ ḥasan without imposing financial burdens on borrowers. This fosters greater financial inclusion, particularly for low-income individuals and those struggling with economic instability. By leveraging cash waqf as a sustainable funding source, the model creates a self-replenishing pool of liquidity that enables continuous support for personal financing needs without dependency on interest-based debt.

Moreover, the QHCW model enhances economic resilience by maintaining consumer purchasing power and supporting financial stability. During crises, when liquidity shortages often constrain households and businesses, QHCW ensures the availability of ethical financing to sustain essential expenditures. This not only mitigates economic contractions but also strengthens social solidarity by fostering a collective responsibility approach to financial sustainability.

By integrating QHCW into monetary policy frameworks, policymakers can develop a more sustainable and equitable financial ecosystem that protects individuals from economic shocks while promoting responsible borrowing and social welfare. The model represents a forward-looking solution for crisis-time personal financing, aligning economic stability with Islamic economic principles and fostering long-term financial security.

2.3 ISLAMIC PERSONAL FINANCING MODEL

Many financial models have been developed based on the principles of Islamic commercial law in Islamic contemporary personal finance, such as bay' *al-ʿīnah*,

tawarruq, *rahn*, and *qarḍ ḥasan* (interest-free lending). The instruments have been modified and innovated to meet current legal or banking standards. However, the instruments have received criticism from researchers in the Islamic banking field. Criticism like *Chapra, (2008)*, and (Thomas 2007) argues that some Islamic financial tools, such as bay' al-ʿīnah, tawarruq, rahn, and qarḍ ḥasan, appear to follow Islamic law but resemble interest-based transactions. They believe these tools can hide interest practices, which goes against the true ethical goals of Islamic finance. For example, tawarruq is seen to make debt with hidden interest, and bay' al-ʿīnah is criticized for trying to avoid the ban on interest. These scholars stress the need for better adherence to Islamic principles to create truly ethical financial systems. According to (Kahf and Mohomed 2017), the instruments currently used by Islamic banks to provide personal finance have Sharīʿah issues and profound implications and effects on the economy, apart from the resulting reputational risk to the industry. On the other hand, conventional banks face no cash funding obstacles as their business model is different and based on credit contracts. The interest-based traditional banking structure only includes taking deposits and issuing loans.

(Amin et al. 2011) listed the disadvantages of qarḍ ḥasan financing. They found that Islamic scholars questioned the costs imposed on the product because the charges were not directly disclosed to customers. In addition, the authors reported that the financing cost of qarḍ ḥasan should not include indirect costs such as work expenses, office rent costs, and other related costs.

Based on the above, negligence might occur on the part of the banks, and they might violate Islamic jurist scholars' determination limits. Jurists have already discussed the implementation method for qarḍ ḥasan according to authentic evidence from the Qur'an and al-ḥadīth. If the debtors cannot repay their debts, the creditors can extend the duration of the debt repayment without imposing any hidden charge or convert the debt into a charitable scheme. If there is a genuine need for money, debtors should approach their families, friends, and philanthropic organisations such as zakat and *awqaf* rather than borrowing from unlicensed lenders. Consequently, bankers do not want to bear the risk of the borrower's negligence.

The present study seeks to develop a model based on qarḍ ḥasan for B40 and M40 households in Malaysia who are affected by financial problems due to the Covid-19 pandemic. The financial distress experienced by B40 and M40 households in Malaysia due to Covid-19 is well-documented through official reports and empirical research. Data from Bank Negara Malaysia (BNM) and the Department of Statistics Malaysia (DOSM) highlight significant income reductions, rising unemployment, and increased household debt, signaling severe economic strain. Empirical evidence further reinforces this, as Ismail et al. (2021) found that 46.6% of respondents experienced job loss, while 35.5% reported over a 90% reduction in income during the pandemic, underscoring the vulnerability of these income groups. Government interventions, including Bantuan Prihatin Nasional (BPN), loan moratoriums, and EPF withdrawals, serve as clear indicators of the widespread financial hardship necessitating immediate relief measures. The country's high household debt-to-GDP ratio and financial vulnerability index further illustrate the urgency of addressing this economic crisis. Given this context, a well-structured qarḍ ḥasan model presents a viable and ethical financial solution to alleviate the financial burdens of these affected households, fostering economic resilience in times of crisis. Moreover, according to (Abozaid 2010), the personal loan products offered by Islamic banks result from efforts to mimic conventional banking products. Furthermore, the author reported that Islamic banks did not follow the buy and sell contract in Islam correctly due to the element of deception (*hilah*) in the financing contract. The study concludes that there are two types of hilah, namely *hilah mashru'ah* and *makharij* as reported in (Zulkepli, Mohammad, and Ramli 2020). Thus, it can be surmised that personal loans can be implemented only by referring to the Islamic borrowing law which has been discussed by past Islamic scholars under the topic of "al-qard", where the term "qarḍ ḥasan" is the most accurate way to describe the concept of debt in Islam.

Since Islam forbids any increase in debt and allows actual costs to be charged to the operational costs of Islamic banks, the qarḍ ḥasan approach seems to be one of the preferred alternatives for the personal loan model in banking institutions. The matter coincides with a method in the Islamic legal maxim, which says, "What is proven in a time is ruled to remain as long as there is no evidence to the contrary". This method is under the method of "The original is the permanence of what was as it was" (Shidqi 1996).

(Yusoff et al., 2016) commented on the criticism made upon the personal financing models adopted by Islamic banks in Malaysia. Some Middle East Sharīʿah scholars have criticised the implementation of bay' al-ʿīnah and tawarruq, arguing that both products have the elements of usury. Looking at the criticism from the positive perspective, Islamic finance practitioners should be motivated to produce new Islamic financial models. Similarly, for personal financing based on the *al-rahnu* scheme, Islamic scholars have concurred that charging care fees on pawned goods has the element of riba. Even more so, the pawned item is gold. The solution is to not consolidate the fees in the debt that has been agreed upon (Yulianda and Syaifullah 2018).

Regarding riba (usury), fiqh scholars differ on the beginning of the ban on riba. Is the usury that was prohibited riba al-Abbas (*riba al-jahiliyyah*) or all types of usury? The jurists disagree on determining usury in consumption and investment loans (*istihlākī* and *istithmārī*) (Umamah 2001). As reported in the hadith of al-Bukharī on commercial transactions (*Kitāb al-buyû'* in the chapter regarding the abolition of riba),

> I heard the Messenger of Allah (ﷺ) says in the Farewell Pilgrimage: "all claims to the usury of the pre-Islamic period have been abolished. You shall have your capital sums deal not unjustly, and you shall not be dealt with unjustly".

The jurists believe that during the time of the prophet, in Arabia, usury applied to consumer loans (istihlākī). Most loans were for consumption needs, and Islam prohibited these loans. Thus, loans with interest for production activities (istithmārī) were excluded from the usury realm, as reported in (Bidabad 2019). However, eventually all these distinctions have been consolidated. All types of debt consumption and investment loans are regarded as usury.

Muhammad ibn Sālih, popularly known as al-Uthaymeen al-Tamimi, concurred on this matter. He noted that there is no difference between investment usury and exploitative usury. Nonetheless, there is also a different opinion, as reported by (Kamal Tawfik Hattab 2020), saying that usury applies to consumer loans and not to production/investment loans. The argument is that with the development of companies in the present era, where loans have become production loans rather than consumption

loans, there is therefore no objection to production loans with known interest. Production loans existed during the pre-Islamic era, where people borrowed with interest to contribute to the Quraysh caravans, and the profits they received from the caravans were much greater than the interests that they paid.

Disagreements regarding the understanding of usury persist to this day. Contemporary scholars suggest continuously giving the information of riba according to the current mainstream. This has been confirmed by Dr Abdullah al-Juday' and Dr Abdel-Azim Abu Zeid with their statements during the Research Center for Islamic Legislation and Ethics 2015 conference. Their argument is that Allah's Messenger (ﷺ) gave concession in the case of *bay' al-'arāyā* transactions (for exchanging dates for dates with measure). Bay' al-'arāyā implies that a person should buy fresh dates on the tree for his family to eat against a measure of dry dates. Likewise, if there is no risk to the borrower, interest in Islamic banks is allowed (Abdullah bin Yusuf Al-Judaya 2020).

Differences of opinion will persist. However, in the current situation caused by the Covid-19 pandemic, it is desirable for all parties to jointly help to reduce the burden faced by borrowers by providing interest-free loans. This is in line with the Islamic maxim that says "Prevention of harm should be given priority over promoting benefit". This is because the fiscal assistance provided by the government is insufficient.

2.3.1 Personal Financing and Service Charge

Islamic banks are business institutions that must prove their eligibility and viability, and customers must pay for their efforts in providing credit. According to (A.L.M. Abdul Gafoor 2004), banks can charge a fee as a service charge to the borrower to cover the administrative expenses incurred in providing loans. AAOIFI's (2017) Sharī'ah Standard No. (19): Loan (*Qarḍ*) states that the service charge cannot be matched to the amount of Qarḍ, as it would be tantamount to riba. Indirect expenses incurred in rendering services for loans are not included in the actual costs. Examples of indirect expenses include employees' salaries, space rental, asset costs, transport costs, and other management and general expenses.

Abdus-Shahid (1984), as cited in the study by (Yusoff et al., 2016), argues that if the service charge is a fixed amount, it benefits a basic qard. However, the cost should not correspond to the period of qard or the basis amount. Therefore, it may be permissible to impose certain overhead or service charges and membership fees for qard, but this arrangement is not practical for qard of large amounts. Banks' operating costs have changed considerably from the early days of their establishment to the present day due to technological advancements. Technology can reduce management costs substantially. Perhaps, in this sophisticated age, Islamic banks can reduce or eliminate service charges, thereby attracting more customers to deal with them. This argument is in line with the discussion by (Yusof and Fahmy 2010).

2.3.2 *Qarḍ Ḥasan* in Personal Financing System

Malaysia's modern banking system has standardised the qard method for personal financing. There are many innovative personal financing models due to discussions among Islamic scholars in the field of fiqh *muamalat*. In principle, Islamic banking institutions cannot profit from debt, unlike conventional banks. This is where the riba element cannot touch qard in Islam. Furthermore, when the terms "qard" and "hasan" are combined, such combination shows the purity of the qard transaction because the term "qarḍ ḥasan" is derived from the Qur'an.

The purity of qard transactions in Islam makes Islamic banking institutions cautious in offering an actual qarḍ ḥasan model, which reduces the banks' profit (Najeeb and Lahsasna 2013). (Kahf and Mohomed 2017) found that the profit from qard contracts is a sensitive issue. Eventually, the safest way to make profits is by imposing a service charge as a token of gratitude for the services provided. Many recent studies have proven the success of Islamic banks that offer qarḍ ḥasan products. Examples include the Eurozone which offers zero interest rate (Selim & Hassan, 2020); AIM's practice of qarḍ ḥasan for microfinancing (Alfonso, 2019); the theory that short-term interest rates will increase bank profitability (Kumar, Acharya, & Ho, 2020); the high demand for qarḍ ḥasan financing experienced by Yemeni Islamic banks ((Ahmad et al. 2021); and change in the time value of money for qarḍ ḥasan financing as well as monetary policy (al-Muwallad, 2021).

There is strong evidence regarding the success of qarḍ ḥasan that needs to be highlighted to attract borrowers. Thus, there is a case for Islamic banking institutions to consider implementing qarḍ ḥasan, especially during the economic crisis caused by Covid-19, affecting household income in Malaysia.

2.3.3 Qarḍ Ḥasan in Islamic Microfinance

Microfinance is a financial service that provides small-scale loans to unbankable individuals and small businesses, offering them the financial means to start or expand businesses, manage their finances, and enhance their overall economic well-being (Brickell et al., 2020). A core principle of microfinance is financial inclusion, which seeks to bridge the gap between the financially marginalized and their aspirations for economic stability.

Within this framework, qarḍ ḥasan, an interest-free loan rooted in Islamic finance, is a powerful tool for ethical and sustainable financial empowerment. It allows individuals and businesses to access financing without the burden of interest, aligning with Islamic principles of economic justice and social responsibility. Meanwhile, Cash Waqf serves as a perpetual charitable endowment, where capital is preserved while the returns are used to fund qarḍ ḥasan initiatives, ensuring a continuous source of interest-free financing.

By integrating these concepts, the Qarḍ ḥasan-Cash Waqf (QHCW) model emerges as a revolutionary alternative in microfinance, especially in addressing personal financing needs during economic crises. Unlike conventional microfinance institutions that charge interest, QHCW leverages Cash Waqf endowments to generate sustainable funding, creating a self-replenishing cycle of liquidity that can be used for qarḍ ḥasan financing. This ensures that low-income individuals, entrepreneurs, and vulnerable communities receive the financial support they need without falling into debt traps.

More importantly, the QHCW model transforms microfinance into a dynamic, Sharia-compliant mechanism that not only promotes financial inclusion but also

enhances economic resilience at both individual and societal levels. By providing interest-free personal financing, it safeguards the purchasing power of the masses, prevents economic contractions during financial crises, and fosters a culture of social solidarity. The rolling nature of Cash Waqf investments further ensures that funds multiply over time, maximizing their impact and reach.

In short, QHCW is not just an alternative, it's the future of ethical and sustainable microfinance. It is a model designed to uplift communities, eradicate financial hardship, and establish an inclusive financial ecosystem that thrives on equity, social welfare, and economic empowerment. This is the best-proposed solution for communities seeking an interest-free, sustainable, and crisis-proof financial system that aligns with both Islamic principles and global economic needs.

2.4 *QARḌ ḤASAN* AND CASH WAQF INSTRUMENT

The aim of this study is to develop a new model of QHCW to mobilise the qarḍ ḥasan fund. Thus, this review focuses on previous waqf and cash waqf studies. (M. Luthfi Hamidi and Andrew C. Worthington 2018) suggested a new waqf model named Islamic social banking. They offered four principles consisting of the 4Ps (profit, planet, people, and prophet) for Islamic social banking by including the Prophet (ﷺ) as a symbol of guidance and thoughts as compared to the theory of social banking in the conventional sector, which has three principles (profit, planet, and people). Likewise, (Mohammad 2011) proposed a model of waqf bank. The proposal to establish the waqf bank and Islamic social banking will undoubtedly impede the development of Islamic banks. It will cause stiff competition in which Islamic banks will suffer because both models entail entirely practising the Islamic social finance approach in which profit is not the main focus of the business. Also, philanthropy is a core element of Islamic social finance.

Providing examples of the success of cash waqf in Islamic banks can further convince the validity of this model, even more so during the current economic crisis. Therefore, Islamic banking institutions must create and promote a new waqf scheme that will be sustainable and comply with Sharīʿah requirements, particularly in the

indebtedness process. This scheme may be called *waqf li qarḍ ḥasan* (waqf for qarḍ ḥasan). In this case, Islamic banking institutions are the link between customers who require financing (by offering interest-free qarḍ ḥasan loans) and those who can donate and help others (by contributing to the qarḍ ḥasan fund via cash waqf).

2.4.1 Islamic Banks and *Cash Waqf* instrument in Malaysia

Islamic banks' involvement in the waqf or cash waqf instrument is a new phenomenon, especially in Malaysia. In the Malaysian context, awareness about participating in waqf activities has been increasing dramatically among corporate bodies. Research on Islamic CSR among Islamic banks has been conducted by (Khairi, Laili, and Sabri 2015), (MIFC 2015), (Ibrahim et al. 2017), and (Khairil Faizal Khairi et al. 2014). However, will this effort change the way and style of CSR, or will awqaf be a substitute for future CSR? Furthermore, according to Abdullah (2021), those who contribute to the creation of the waqf business should also be eligible for tax breaks, exemptions, or deductions.

Waqf has successfully promoted economic development through various aspects of social welfare to the public. The effectiveness of the waqf method made the kingdom of Islam glorious during one period of time, as reported in (Igarashi 2019) and (Deguilhem 2008). In today's world, waqf may play a crucial role in the contemporary practices of Islamic banking. For example, BMMB, in collaboration with Perbadanan Waqf Selangor, managed to raise approximately RM5 million. Likewise, Bank Islam Malaysia Berhad (BIMB) by the establishment of AMAL and Maybank Islamic Berhad (MIB) too (Ibrahim et al. 2017).

MIB launched the corporate waqf model (CWM) for education infrastructure, health care, and entrepreneur development. MIB was assigned as the *nazir* to manage the funds and charitable projects, while Majlis Agama Islam Wilayah Persekutuan (MAIWP) was appointed as the trustee. Twenty million of the fund with a 4% profit can be distributed for waqf purposes (Khairi et al. 2015).

The waqf implemented in Malaysia can be categorised into two general types, namely waqf *khairi* (charitable purpose) and waqf *zurri* (family). Waqf khairi consists of waqf *am* ((Hj. Abd. Shakor Bin Borham 2011)(Yaacob and Hisham Yaacob 2013) and waqf *khas.* Waqf *musytarak* and waqf *irshad* can also be categorised as waqf. Waqf musytarak is a combination of waqf khairi and waqf zurri. Waqf *istibdal* and share waqf are a part of waqf musytarak. Meanwhile, waqf issued by the government is usually known as waqf irshad.

In brief, the discussion about waqf in the community revolves around immovable objects only. However, there is an opinion stating that waqf can be performed without endowing an immovable or a movable object, leading to the term waqf for benefits (*waqf al-manfa'ah*). Waqf for the benefit of the public is also categorised as waqf. However, it is not well known to the community. In the Shāfi'ī school of thought, waqf benefits are not known or even allowed. According to the Shāfi'ī school, waqf is "holding a property" which can be used without losing the object. Further, no legal action can be taken against the object, and the object is channelled to something permissible (not haram). From this definition, it is clear that waqf is performed on property and its benefits are distributed. In contrast, in waqf benefits, only the benefits of the property are endowed, and not the property itself. Then the proceeds from the permissible waqf benefits will be cash waqf involving money. The benefits of cash waqf will be apparent when the money is spent. This is the reason the Mālikī school of thought allows cash waqf.

2.4.2 Gratuitous and Commutative Contract

In (Al-Zuḥaylī 1993), *'aqad al-qard* (loan contract) is defined as a gratuitous transaction. Gratuitous (*al-tabarru'*) means charity or gift. It can be described as a non-profit transaction or a virtue-based contract that does not aim for profits. It can also be called sadaqah, *kafālah*, hibah, *ḥawālah*, waqf, *wadi'ah*, and al-rahnu. A charity has no return, as it is given for free. When the jurists discuss qard as mentioned in the Qur'an, all the discussions focus on verse 245 of surah *al-Baqarah*, and this verse has the term "hasan". This means that qard is qarḍ ḥasan, and qarḍ ḥasan is qard. Hence, all debts in

Islam are not given for free. The debts must be repaid with no additional charges imposed.

Conversely, a commutative contract (*al-tijārī*) is profit-oriented. It can be seen in *'īnah*, tawarruq, mudarabah, *istisna*, ijarah, *salam*, *and mushārakah* contracts. If al-qard (debt) is categorised as an al-tabarru‘ contract, then it would not be appropriate to use the term “qard” in Islamic banking because there is no return when qard is categorised as an al-tabarru‘ contract. This is because an al-tabarru‘ contract is considered a *bila 'iwad* (without return) contract. According to (Rethel 2011), Islamic finance imitates the conventional financial sector in promoting Islamic social and financial methods. In this case, a gratuitous contract is not for profit as compared to a commutative contract. Therefore, given the circumstances of the economic crisis, it is appropriate for financial and banking institutions to innovate gratuitous contracts that allow profits to be recorded and, at the same time, help the affected parties obtain the appropriate financing. This can be done in a way that is mutually beneficial to all parties involved.

Building on the discussion above, it becomes evident that qarḍ ḥasan is fundamentally a gratuitous (tabarru‘) contract, distinct from profit-oriented (tijārī) contracts in Islamic finance. While *qarḍ ḥasan* is inherently non-profit and must be repaid without additional charges, its sustainability within Islamic banking remains a challenge, as financial institutions typically operate on profit-driven models. To address this, the QHCW model integrates Cash Waqf as a sustainable funding source, ensuring a continuous pool of resources for *qarḍ ḥasan* financing while maintaining its ethical, non-interest nature. Moreover, if the Cash Waqf fund is strategically invested in Sharīʿah-compliant ventures, it can generate returns that continuously replenish and expand the fund**,** making the model even more sustainable in the long run. This approach aligns with the need for financial institutions to innovate socially responsible yet financially viable financing mechanisms, particularly during economic crises. A simple real-world example would be a community-based Waqf fund where philanthropists donate money, which is then invested in halal businesses or sukuk (Islamic bonds). The profits from these investments are used to provide interest-free loans to struggling small business owners. Once repaid, the money is recycled to assist

others, ensuring both sustainability and long-term financial support without violating Islamic principles.

2.5 SUMMARY

This study proposes the QHCW model as an innovative approach to personal financing designed to meet individuals' financial needs while enhancing economic stability, particularly during times of crisis. Given the distinct characteristics of qarḍ ḥasan and cash waqf, their integration offers a sustainable, Sharia-compliant financing solution that balances social responsibility with financial viability. In Islamic finance, contracts can be categorized as gratuitous, commutative, or adaptable, reflecting their inherent flexibility to address evolving economic circumstances. The adaptability of Islamic financial contracts allows for their continuous refinement and application in response to contemporary financial challenges.

By leveraging cash waqf as a replenishable funding source, the QHCW model ensures a self-sustaining mechanism for interest-free financing. If strategically invested in Sharīʿah-compliant ventures (e.g., halal businesses or sukuk), cash waqf can generate returns that expand the financing pool, ensuring long-term financial resilience. This approach is particularly relevant in economic crises, where conventional interest-based solutions exacerbate financial burdens. The QHCW model, however, provides equitable, interest-free financing, preventing excessive debt accumulation while fostering economic recovery. This study underscores that Islamic financial contracts are not rigid but inherently adaptable, enabling financial institutions to develop innovative, sustainable financing mechanisms that support economic stability and resilience in times of crisis.

CHAPTER THREE

THEORETICAL FOUNDATION AND CONCEPTUAL FRAMEWORK

3.1 INTRODUCTION

Relevant theories are explained in this chapter to provide insights into the connections among the model constructs. This information is crucial for developing a robust new model for qarḍ ḥasan via cash waqf. Creating and innovating new financial product models, especially for the Islamic finance sector, is challenging. Most Islamic financial products are similar in characteristics and processes, although they are branded using different names. Over the past couple of years, especially during the economic crisis, Islamic banking products have tried to change their direction from replication to fresh innovation ((Hasan, Khan, and Noordin 2016). However, limited references detailing Islamic financial products' frameworks have inhibited the development of new products, as reported in (Rahim and Rahman 2007),(Waeibrorheem Waemustafa 2013) and (Dinc 2020). This chapter discusses the theoretical foundation and conceptual framework behind the creation of a new design and framework for model constructs by utilising a mixed-method approach and crossing disciplines between the Islamic and traditional Islamic personal financing (IPF) views. This is accomplished by using a cross-disciplinary approach to bridge the gap between Islamic and traditional IPF perspectives.

The conceptual framework is developed based on theories extracted from the theoretical frameworks of (Imenda 2014) and (Lindgreen et al. 2020). Besides, a theoretical creation may be derived solely from theories or based on empirical data (Lindgreen et al. 2020). Conceptual frameworks play a crucial role in illustrating academic arguments via new conceptualisations integrating existing theories and research across disciplines.

This study employs a mixed-methods approach to conceptualize economic theories from an Islamic perspective while proposing and developing a new financing

model to enhance economic resilience in future crises. Integrating descriptive and analytical methods, the research systematically examines Islamic juristic theories derived from the Qur'an, hadiths, classical and contemporary juristic texts, and independent reasoning by Islamic law experts. The descriptive aspect explores the foundational principles of Islamic economic thought, drawing from Islamic primary sources and scholarly discourse, while the analytical aspect critically evaluates the interaction between Islamic financial principles and contemporary economic models, ensuring alignment with Maqasid al-Sharīʿah, which emphasizes the preservation of religion, life, intellect, lineage, and wealth (Wulandari, Saiban, and Munir 2022). To ensure practical applicability, the study proposes a new Qarḍ ḥasan-based financing model and assesses its viability through structured surveys, where respondents provide insights into their acceptance and perceptions of the model, including open-ended responses capturing diverse viewpoints. Additionally, qualitative interviews with Islamic banking practitioners offer a deeper understanding of the challenges and opportunities in implementing qarḍ ḥasan within the banking system. The survey data is analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM), a statistical technique, with Smart PLS as the software platform to determine the key factors influencing respondents' acceptance of the model, ensuring a robust empirical evaluation. This study not only advances Islamic economic theory but also contributes a practical, Sharīʿah-compliant financial solution tailored to address economic sustainability and resilience in times of crisis.

3.2 QUR'ANIC THEORIES ON PREPAREDNESS FOR ECONOMIC CRISES

Various preparations must be made in the face of the economic challenges post Covid-19. As believers, Muslims refer to the guidelines provided by the Qur'an as a complete reference book. For example, guidelines in preparing for economic crisis are outlined in surah Yusuf, verses 47–49:

> Let it be planted for seven years in a row and then let what you have crushed put it into its trunks, except a little of the portion you make for a meal (47). Then comes after that period, seven years of great drought, which will consume the food you have prepared for it, except a little of what you have (for seed) (48). Then shall it come to pass after that year,

in which the people shall have mercy of the rain, and they shall be fruitful (grapes, olives, etc.) (49).

According to the Qur'an, Prophet Yusuf was appointed by the King of Egypt to be the treasurer responsible for managing Egypt's treasures during the anticipated 7 years of fertile agriculture followed by a 7-year drought leaving the fields unproductive. Therefore, people had to work hard at cultivating for 7 years. Then, only a portion of the produce was used, while the rest was stored to survive the drought in the next 7 years. In other words, the main strategy was to be prepared to face hard times by being prudent in spending.

Based on the philosophy of Prophet Yusuf's story, it can be surmised that promoting cash waqf and inviting others to contribute is one way to raise funds. Existing funds can be invested in halal investments to generate profits in addition to lending through qarḍ ḥasan non-profit products.

3.2.1 Model Development in the Islamic Banking System

Like the conventional banking system, Islamic banking needs to be seen as a mechanism for improvement. The last 30 years have seen commendable development spurred by Islamic scholars and realistic banking experts (Iqbal and Molyneux 2015). Islamic banking is continuously testing and refining the principles. In the past, most caravan trades were sponsored using mudarabah and *suftajah* (money transfer) models. The proliferation of these theories has led to an intermediary philosophy in the world of Islamic banking today. Islamic scholars regard an intermediary position as a genuine occupation.

In line with world financial developments, the Islamic personal financing instrument model based on sale and buyback in Malaysia has been barred worldwide by influential Middle Eastern Islamic scholars and fatwa bodies (Yusoff et al. 2016a). Notwithstanding, such criticism has the potential to mature Islamic financial development. For that reason, research on developing new models in Islamic finance is essential. The new model developed must meet the requirements and objectives of

Sharīʿah and follow the legal conditions. Otherwise, it will invite problems, criticism, and low response from customers.

Theoretically, Islamic financing has two main goals. First, Islamic financing emphasizes the equitable distribution of wealth and resources to ensure social justice and reduce economic inequality. The Qur'an, in Surah Al-Hashr (59:7), states that wealth should not be concentrated in the hands of the rich but should circulate among all members of society. This principle is foundational in Islamic finance, as it encourages financial systems that promote redistribution and prevent the accumulation of wealth by a few. Tools like zakat (obligatory charity), sadaqah (voluntary charity), and qarḍ ḥasan (interest-free loans) are designed to support the poor and vulnerable, ensuring that wealth is shared fairly. By focusing on fairness, Islamic finance aims to reduce disparities, enabling both the rich and poor to benefit from economic activities. Second, Islamic finance was developed to satisfy Muslims' demand for financial services so that they could increase their wealth. The Islamic banking industry also serves as a financial intermediary, accepting customer deposits and using the deposits to extend financial assistance ((Syed Azman and Engku Ali 2019). However, Islam prevents Muslims from holding debts and only allows real-need debts. If a debtor is not able to pay, Sharīʿah allows the creditor to convert the debt to charity or extend the repayment date. In this regard, customers can cut down on their debt burden. Thus, the acts of deferring the payment or releasing the debt (charity) by the Islamic bank is the best mechanism for the debtor. However, this situation occurs during normal economic conditions. If it happens during an economic crisis situation, such as the financial crisis caused by Covid-19, would Islamic banks be able to implement such a method? Those affected by the recent economic crisis have lost their source of income, there has been no job creation, and it is difficult to find new job opportunities. Are Islamic banks willing to shoulder the burden? This is where innovation is needed. Therefore, in this study, the rebranding of qarḍ ḥasan via cash waqf expected to help bankers continue making profits and at the same help the people who are affected.

3.2.2 Modelling the Islamic Finance Product Innovation

(Dinc 2020) has suggested new product development modelling as compared to conversion modelling. Figure 3.1 illustrates Dinc's framework for developing models for Islamic finance products. Islamic financial institutions have been criticised for implementing the same conventional financial product with only slight changes in the procedure attributable to Islamic jurisprudence rules ((Dinc 2020); (Bahoo and Hassan 2019). In other words, Islamic financial institutions have not conceptualised the mechanisms systematically to guide bankers in developing and modelling appropriate products. Therefore, efficient financial sector management is crucial towards ensuring its future survival and profitability.

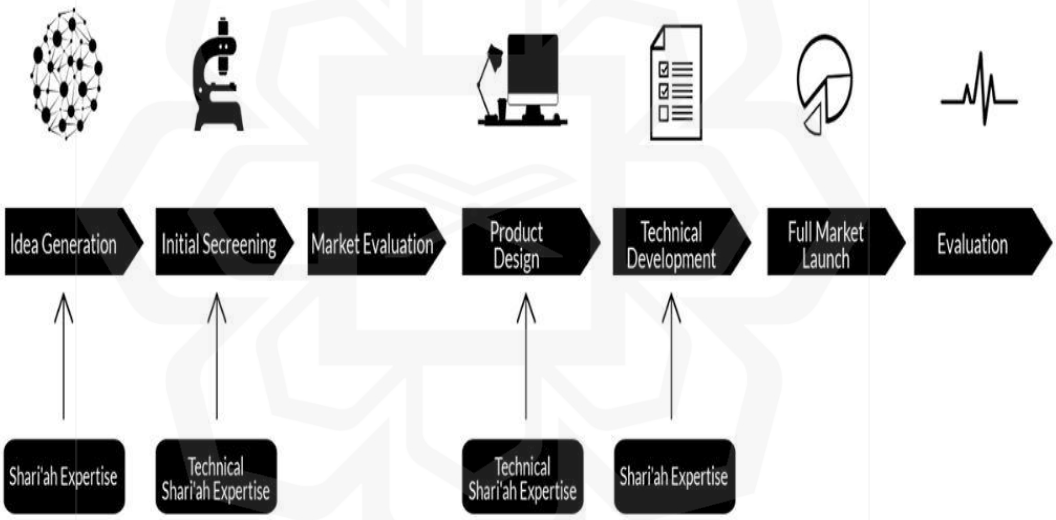

Figure 3.1 Dinc's framework for developing models for Islamic finance products (Yusuf Dinc 2020)

In the Islamic banking and finance industry, increased competition in the product market has become the norm. New ideas based on Islamic foundations need to be innovated and practised while being consistent with modern market demands. Sustaining and growing the Islamic finance industry requires developing financial products and services according to Islamic Sharīʿah law. To compete, Islamic banks and financial institutions must continuously improve their product and process

development. Besides, technical experts and fiqh scholars play a critical role in product development.

Product development for financial institutions is a highly competitive area. Islamic financial institutions and banks are used mainly as an entry strategy for product development because they are emerging. They represent an innovative break from conventional finance. They focus on improving the procedures for the same products to be in compliance with Sharīʿah.

(Mohammed and Razak 2005) affirmed the significance of the Sharīʿah perspective and proposed a Sharīʿah-based performance measurement framework for Islamic financial institutions. Despite the negative perception towards Islamic banking institutions, the priority of producing quality products must be continued by adhering to a production process that complies with Sharīʿah and consumer requirements. Therefore, before developing an Islamic financial product, a customer acceptance study needs to be done to ensure that the development is not in vain.

Product innovation and development in Islamic finance institutions and banking is a new element in the financial sector. Therefore, for the time being, the procedure for developing and modelling a new model needs to follow the conventional finance sector (a. Both mechanisms, namely Sharīʿah compliance and the framework for developing a new model or product, must be highlighted. (Ahmad 2011) emphasised focusing on Sharīʿah purposes in developing a product. The author opined that all Islamic finance products comply with Islamic law in form and substance but fail to meet the social goals. Hence, this study contributes to the literature on Islamic banking product development based on the current reality and situation suitable to *fiqh al-wāqi'*.

(Muda and Jalil 2007) conceptualised the product development process as comprising four different stages. The stages are (1) heavy reliance on the fixed mode of Islamic concepts, (2) underutilisation of Islamic partnership concepts, (3) the use of legal device, and (4) harmonisation of opinions. They also argue that the Islamic financial product development is dynamic and requires experts from various backgrounds. Central to the problem is developing new products that are acceptable to Muslims, viable for business, and accepted worldwide.

Dinc's (2020) framework is used as the basis for this study, albeit with some modifications. Since the model is new, it is appropriate to assess the respondents' level of understanding and acceptance because without their input, the developed products could result in significant financial losses. Therefore, this study adopts the modelling structure by (Dinc 2020) with some modifications. The Dinc framework design consists of seven steps, namely, (1) idea generation, (2) initial screening, (3) market evaluation, (4) product design, (5) technical development, (6) full market launch, and (7) evaluation (Figure 3.1). Dinc also suggests that all these processes need to be monitored and designed by the product development department and the Sharīʿah board, which have their respective expertise.

3.2.3 Contemporary Innovation and Mechanism of *Cash Waqf Fund*

Cash waqf is not a fixed investment in nature, and it needs to be expanded to ensure the continuity of its benefits to Muslims (Asni and Sulong 2017a). Therefore, various ways and mechanisms have been devised to ensure cash waqf brings social and economic benefits (Bulut 2019). Imam Zufar (728–774) from the Ḥanafī school of thought was behind the cash waqf operation during the Ottoman Empire era. His thoughts and fatwas became a reference for the Ottoman Empire. He also proposed the mudarabah method for the cash waqf operation framework (Bulut 2019). Based on (Bulut 2019) and (Çizakça, 1995b), cash waqf operation has four main elements: microcredit mechanism, Islamic/ethical methods, regional institutions, and need-based. Thus, it is not surprising that researchers often discuss the success of cash waqf during the Ottoman era. In Malaysia, the cash waqf operation is categorised as Islamic funds schemes, which include unit trust funds, wholesale funds, private retirement schemes (PRS), exchange-traded funds (ETFs), and real estate investment trusts (REITs). According to a report by the Securities Commission Malaysia, there were 24 Islamic fund management companies in Malaysia as of November 2019. In 28 April, 2021, Malaysia continued to dominate Sharīʿah-compliant assets in the Asia Pacific region, accounting for 92% of the total Islamic assets under management (AUM) in the region, supported by favourable government policies. Currently, 23% of Malaysia's total mutual fund AUM consists of Sharīʿah assets. As a result, it is considered one of the world's most

significant funds and the second largest Islamic funds' AUM, as reported in the reports by (Securities 2017) and (Cerulli Edge n.d.).

Currently, there are 20 full-fledged Islamic fund management companies operating in Malaysia. Half of these companies are wholly foreign-owned, while two are local–foreign joint ventures. Consequently, the fund and wealth management industry plays a pivotal role in developing the capital market and the entire financial services sector. Malaysia is committed to become a leading international centre for Islamic funds and wealth management in the future.

(Ngah 1987), who conducted the early research on waqf in Malaysia, stated in his book, "A lack of finance and capital to develop waqf land is the bigger mistake of failure in waqf operations". Indeed, waqf properties general minimal income because several factors. First, the rental rates of waqf property are lower than the market rates. Second, many rental payments for waqf properties are long overdue. Third, there is a lack of human resources to collect rent. (Pitchay 2015) said that one of the main reasons waqf assets would not benefit the people is the lack of liquidity faced by waqf institutions. (Mohsin 2013) highlighted six existing models for waqf assets development to ensure the liquidity of waqf funds and investments.(Mahadi 2017) highlighted 13 models for cash waqf investments that satisfy the Sharīʿah jurisprudence.

According to (Mohsin 2013), the waqf share scheme is used in various Muslim and Muslim minority countries, such as Malaysia, Indonesia, Kuwait, and the United Kingdom. This scheme aims to raise money from the public and channel funds to improve the community's well-being, as well as financing designated projects. Meanwhile, the deposit cash waqf scheme is used as a public waqf scheme in Singapore, South Africa, and Bahrain. The donors contribute directly to the waqf institutions by depositing money into a particular bank account as cash waqf. Then, according to an agreement with the waqf institution, the bank manages the cash waqf investment in specific projects. The above models are examples that can be emulated in order to grow the waqf funds. This study proves that theoretically, waqf funds and cash waqf can be developed for investments or business projects.

3.2.4 Contemporary *Cash Waqf Model*

Several cash waqf models have been implemented successfully. This study has presented several cash waqf model implementations in Islamic countries, including the experiences of Turkey in the Middle East, Africa, Europe, and Asia. The cash waqf model aims to invigorate specific sectors including education, health, and social projects (such as developing mosques, public facilities, and agriculture). All the cash waqf models are implemented so that the benefits will be perpetual and remain in existence, except for the compulsory cash waqf scheme in Singapore. The purpose is to raise funds for a particular project, and the funds have not been invested.

(Mohd Thas Thaker 2018) proposed a new cash waqf model named crowdfunding-waqf model (CWM) to manage the development of waqf land. Figure 3.1 summarises the proposed cash waqf model. Meanwhile, in her thesis, Nur Farhah (2017) proposed the potential models that could be implemented by employing the latest Islamic investments. The models presented are summarised in Table 3.2.

In their study, (Khan et al. 2019) introduced the waqf cooperative housing model (WCHM). This innovative model attempts to overcome the lack of financing for cooperatives. The model also proposes three waqf-based finance sources: cash waqf, waqf sukuk, and revenue generation from a common area (waqf area). In addition, waqf has been utilised in the development of cooperative affordable housing to build condominiums. All of the above models can be used as examples of how cash waqf can be invested and the profit generated from the cash waqf fund can be used as the working capital for qarḍ ḥasan.

Table 3.1 *Cash Waqf* Schemes Practiced Around the Globe

	Region (Founder)	Scheme Features, Operational and Objective
Waqf Shares Scheme	Malaysia ▪ JCorp Indonesia ▪ Tabung Wakaf Indonesia Kuwait ▪ International Islamic Charitable Organization (IICO) United Kingdom ▪ Islamic Relief	1. Investment scheme 2. Raise funds from the public to support the welfare of society.
Deposit *Cash Waqf* Scheme	Singapore ▪ Al-Sagoff and Co Bahrain ▪ Bahrain Monetary Agency (BMA) South Africa ▪ The National Awqaf Foundation (AWQAF SA)	2. Investment scheme 2. Raise funds from the public to support the welfare of society.
Compulsory *Cash Waqf* Scheme	Singapore ▪ Central Provident Fund (CPF) Board ▪ MUIS (Islamic Religious Council of Singapore)	3. Not perpetuity. (disinvest scheme) 3. Raise funds from the public to support the welfare of society.

Corporate Waqf Scheme	Malaysia ▪ Dana Waqaf Niaga Turkey ▪ Sabanci Foundation India Pakistan Bangladesh ▪ Hamdard Foundation	1. Investment scheme 2. The founder will ask all its subsidiaries to contribute part of their profit. 3. Revenue generated will be channelled to the specified projects
Deposit Product Waqf Scheme	Bangladesh ▪ Social Investment Bank Limited (SIBL) ▪ Islamic Bank Bangladesh Limited (IBBL)	1. Invest the capital through the Mudarabah contract. 2. Raise funds from the depositor to specified projects
Co-Operative Waqf Scheme	Uzbekistan	1. Investment scheme. 2. Raise funds from the public to support the welfare of society.

(Mohd Thas Thaker 2018)

Table 3.2 *Cash Waqf* Schemes Practiced Around The Globe

Cash Waqf Model proposed	Investment method
1. Muḍārabah Investment. 2. Mushārakah Investment. 3. Rental Investment. 4. Murābaḥah Financing Mode. 5. Salam Financing Mode. 6. Istiṣnāʿ Financing Mode 7. Ṣukūk Waqf 8. Islamic Capital Market portfolio 9. Islamic Waqf REITs Model 10. Smart partnership scheme.	▪ Investors invest *Cash Waqf* funds, and then the profits are channelled to charity projects. ▪ Agriculture project. ▪ Properties Investment. ▪ Work on cultivating abandoned waqf land. ▪ Buy properties from *Cash Waqf* fund. Rent it to the public. Profit from rental divided into two, as A-Round Capital and as a waqf.

(Source: (Mahadi 2017)

3.3 RESEARCH VARIABLES AND HYPOTHESES DEVELOPMENT

Apart from exploring the current implementation of qarḍ ḥasan by adopting the research content analysis method, this study also surveyed respondents' acceptance of the new model. This was done by analysing the factors influencing the acceptance of the new model by creating three proxy variables that are appropriate to the study and situation, namely knowledge, objective, and perception. The selection of knowledge, objective, and perception is grounded in both the Theory of Planned Behavior (TPB) and Islamic principles. In Islam, knowledge ('Ilm') is the foremost criterion for judgment, as informed understanding is essential for meaningful acceptance. Objective (Maqsad) represents intention (Niyyah), a fundamental concept in Islamic decision-making that shapes actions. Perception, influenced by both positive and negative biases, reflects individual attitudes toward the model. These constructs provide a holistic framework to assess acceptance, integrating rational, intentional, and attitudinal dimensions, making them both theoretically robust and contextually relevant. This study could not directly measure abstract concepts such as acceptance because it's model is new. However, this study could measure the indicators or manifestations of what has been agreed as acceptance and the factors influencing acceptance, for example, knowledge, objective, and perception of the new model. Specifically, when concepts are difficult to measure, one approach is to measure them indirectly using a set of indicators that serve as proxy variables. Therefore, a quantitative approach was used, and new variables were created to match the present study's context based on the literature review findings. Accordingly, the hypotheses were examined based on the variables and questionnaires. The theories of proxy variability can be found in (Joe F Hair, Howard, and Nitzl 2020). In their study, Hair, Howard, and Nitzl focus on the application of proxy variables in Structural Equation Modeling (SEM) and Partial Least Squares Path Modeling (PLS-PM). They explain how proxy variables are used to represent latent constructs that are not directly observable, ensuring that complex relationships between independent and dependent variables are understood. This is especially relevant in models like the Theory of Planned Behavior (TPB), where constructs like attitude, subjective norm, and perceived behavioral control are indirectly measured. The study highlights how proxy variables help estimate these latent constructs, providing reliable and valid models, aligning with the use of knowledge, objective, and perception in this study to assess acceptance.

The general theory followed is based on behavioural finance, specifically theory of planned behaviour (TPB) (Ajzen and Icek Ajzen 2006). Therefore, factor analysis was used as the underlying assumptions and predictions among variables and to explain the correlations among observed variables. For that reason, this study used partial least squares structural equation modelling (PLS-SEM) by employing SmartPLS 4 software to conduct the PLS path modelling.

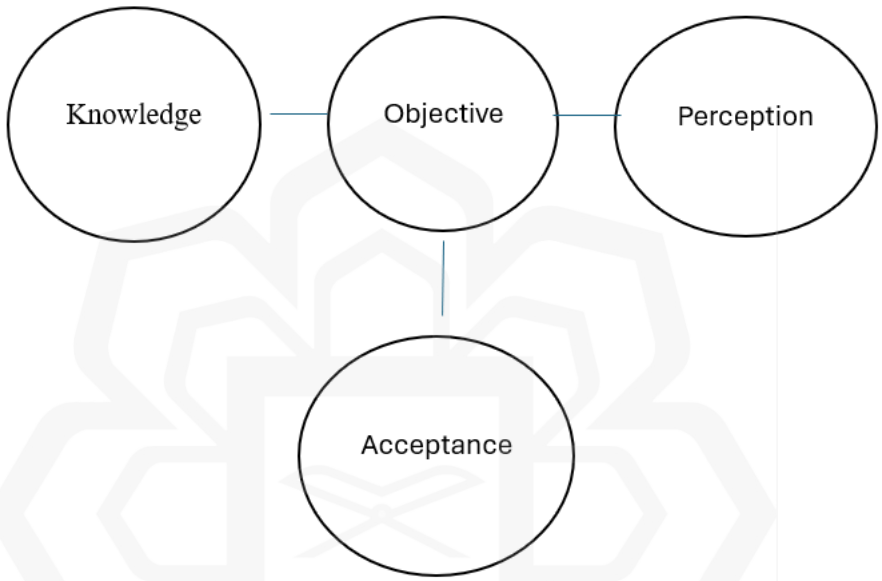

Figure 3.2 Theoretical Framework Diagram and Research Variables

Figure 3.2 shows the theoretical framework of the research, consisting of the independent variables and dependent variables. The independent variables consist of four variables that measure respondents' acceptance. Meanwhile the dependent variable is acceptance.

This study used the theory of human behaviour in finance as a theoretical basis to determine respondents' acceptance of the newly constructed model. This study did not use TPB because it has been used for a long time and does not reflect the characteristics of research in the Islamic research view. Therefore, this study developed new variables that align with the scope of the Islamic paradigm point of view.

The new variables were used due to their suitability for the study. TPB is widely used in research on financial behaviour, but it is not detailed and thorough enough as an accurate predictor. TPB assumes three factors guide human behaviour, namely, behavioural beliefs, normative beliefs, and control beliefs (Amin et al. 2014). In contrast, Islam's topic of choice or intention is complex and involves humans' acts or *afʿāl al-ibād* (Mahmood and Kamarzaman 2014). Thus, it is unfair to judge one's choices and intentions, specifically the intentions of the Muslim community, based on TPB. TPB was initially known as theory of reasoned action (TRA). It was developed in 1967, and subsequently, it was revised and expanded by Icek Ajzen and Martin Fishbein. Since 1980, the theory has been used to study human behaviour and to develop more effective interventions. In 1988, another element was added to the existing TRA and the theory became known as TPB. This was done to overcome the shortcomings found by Ajzen and Fishbein in their research using TRA (Mahyarni 2013).

Martin Fishbein started to think about the role of attitudes in influencing behaviour in the early 1960s. In the early 1970s, he collaborated with Ajzen to develop TRA and then TPB. Most studies use the theory only as a theoretical basis, but few have tried to develop it or even refute it. For example, in studies related to Islamic finance, the religiosity variable was placed as symbolising Islam's value (see (Dawami 2020).

From the Islamic perspective, there is much debate on intention or action/behaviour which has a cause and effect in Islamic jurisprudence (*usûl fiqh*). Some of the debate involves discussion of the Legal Maxims of Islamic Jurisprudence. One intention can branch up to multiple methods (*qawā 'id*). For example, *al-umûr bi maqâsidihâ* (As-Seyûtî 1983) p. 40) means that acts are judged by the intention behind them. Imams Shāfi'ī, Ahmad Ibn Hanbal, Ibn Mahdî, Ibn al-Madinî, Abu Dawud, al-Daraqotnî, and others thought that the method (*qāʿidah*) is considered as *niyyah* (intention).

Also, actions and behaviour in Islam are judged by intentions (niyyah). In other words, a person is accounted for by his intention and goal. This matter requires a detailed discussion, considering that most studies on human behaviour in finance and Islamic finance have extensively used TPB. In Western theories, including TPB, a

person's behaviour depends on their attitude and beliefs. Behaviour is also measured based on other persons' perceptions, known as normative beliefs.

From the Islamic perspective, human deeds are based on their intentions, which come from the heart. This argument is supported by the following hadith of Prophet Muhammad (ﷺ):

> It is narrated on the authority of Amirul Mu'minin, Abu Hafs Umar bin al-Khattab (RA) said, "I heard the Messenger of Allah (ﷺ) saying, 'Actions are (judged) by motives (niyyatt), so each man will have what he intended. Thus, he whose migration (hijrah) was to Allah and His Messenger, his migration is to Allah and His Messenger; but he whose migration was for some worldly thing he might gain, or for a wife he might marry, his migration is to that for which he migrated.'" (Imām Muslim, Book 33 (*The book on government*), hadith no. 222)

Hence, as the heart and the mind are interconnected, the interconnectedness of the heart and the mind, suggesting that emotions and feelings associated with the heart can influence thoughts and subsequently actions. This concept is often used metaphorically to describe how emotional states can impact decision-making and behaviour. Therefore, a deed or an act is invalid if it is not accompanied by intent. For example, a Muslim should perform prayers with intention, but there would be no intention if the Muslim does not learn how to pray. Hence, before having the intention, Muslims are required to be knowledgeable. Without knowledge, all practices (*'ibādah*) will not be accepted.

Furthermore, Allah SWT also said in the Qur'an (al-'Alaq, 96:1), "Read! And your Lord is the Most Generous," (according to *Al-tafsir al-kabir aw mafatih al-ghayb*, in (Muhammad bin Omar bin al-Hasan bin al-Husayn al-Taymi al-Bakri, Abu Abdullah 1981), p. 13, v. 32). The context of this verse is that people are asked to make Allah their priority in their actions. This verse is associated with verse 4 of the same surah, which says "Who taught by the pen". The word "pen" in the verse refers to knowledge. In *Sahih Muslim*, the *book of virtue, enjoining good manners, and joining of the ties of kinship*, Abu Huraira reported Allah's Messenger (ﷺ) as saying, "Verily Allah does not look to your faces and your wealth but He looks to your heart and your deeds".

Therefore, the contention by (Zebrowitz, Franklin, and Boshyan 2015) that the face can also shape behaviour is in contradiction of the hadith.

Thus, intention (niyyah) is the primary basis of Muslims' behaviour because it is intention that determines the action, and it is also the intention that determines one's goals. Hence, one's intention describes one's behaviour. In the view of Islamic paradigm, human intention does not depend on behaviour or attitude as is supposed by Western thinkers. Instead, intention depends on knowledge. Hence, niyyah (intention) based on knowledge, objective, and purpose is better than the behavioural, normative, and control beliefs stated in TPB. TPB was explicitly developed to explore people's beliefs toward medicines, and it has been frequently used in health-related research. It has been found to have more precisely defined components, making it helpful in researching medication reusing behaviour (Alhamad and Donyai 2021).

TPB provides a model for predicting and understanding behaviour. It proposes that behavioural intentions, which are determined by a combination of three factors (attitude towards the activity, subjective standards, and perceived behavioural control), shape behaviours instantly. Under some circumstances, perceived behavioural control can directly predict behaviours (Kan, Fabrigar, and Fishbein 2017). Though the proponents of TPB opine that the theory predicts all behaviours, the opponents argue that the theory only predicts deliberate, not automatic, behaviours. TPB is not relevant in this study due to three reasons. Without knowledge, the intention is unstable; since intentions change over time, the expressed intentions in the questionnaire might not match future behaviour due to altered intentions. Ideally, intentions should be measured immediately the behaviour occurs because intentions change over time. Second, in terms of compatibility, the intention to conduct a behaviour in the future might not align with the one for conducting it today. Finally, regarding lack of control, if people do not have absolute control over their behaviour, their intentions might not be good predictors of their behaviour.

Measuring the level of respondents' acceptance of a new product is crucial. This is because if the product is available, but the demand is low, it means people cannot accept the product, or people do not understand the product's advantages, or the product

is not suitable for the current situation. Therefore, information on respondents' acceptance of a product is essential in Islamic banking research.

The present study used PLS-SEM to determine respondents' acceptance of the newly constructed model. (Hair et al. 2019) reported that covariance-based structural equation modelling (CB-SEM) has been the dominant approach for analysing complicated interrelationships between observable and latent variables for many years. Until about 2010, vast publications in social science journals employed CB-SEM instead of PLS-SEM. However, the number of publications utilising PLS-SEM has grown substantially in recent years. Currently, PLS-SEM is widely used in various social science areas, including Islamic finance and banking studies. For example, it was used in the studies by (Mbawuni and Nimako 2017), (Jamshidi and Hussin 2018), (Mohd Thas Thaker et al. 2020), (Aziz, Afaq, and Bashir 2018), and (Ali, Javaid, and No 2020). For that reason, the present study used SmartPLS version 4.0 to determine respondents' acceptance of the qarḍ ḥasan via cash waqf model. The respondents' acceptance was measured based on the factors affecting knowledge, objective, and perceptions towards the model

3.3.1 Hypotheses Development

3.3.1.1 Knowledge

Customer knowledge has become one of the most valuable economic assets for companies. From a producer's perspective, knowing what customers value most in a company's products or services helps companies optimise ability and improvement based on customers' needs (Kan et al. 2017): (Hsu, Chen, and Hsueh 2006).

A lack of customer knowledge will hinder the prospect of expanding the Islamic banking business beyond its conventional counterparts (Hamid 2013). According to (Bley and Kuehn 2003), having Islamic banking knowledge will motivate customers to choose Islamic banking services instead of conventional banking services. Thus, spreading Islamic banking knowledge among Muslims is crucial ((Reni and Ahmad 2016). (Gait and Worthington 2008) argue that there is generally low understanding of

Islamic finance methods among individual consumers, especially the immigrant communities and countries where an Islamic finance system has yet to be well established.

(Allah Pitchay et al. 2019) support the proposition by (Bley and Kuehn 2003) that a significant number of depositors have been motivated by the sustainable development of Islamic banking services to opt for Islamic banking services over conventional banking. To ensure the success of the Islamic financial system, Islamic financial institutions must provide sufficient knowledge about Islamic finance and Islamic financial products to Muslims and non-Muslims alike. This includes the marketing strategies. Hence, customer acceptance is influenced by their knowledge.

To summarise, knowledge is required before taking any action. The necessity of knowledge follows the necessity of general belief, which is the first duty of a legally competent and responsible person (*al-mukallaf*) and a condition for the validity of all actions. Respondents' acceptance is based on their level of knowledge about the new model. As a result, knowledge influences the type of decision made by a person.

3.3.1.2 Objective

The current study seeks to develop a model of personal financing in Islamic banking, given the difficulty of meeting the borrowing conditions that require guarantors, mortgages, assets, financial evidence, and many others, especially in the Covid-19 situation. Also, (Lim 2020) reported that the unemployment rate increased in September 2020. Notwithstanding, people still need to fulfil their existing commitments. Islamic financial institutions should abandon all the concealed products and all the controversial contracts that prevent borrowers from borrowing for critical needs. The Islamic banking system can become one of the most promising sectors in achieving the noble goal of Sharīʿah of promoting economic and social justice. By doing so, those who face financial problems do not need to obtain loans from unlicensed lenders who usually impose unreasonable conditions, such as exorbitant interest rates and strict collection terms.

Islam also urges the ummah to take care of maqasid al-Sharīʿah (objectives of Sharīʿah). Maqasid al-Sharīʿah has three categories, which are necessities (*darûriyyat*), needs (*ḥājiyyāt*), and luxuries (*taḥsiniyyāt*). The necessities are further classified into what preserves one's faith, soul, wealth, mind, and offspring (Kholisha et al. 2020). Then, during an economic crisis like the one caused by Covid-19 currently, Islamic finance plays an essential role in facilitating loans to those who desperately need them.

(Ahmed 2010) listed four reasons for the instability of the economic system which has caused financial crises, namely, (1) creating money from money, (2) selling debts, such as subprime lending, (3) short selling, and (4) absence of risk-sharing. These are all related to the conventional financing system. The Islamic financing system does not allow the creation of debt through direct lending and borrowing. Instead, debt is created through a sale transaction. Hence, Islamic financial institutions should take proactive action to study the subprime mortgage crisis, which was caused by excessive and imprudent lending. Several banks either failed or were bailed out or were nationalised by governments in the United States, the United Kingdom, Europe, and several other countries due to the subprime mortgage crisis. The financial crisis could be prevented if the market players were to adhere to Islam's ban on riba and *maysir*, along with Islamic values and morals, and the recognition of others' interests in one's economic fortunes. Therefore, to face an uncertain economic condition in the future, the Islamic financial system needs to innovate various instruments from the Islamic fiqh muamalat system as long-term solution. For example, sharing wealth and mutual benefit is the same as the waqf, sadaqah, and hibah systems that can combine them with other instruments to create a fund. Subsequently, the fund can be invested in the open market to increase its value.

(Yumna 2019) suggests that regulation may be needed for Islamic banks, and financial services regulators should create financial products for necessity (darûriyyat) situations. During an economic crisis, relying on the economic stimulus packages offered by the government only provides temporary relief, and usually, the amount is insufficient.

Therefore, the present study examined the respondents' need for a new model based on the spirit of maqasid al-Sharīʿah and identified the respondents' borrowing

objectives whether necessities (darûriyyat), needs (ḥājiyyāt), or luxuries (taḥsiniyyāt). By making this assessment, the researcher can determine the factors influencing the respondents' acceptance of the new model.

3.3.1.3 Perception

The financial sector, especially the Islamic finance and banking industry, must be innovative in service quality and operational performance to gain customer loyalty and financial stability. (Rashid et al. 2020) studied customers' perceptions of the financial performance of Bangladeshi Islamic banks. They found that tangibles, empathy, reliability, and responsiveness positively influenced customer loyalty. In the study by (Wajdi Dusuki 2008), respondents assumed that Islamic banks have to uphold social objectives and welfare and promote Islamic values towards staff, clients, and the public.

Perception is the sensing process carried out by humans by compiling, recognising, and interpreting sensory information to obtain an overview and understanding of the surrounding environment ((Robbins and Judge 2013). According to the authors, research on perception need to examine three factors that influence perception, namely, (1) factors in the perceiver, (2) factors in the situation, (3) factors in the target. In this study, the most important factor influencing costumers' perception in finance matters is expectation. Customers always expect the best in service. Muslim customers believe that borrowings from Islamic financial institutions must not involve the element of usury (riba). This is the main expectation of the Islamic banking system. Thus, Islamic financial institutions play a crucial role in developing innovative financial products that adhere to Islamic principles and do not involve riba (interest). This is particularly important in challenging times such as the post-Covid-19 economic crisis era. By doing so, these institutions can help address the existing prejudices within Muslim society and promote economic stability.

Research on customer perception is often associated with customer satisfaction. Customer perception has been a topic of bank research for a long time. Most of the research on perception is focused on the quality of service. The study by (Metawa and Almossawi 1998) found that customers were satisfied with the products and services,

and investment accounts received the highest satisfaction score. In contrast, in the study by (Okumuş 2005), respondents expressed dissatisfaction with specific products and services such as the mudarabah and musharakah terms in the Islamic banking system. (Rahmi et al. 2020) examined university students' perceptions of Islamic banking and financial products. They found that most respondents were familiar with Islamic banking products and believed the Islamic banking products to be more beneficial than the conventional counterparts. Despite the general agreement regarding the value of Islamic banking and its standing as a viable alternative to conventional banking, respondents were less convinced of existing Islamic banks' adherence to Sharīʿah, efficiency, and helpfulness. These factors affected their overall perception of the institutions.

Respondents' scepticism of Islamic banks' Sharīʿah compliance highlights the importance of implementing a proper profit-loss-sharing system and model in the current economic system. This would allow Islamic banks to attract more clients and survive in a competitive business environment. Besides, Hassan and Ahmed (2002), as quoted in the study by (Zainol, Shaari, and Muhamad Ali 2008), found that respondents were not interested in dealing with Islamic banks. The lack of interest was due to the belief that the banks only changed their names to reflect the image of an Islamic bank, but the interest element prohibited in Islam was still being practised. Hence, customer perception plays an vital role in their acceptance of Islamic banking institutions. For that reason, the present study attempted to unravel respondents' acceptance by evaluating their perception of the new model. Hence, the findings will contribute to the empirical literature on Islamic financial institutions.

This study took an exploratory research approach towards the new model. Various financing methods have been offered by the government and the private sector to help the victims affected during and after the economic crisis. The aid was channelled through economic stimulus packages such as the Prihatin Rakyat Economic Stimulus Package (PRIHATIN) and PRIHATIN Additional SMEs, amounting to RM260 billion. Among the assistance extended under PRIHATIN was adding medical equipment and personnel to curb the spread of Covid-19, providing cash assistance and equipment to the affected groups, and protecting and providing funds and support to traders, especially SMEs. Based on a report issued by the Ministry of Finance Malaysia ((MOF

n.d.), this package is worth RM250 billion. Of that amount, RM128 billion was channelled to protect the welfare of the people; RM100 billion to support businesses, including SMEs; and RM2 billion to strengthen the national economy. Another RM20 billion was the government allocation in the previously announced stimulus package.

During the recovery phase of the Covid-19 pandemic, the government also introduced the National Economic Recovery Plan (PENJANA), with an allocation of RM35 billion. This plan included 40 initiatives, such as the RM5 billion expansion of the Wage Subsidy Programme, the RM1.5 billion Employment Incentive Programme, skills improvement programmes for the unemployed, and RM2 billion for youth initiatives.

Other than providing the stimulus packages and plans during the Movement Control Order (MCO) period, the government also launched several funds to encourage the public to join the government in helping those affected. Among them are the Covid-19 Fund managed by the National Disaster Management Agency (NADMA) and the Musa'adah COVID-19 Fund managed by JAKIM. The total collection of the Covid-19 Fund reached RM40.2 million, and it was channelled to the people in the form of medical and financial assistance. About RM125,700 was channelled to 94 individuals who lost their income, RM355,000 to 71 heirs who lost their loved ones, and RM25.2 million was channelled to the Ministry of Women, Family, and Community Development for further distribution. JAKIM's Covid-19 Musa'adah Fund collected a total contribution of RM3.6 million, of which RM1.6 million has been distributed (JAKIM 2022).

Individuals' roles in assisting those affected were crucial (Nurul Adilah Hasbullah and Rahman 2020). Contributions from them were essential for the funds created at the government, corporate, or non-government organisations (NGO) levels. Several individuals in the community also helped to collect and distribute donations to the affected groups.

The study by (Abdul Haniff, Hj Long, and Ahmad 2021) reported that according to the Employees Provident Fund (EPF), the economic situation of the people worsened during this period. About 200,000 members had almost zero savings in their EPF

accounts, and 6.24 million members under 55 had less than RM10,000 in Account 1. Based on the average national savings of Malaysians, without EPF, the average Malaysian had savings of negative 0.5%. Despite that, some people still insisted on withdrawing their EPF savings to cover the financial shortfall caused by the Covid-19 pandemic. Moreover, according to data from the Ministry of Local Government Development 2020 (Shamimi bt Ab Kadir 2020), the rates of licence issuance to credit and pawn broking communities continued to increase from 2017 to 2020. This increased growth rate implies an increase in demand. Hence, this is where Islamic banks and financial institutions have a role to help the affected individuals. According to the ministry, the maximum rate charged by the credit community is 8%. Hence, if Islamic banks can come up with the latest innovations, they should be able to attract the interest of those affected by the financial crisis to borrow from them.

The MCO implementation to curb the outbreak of Covid-19 had an enormous impact on people, especially those who were self-employed since they could not go out to earn a living as usual. The federal and state governments channelled various forms of assistance and donations to those affected during and post-Covid-19. In addition, companies, NGOs, and individuals also donated to the various funds launched during the MCO period. Their help and contributions helped the affected people's ability to survive tremendously. Their act of charity is in line with the principle of philanthropy in Islam. Based on the above, the present study developed the following hypotheses:

H^1: The desire to contribute to and assist those affected by the economic crisis increases after it occurs.

H^2: Knowledge has a positive relationship with respondents' perceived acceptance of the QHCW model in Islamic banking institutions in Malaysia.

3.4 CONCEPTUAL FRAMEWORK DESIGN FOR *QHCW* MODEL

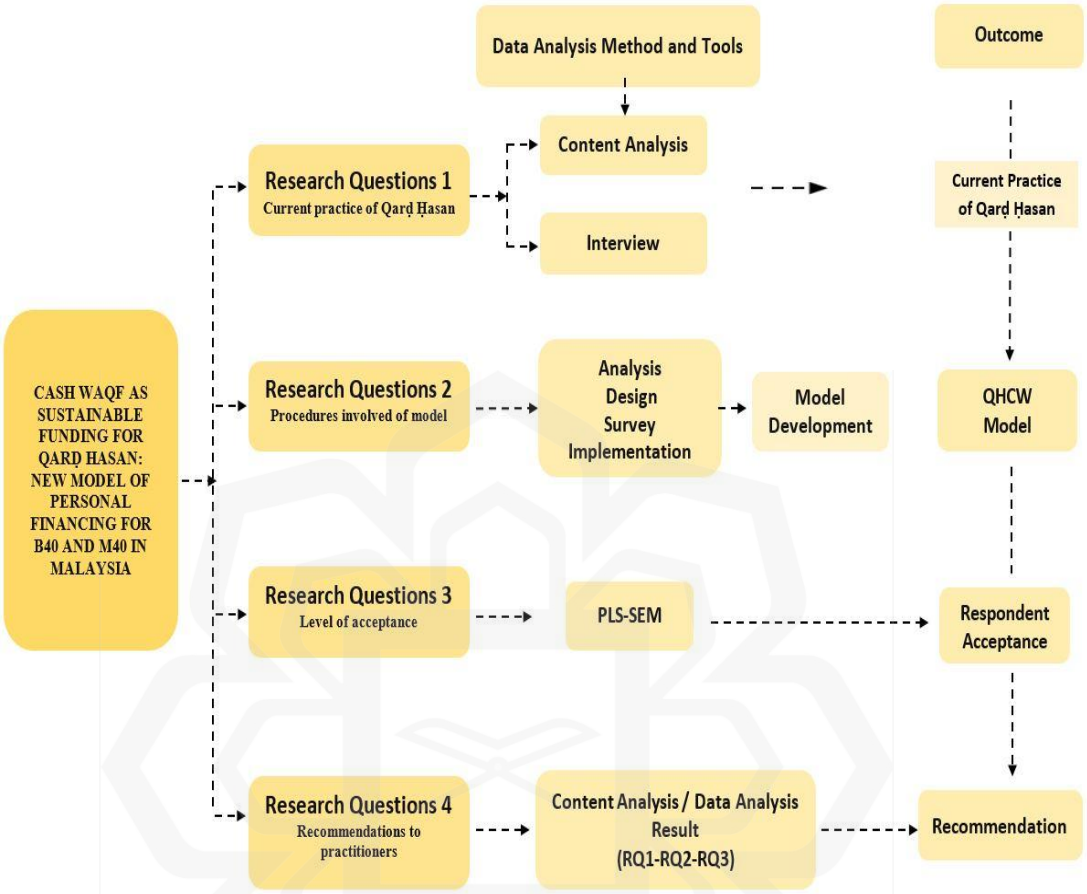

Figure 3.3 Conceptual Framework Design for QHCW Model

Figure 3.3 illustrates the use of two data analysis methods and tools, namely, content analysis and interviews, to answer the four research questions in this study. In this study, both qualitative and quantitative data analysis methods were employed to address research questions. The tools utilized for data analysis included SPSS, SmartPLS, and Google Forms. A qualitative approach was adopted to answer Research Question 1 (RQ1) by reviewing the literature on the qarḍ ḥasan model through the Google Scholar search engine. A total of 30 journal articles published between 2017 and 2021 were identified, with an additional seven articles sourced from Scopus Indexed journals. After carefully selecting relevant articles that focused on the qarḍ ḥasan model, it was observed that research in this area has increasingly focused on the intersection of Islamic social finance and microfinance for SMEs. Notable studies in

this domain include works by Zakariyah and Abdulrahman (2021), Muneer and Khan (2019), Aderemi and Ishak (2020), Afonso and Khan (2019), Kristiyanti and F (2019), Sa'ad and Pitchay (2019), Khan (2017), and Sadr (2017).

In addition, a specific focus was placed on bank-related studies within the period from 2017 to 2021, highlighting the works of al-Muwallad and Idris (2021), Ahmad, Said, and Othman (2021), Shahabi, Azar, Faezy Razi, and Fallah Shams (2021), Selim and Hassan (2020), Asbeig (2019), Cahyono (2019), Selim (2019), and Fesharaki and Sehhat (2018). However, the literature on qarḍ ḥasan in the context of Malaysian banking is limited due to a relatively lower focus on qarḍ ḥasan by Islamic banks, which primarily maintain the traditional form of Qard. This scarcity prompted an exploration of Sharīʿah resolutions in Islamic finance related to qarḍ ḥasan, which formed part of the qualitative data gathered through secondary sources.

In response to Research Question 2 (RQ2), which involved model development, the study relied on secondary data and the framework proposed by Dinc (2020). However, due to the limited availability of relevant research on model development, secondary sources such as Sharīʿah justification from the Al-Quran, Al-Hadith, and opinions of Islamic scholars were referenced. In addition, content analysis was applied to the literature review for both RQ1 and RQ2, allowing for thematic data analysis.

An online survey was conducted with practitioners from Islamic banks to collect quantitative data. Given the restrictions imposed by the Movement Control Order (MCO) during the COVID-19 pandemic, the survey was carried out using Google Forms. This method was chosen as it was the only feasible way to reach respondents at the time. Despite contacting several Islamic banks, communication was limited to email correspondence. Although the survey was intended for high-ranking officers involved in product development at the banks, emails often reached customer service staff. However, through direct contact, I was able to connect with an expert practitioner, a Certified Sharīʿah Advisor and Auditor (CSAAAOIFI), who had previously served as the Group Chief Sharīʿah Officer of BIMB Holdings PLC and Chief Sharīʿah Officer at Bank Islam Malaysia. His insights were invaluable for the research. While other Islamic banking practitioners were involved in the study, I cannot reveal their profiles due to their requests for anonymity. To address Research Question 3 (RQ3), primary

data was collected through an online questionnaire survey (quantitative). Due to the constraints imposed by the Movement Control Order (MCO) during the COVID-19 pandemic, Google Forms was used to distribute the survey. The circumstances necessitated this method, as face-to-face interactions were not possible. The survey targeted respondents from different socioeconomic groups, specifically the B40, M40, and T20 groups, as outlined in the respondent demographics section. The sampling technique employed was the snowball sampling technique, which proved particularly effective in this context. Given the challenges of selecting appropriate respondents during the MCO, this technique facilitated the identification of suitable participants through referrals, which aligned with the difficulties of gathering respondents under the pandemic conditions.

Before accessing the questionnaire, participants had to review and provide informed consent via an embedded online form within the Google Forms platform (see Appendix A). The consent form explicitly detailed the study's objectives, confidentiality protocols, voluntary participation, and the right to withdraw at any stage. Only respondents who formally agreed to these terms were permitted to proceed, ensuring adherence to ethical research standards. To establish the questionnaire's reliability and validity, it underwent rigorous expert evaluation and empirical testing. Experts in social science, Islamic commercial law, and language affirmed its conceptual clarity and practical relevance, recommending a pilot study for empirical validation. The pilot study demonstrated strong internal consistency, as indicated by a Cronbach's Alpha of 0.839, while Composite Reliability (CR) values exceeded the threshold of 0.7, and Average Variance Extracted (AVE) values surpassed 0.5, confirming both reliability and convergent validity. Additionally, discriminant validity was substantiated through the HTMT and Fornell-Larcker criteria. These results collectively affirm that the questionnaire is a methodologically sound and robust instrument, ensuring the reliability and validity of the data collected for this study.

The survey aimed to evaluate the general acceptance level of the newly proposed Qarḍ ḥasan-Cash Waqf (QHCW) model, serving as an exploratory research tool to assess its feasibility in Islamic banking. The collected data provided critical insights into the perceptions of various income groups, particularly those classified as unbankable, who often face difficulties in accessing personal financing. By examining

acceptance trends among these underserved populations, the study contributes to the academic discourse on financial inclusion and the practical applicability of the QHCW model in addressing economic disparities.

For the data analysis of this survey, Partial Least Squares Structural Equation Modeling (PLS-SEM) was utilized to evaluate the relationships between various constructs and measure the overall acceptance level of the proposed model.

Lastly, to answer Research Question 4 (RQ4), the findings from RQ1, RQ2, and RQ3 were synthesized and presented as actionable recommendations. These recommendations aim to guide future research and provide insights for stakeholders interested in implementing the qarḍ ḥasan model within the context of Islamic banking.

3.5 SUMMARY

The verses of the Qur'an and hadiths that describe human nature and real economic phenomena deserve a great degree of attention within the context of Islamic economics. Reading the real economic phenomena is the other source for Islamic economics. The researcher could then examine specific economic phenomena and identify causal relationships between previously unknown factors to uncover the true nature of things. Observations, experience, inductive reasoning, surveys, questionnaires, interviews, market research, statistical methods, quantitative research, and other methods and techniques of economic analyses developed by conventional economics are all tools for reading economic phenomena. This is an alternative form of reasoning in which the study of economic phenomena is applied to the human mind guided by revelation. In its search for truth, Islamic economics must rely on methodologies and theories that are commensurate with its social and descriptive nature.

Allah is the Creator of all events and human actions. It is not true to say a human has power over his acts. When the tree bears fruit, the water flows, or the sky rains, it is Allah who is performing the actions of the tree, water, and sky. Nevertheless, Allah endows man with the capacity to act, as well as the will and desire. However, since there is only one Creator, which is Allah, those claiming that humans have absolute

power over their actions will ultimately commit polytheism. While Allah is the source of all actions, good and bad, humans have the right to act according to the term of *al-kasb* proposed by al-Ashʿarī (Salem 2014). To avoid ascribing *khalq* (creation) to any other than Allah, al-Ashʿarī (d. 935) opted for the term "*kasb*". His primary goal was to affirm Allah's absolute power while giving humans some agency over their own lives. Humans determine their actions and their responsibilities with the presence of *al-kasb* given by Allah.

(Al-Zuhayli 1991) said that knowledgeable people are the people who practise what they learned and the people who benefit from their knowledge. This is because knowledge is something that will lead people to the right path. Furthermore, seeking knowledge is obligatory for every Muslim man and woman. Knowledge is valuable and one of the most critical factors in understanding Islamic teachings (A. M. Ismail et al., 2011). Thus, the theory of freewill (Al-rasyid 2022) put forward by Western thinkers who say that humans are free to conduct things according to their choices and that their behaviour reflects their intentions is rejected.

The development of Muslim behaviour is heavily dependent on the development of knowledge. Thus, knowledge is regarded as a key predictor of human behaviour. Muslims need to address current financial issues by using Islamic banking institutions and by referring to the Islamic economic philosophy. For their theoretical models to be successful in the current climate, Muslim scholars must analyse and develop a new model for the banking institutions. The cash waqf, in particular, should be given proper attention because it is a viable alternative to the current financial system and addresses the current economic crisis.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 INTRODUCTION

This chapter outlines the methodology used in this study. The previous chapter discussed the theoretical aspects. The relevant literature was synthesised to develop a theoretical understanding of the research processes. This chapter discusses the research methodology employed, the research processes designed to achieve the main objective, the method used for data collection, and the analysis tools chosen for this study.

A methodology can be thought of as the research guiding principle. It dictates how a researcher sets out to make sense of a phenomenon. The researcher employed a mixed methodology in this study, combining qualitative and quantitative methods. In terms of approach, this study took a content analysis approach. This study also used SmartPLS as a data analysis tool.

4.2 RESEARCH METHODOLOGY

This study has four main aims. First, this study seeks to explore the existing practice of qarḍ ḥasan in the Islamic financial system. Second, this study intends to develop the procedures for implementing the QHCW model. Third, this study wants to examine the level of acceptance of the QHCW model among household income groups in Malaysia. Fourth, this study seeks to provide recommendations and suggestions to improve the product development of the Islamic banking system, specifically the qarḍ ḥasan model.

Figure 4.1 summarises the research design for this study's data collection, measurement, and analysis. To achieve the objectives mentioned earlier, the researcher applied two methodologies: the inductive research approach using qualitative methods and the deductive approach using quantitative methods (Bernard 2007)(Creswell. 2014) (Masyita 2012). Moreover, this study employed a content analysis approach, which is widely used in qualitative research (Hsieh and Shannon 2005a). This study also used

the Islamic jurisprudence (usûl al-fiqh) method to justify the Sharīʿah compliance analysis. The usūl al-fiqh (Islamic jurisprudence) method refers to the principles and methodologies used in deriving Islamic legal rulings from primary sources, namely the Qur'an, Sunnah, ijmāʿ (scholarly consensus), and qiyās (analogical reasoning). In research, this method is applied to assess the Sharīʿah compliance of financial instruments, models, or policies by systematically analyzing their conformity to Islamic legal principles.

In this study, the usūl al-fiqh method was used to justify the Sharīʿah compliance analysis by employing legal maxims (qawāʿid fiqhiyyah, i.e., hardship begets facility (al-mashaqah tajlib al-taysīr), objectives of Sharīʿah (maqāṣid al-Sharīʿah), and traditional jurisprudential reasoning. Building upon Muhammad Al-Ṭāhir bin ʿĀshūr's (2013) foundational articulation of wealth's ultimate objectives, including transparency (wudūh) and firmness (thabāt), Bank Negara Malaysia (2018) has identified justice, wealth preservation, and wealth circulation as three pivotal maqāṣid al-Sharīʿah for the Islamic finance industry (Mahadi and Zakariyah, 2024). Mahadi (2022) posits that Islamic microfinance, particularly through the implementation of qarḍ al-ḥasan (non-interest refundable loans), alongside other Sharīʿah-compliant instruments, can serve as a vital charitable mechanism to extend financial services to underserved populations.

This ensures that the proposed financial model aligns with Islamic ethics, principles of justice, and the prohibition of elements such as ribā (usury), gharar (excessive uncertainty), and maysir (gambling). The methodology validates whether the financial framework adheres to Islamic guidelines while addressing contemporary economic challenges.

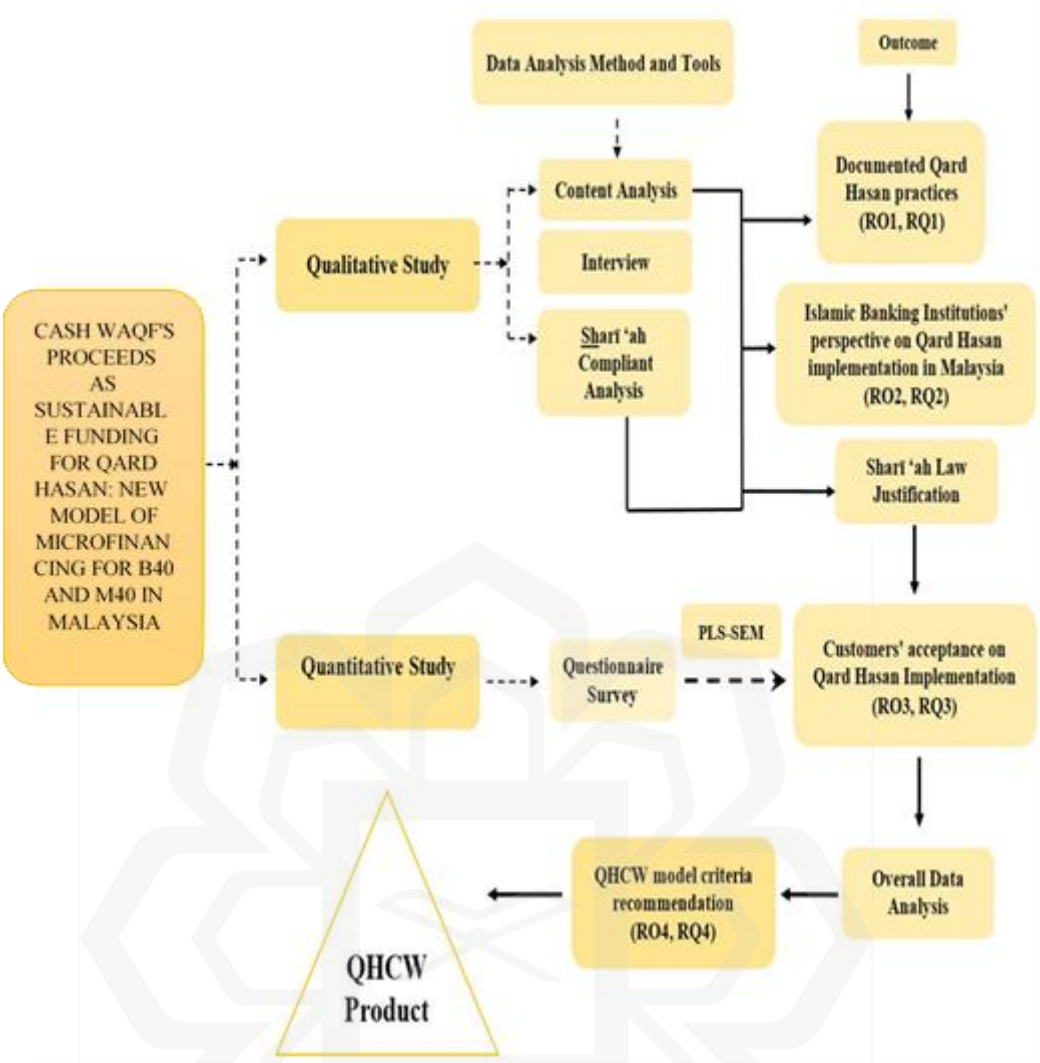

Figure 4.1 Research design in QHCW

The present study applied the content analysis method, recently gaining popularity in social sciences research (Bahoo and Hassan 2019). Further, this study also used an interdisciplinary approach. Interdisciplinary research is founded on a conceptual framework that combines the theoretical frameworks from many disciplines. It employs a study design and technique that is not confined to a single area, and it necessitates the utilisation of views and abilities from the many disciplines participating in the research process at various stages. For example, this study compared the theories found in the conventional (western) point of view with the foundations of the Islamic paradigm. As a part of that, this study used an inductive research approach that included working solely based on participants' experiences, which served as the sole source of information for the analysis (Azungah 2018). The inductive approach in this study

explored the existing practices of qarḍ ḥasan, cash waqf, and product development in the Islamic financial system. In particular, the content analysis method was used to explore QHCW data from various sources, as highlighted in Figure 4.1. References from the Qur'an, hadiths, classical jurist books, journal articles, master/PhD theses, proceeding papers, and official channels of the online newspaper were referred to understand the definition and legitimacy of qarḍ ḥasan and cash waqf. Resolutions of the SAC and the financial reports of BNM were obtained from BNM's website to determine the implementation of qard and the latest policies in the Islamic financial framework in Malaysia. Household income information for B40, M40, and T20 groups was taken from the online open data of the Department of Statistics Malaysia. This study also conducted an online survey on Islamic banks in Malaysia to find out the implementation of qarḍ ḥasan and to determine the suitable products for those affected by the Covid-19 pandemic, especially the B40 and M40 groups. Finally, the outcomes of the content analysis were used to develop the QHCW model and procedures.

Further, this study used the deductive approach to conclude existing theories (Azungah, 2018). Quantitative methods were employed to examine the level of acceptance of the QHCW model among B40 and M40 groups. A questionnaire survey was conducted to determine respondents' acceptance of the model constructed by identifying the latent variables: knowledge, objective, acceptance, and perception (observed variables) factors based on behavioural finance theories. Results from the survey were analysed using the PLS-SEM method via SmartPLS. Finally, recommendations and suggestions are highlighted to improve the product development of the Islamic banking system. The reasons for using PLS-SEM are tabulated in Table 4.1. These arguments are highlighted to avoid misunderstandings between CB-SEM and PLS-SEM.

Table 4.1 Comparison Table Between Usage of CB-SEM and PLS-SEM

Criteria	PLS-SEM	CB-SEM
Research Objectives	Suitable for exploratory and confirmatory research when the theoretical foundation is insufficient.	Strictly confirmatory, requiring a well-established theoretical foundation.
Research Purpose	Focuses on prediction by explaining the variance in key target constructs.	Aims at theory testing by maximizing the fit between the correlation matrix and parameter estimates.
Sample Size Consideration	Suitable for small sample sizes (minimum 20).	Requires a large sample size (typically 200–800).
Data Distribution Properties	No strict assumptions about normal distribution.	Requires multivariate normal data, adhering to strict normality assumptions.
Model Specification	Allows both formative and reflective relationships.	Supports only reflective relationships.
Measurement Objectives	Offers flexibility in measurement models.	Adheres to rigid measurement structures.
Hierarchical Latent Variable Scores	Factors are determinate, allowing explicit estimation of unobserved variables.	Factors are indeterminate, making direct estimation of unobserved variables challenging.

Source from Hair et al. (2019) study.

Table 4.1 illustrates the differences between CB-SEM and PLS-SEM. PLS-SEM is focused on making predictions that can be used for either exploratory or confirmatory research. The PLS-SEM approach is similar to that of basic regression analysis, and the goal of PLS-SEM is to explain the variance. PLS-SEM also provides coefficient of determination (R^2) values in addition to showing the significant relationships between

constructs. These values can show how well the model is doing in its correlations. PLS-SEM can be used in situations where it is unclear whether relationships exist or not. It can also be used to generate hypotheses for further testing. It has few requirements in terms of the measurement scales, sample size, and residual distributions. In this study, the applicability of PLS-SEM coincides with the phenomenon being investigated. This study is an exploratory one, examining the acceptability of a new model which has not been studied at any level of research.

4.3 RESEARCH APPROACH

A mixed-method approach was used to obtain data to answer the research questions and subsequently achieve the research objectives. The qualitative methods applied in this study were content analysis and interview, while the quantitative method used was questionnaire survey. Table 4.2 summarises the research approaches used to investigate the research questions (RQ) and achieve the research objectives (RO) in this study.

This study used both qualitative and quantitative methods due to several factors. First, it is appropriate to use a mixed-method design when trying to find answers to research questions that cannot be answered by either the quantitative or the qualitative method alone (Wisdom and Creswell 2013). Second, the mixed-method approach can provide opportunities for participants to have a strong voice and share their experiences throughout the research process. Additionally, mixed methods can facilitate different avenues of exploration that enrich the evidence and enable questions to be answered more deeply. Third, researchers can have richer experiences and greater scholarly interaction by using the mixed-method approach because it sheds light on various perspectives on the topics being investigated (Shorten and Smith 2017). Therefore, the selection of the mixed-method is appropriate, especially since the phenomenon of this study is multi-disciplinary and crosses between Western theory and the Islamic perspective.

Table 4.2 Research approaches applied in this Study

Research Approach	Research Objectives (RO) and Research Questions (RQ)
Qualitative - Content analysis	Exploration on the existing practice of Qarḍ Ḥasan in Islamic Financial System (RO1, RQ1)
Qualitative - Interview	Development of procedures involved in the implementation of *QHCW* (RO2, RQ2).
Quantitative – Questionnaire survey	Examination on the level of acceptance *QHCW* model among B40 and M40 Muslims as borrowers and contributors (RO3, RQ3)
Qualitative & Quantitative data analysis	*QHCW* model development (RO4, RQ4)

4.3.1 Content Analysis

This study employed a mixed-method approach, combining qualitative and quantitative methods. To ensure the richness of the discussion in this study, the researcher chose the content analysis approach to determine the presence of certain words, phrases, themes, or concepts, specifically when dealing with qualitative data. Content analysis is a popular qualitative research method or tool for examining content and its features (Hsieh and Shannon 2005b). It is a method for quantifying qualitative information by grouping data into different categories and evaluating them against one another to create a useful summary. (Holsti 1986) defined content analysis as "any technique for making inferences by objectively and systematically identifying specified characteristics of messages".

The content analysis can range from straightforward words, text, and images to information from social media, books, journals, and websites. The purpose of conducting a content analysis is to provide objective, quantitative information along with qualitative content. The qualitative data collected is systematically analysed to convert it to quantitative data (Erlingsson and Brysiewicz 2017). Content analysis differs from other types of research in that it does not collect information directly from people. Instead, it is the study of data that has already been recorded in social media,

text, books, or any other physical or virtual form (Bengtsson 2016). In other words, the content analysis approach further enriches the observation of a phenomenon such as that used by traditional qualitative methods.

4.3.2 Data Sources and Management.

Data sources include interviews, open-ended questions, field research notes, conversations, or any instance of communicative language (such as books, essays, discussions, newspaper headlines, speeches, media, and historical documents). Various textual genres may be examined in a single study's analysis. The text needs to be coded or divided into manageable code categories for analysis (i.e., "codes") in order to be subjected to content analysis. Once the text has been coded, the codes can then be further divided into "code categories" to further condense the data.

The initial step in the content analysis process is reading and re-reading the documented text from any primary, secondary, or empirical source to gain a general understanding of what is being discussed (Erlingsson and Brysiewicz 2017). The second step entails dividing the text into smaller parts, namely, meaningful units. This is done to condense the information or data collected. The condensation process is the process of reducing the word count without sacrificing meaning. Then, codes are assigned. A code is a label that describes the condensed unit, and it typically has 1–2 words. In the third step, the researcher groups together codes that are similar in terms of their content or context to form a category.

Codes are put into the same category when they describe similar or different parts of the text that belong together. When the analysis leads to many codes, it can be helpful to start by putting codes that are closely related into smaller groups. Then, categories can be formed from subcategories that have similar content. Who, what, when, and where are all answered by a category. In other words, categories show what is manifest in the data, or what can be seen and understood. The names of categories are short and make sense.

Fourth is the theme. A theme is an underlying meaning, or "latent content" that runs through two or more categories. The themes show how the data can be understood

on a latent level. A theme answers questions like “why, how, what way, or how come?" The point of a theme is to connect with the reader both intellectually and emotionally. Therefore, poetic and metaphorical language works well in theme names to show what is really going on. The names of the themes are very clear and use verbs, adverbs, and adjectives.

An example of the content analysis is provided in Table 4.3 below. The example is pertaining to how patients feel when they are involved in an accident.

Table 4.3 Sample of Content Analysis Process

Interviews Data → **Well, ok, where to start, that was a bad day in my life**			
Condensation	**Code**	**Category**	**Theme**
It was a bad day in my life	The crash	Reliving the crash	Reliving the pre-hospital experience
Data → **I feel cold and my legs are shaking**			
I feel cold and my legs are shaking Being	Cold and shaky	Physical responses Emotional	Invisible and alone inside the pain of a broken body

Source: (Erlingsson and Brysiewicz 2017).

Table 4.2 provides an explanation of how the researchers drew structured conclusions by taking information from the data obtained and dividing it into four separate parts. The researchers were able to explain the patient’s feelings at the time of the accident by providing a description of the patient’s actual emotional experiences.

The same methods and approaches were used to answer the research questions in this study. Findings from online interviews with representatives of the Islamic division in Islamic banks and answers to open-ended questions by respondents were also studied and analysed using the content analysis methods. Regarding the inferential data analysis, the present study performed confirmatory factor analysis (CFA) to measure the reliability and validity of the questionnaire before applying it to the PLS-SEM analysis. The inferential data analysis answers the third research question. Lastly, the content analysis results were used to make recommendations to financial institutions, especially Islamic banks, and for future researchers.

4.4 EXPLORATION ON THE EXISTING PRACTICE OF QARḌ ḤASAN IN ISLAMIC FINANCIAL SYSTEM (RQ1).

This study employed content analysis as a research strategy to explore qarḍ ḥasan, cash waqf, and personal financing operations. A qualitative method based on content analysis was used to unearth reliable information about cash waqf and qarḍ ḥasan from their inception to the present day. Data were collected from classical Islamic books, case studies, journal papers, websites, and Sharīʿah resolutions on Islamic Finance.

Islamic jurists' discussions on cash waqf and qarḍ ḥasan have been elaborated on in the literature review chapter. This study argues their validity to state that qarḍ ḥasan and cash waqf are good approaches as personal loan models for B40 and M40 groups in Malaysia. This study also carried out a content analysis for verses containing the word qarḍ ḥasan in the Qur'an, as well as the hadiths related to riba. The results are reported in the Chapter Five. Finally, an online survey with the representatives of Malaysian Islamic banks was conducted to examine the current implementation of qarḍ ḥasan. The content analysis approach was also used with regard to that matter. All these findings are elaborated on in Chapter Five of this study. The methods and approaches discussed above are intended to answer the first research question.

4.5 THE DEVELOPMENT OF PROCEDURES INVOLVED IN THE IMPLEMENTATION OF THE *QHCW* MODEL (RQ2).

To answer RQ2 in this study, the researcher adopted the Yusuf Dinc framework with some modifications. Since the model is new, this study explored the modelling structure described by (Dinc 2020) with some necessary adjustments. The Dinc framework design consists of seven steps, consisting of idea generation, initial screening, market evaluation, product design, technical development, full market launch, and evaluation. Dinc also suggests that all these processes must be monitored and designed by the product development department and Sharīʿah law experts, who have their respective expertise. However, this study argues that the process proposed by Dinc is not realistic. The opinions of respondents or customers should be sought first before a product is released to the market. Therefore, this study has also verified that the Dinc framework for the modelling of new models or products requires modification. Thus, output from the public is crucial because it is one of the determinants of the feasibility of a product (Vasic, Kilibarda, and Kaurin 2019).

4.6 MODEL AND PROCEDURES DEVELOPMENT

The QHCW model and procedures were developed based on the outcomes of the mixed-method approach. The standard operating procedures (SOP) for the model is detailed to facilitate general understanding. Establishing and using an SOP is an essential part of the effectiveness of the quality system. It also gives individual knowledge about implementing the procedures correctly and enhancing continuity in product quality and reliability or end-result (Fatt et al. 2020). In this section, the researcher explains the SOP to facilitate understanding of the way to implement the model.

The QHCW model is for personal financing post-Covid-19. It is also a model example in the event that a crisis entangles the national economy. It has been shown that those affected by financial problems during the post-Covid-19 period have no one to depend on, so much so that they have to beg the government to allow them to withdraw money from their EPF savings. Priority is given to those who are experiencing financial difficulties as a result of the economic crisis, as well as first-time borrowers,

by examining the darûriyyat (essentials or necessities) and ḥājiyyāt (complementary needs). Borrowing for taḥsiniyyāt (the luxuries) is allowed, but the potential borrower must contribute to the cash waqf fund first. Debt repayment is based on the borrower's ability as agreed upon between the borrower and the QHCW principal. There is no lease or mortgage transaction.

The QHCW fund accepts open donations, which means anyone can contribute even if they do not intend to borrow from the fund. The contribution amounts for hājiyyāt (the complementary) and tahsiniyyāt (the luxuries) depend on the QHCW principal. Those that do not have financial problems will be required to contribute to the fund first before borrowing. The amount of the contribution depends on the financial institution acting as the fund manager. For example, if a person wants to borrow RM3,000 to RM5,000, that person must contribute RM500 to the fund; financing of RM5,000 to RM10,000 requires contribution of RM700 to the fund; and financing for more than RM10,000 requires a contribution of RM1,000. The contribution requirement is not a condition for obtaining financing but a way to sustain the qarḍ ḥasan-cash waqf (QHCW) fund. Borrowers are encouraged to contribute voluntarily, helping to expand and strengthen the fund. These contributions are not payments to creditors but are reinvested to ensure the fund's long-term sustainability. By integrating Cash Waqf principles, this approach allows the fund to grow continuously, supporting more people in need over time. Non-Muslims will also be allowed to borrow from the fund. In terms of risk management, if the borrower fails to repay their debt for reasonable reasons, such as joblessness or disability, the principal can use the fund to settle the deferred payment. Those who deliberately do not pay their debts will be subject to court action. To guarantee the stability of the fund, the fund operator or trustee should invest the fund and take an actual (minimum) amount as wages for the service provided.

The effectiveness of the qarḍ ḥasan implementation has been demonstrated. For example, the financial institution of Al-Qard Al-Hasan Association in Lebanon, financial institutions in Indonesia and Malaysia, some Islamic countries like Egypt, Jordan, Pakistan, and Nigeria have achieved success in their financial systems that can be used as a benchmark to be applied in Malaysia and other Islamic banking systems. A new model for the qarḍ ḥasan product can be developed to add to the success.

Qarḍ ḥasan does not operate in the traditional manner. Evidence of success is available in published research studies, as has been discussed in the literature review chapter. The operators, whether they are banking institutions or other organisations, must invest the cash waqf fund in the Investment Account Platform (IAP) for sustainability purposes. If a borrower fails to repay the loan, the bank can use the profit from the investment fund to settle the loan. The (IAP 2021) is a platform that facilitates fund transfers from investors to finance viable businesses and projects.

4.7 JUSTIFICATION OF THE STANDARD OPERATING PROCEDURES CONSTRUCTED.

The hadith of the Prophet (ﷺ) on the order to pay more than the amount borrowed is the main feature in developing the SOP for this model. Contributions to the fund are also vital to ensure the fund's stability. There is an easy way to raise funds for the initial stage. The cash waqf fund has to be set up first before participants are allowed to borrow under the qarḍ ḥasan financing mode. According to the hadith of the Prophet (ﷺ), the practice of paying more than the amount owed is a noble practice, and this was practised by the Prophet himself. According to the hadith narrated by Jabir Ibn Abdullah r.a., "The Prophet (ﷺ) owed me a debt and gave me something extra when he paid it" (*Sunan Abi Dawud*, 3347).

According to Nawawi (1997), Imam al-Nawawi mentioned in his explanation of *Sahih Muslim* that it is encouraged (*mubāh*) for the debtor to pay more than the value of the debt owed when settling it. Similarly, in the hadith narrated by Abu Rafie r.a., the Prophet (ﷺ) said, "Give him, for the best amongst the people, is he who repays his debts most generously".

This model may entail imposing conditions before allowing people to borrow. The conditions imposed are to raise funds through cash waqf. The benefit is not directed to the lender but to the funds collected. If the granting of a benefit on a loan is made voluntarily or unconditionally, it is allowed. It is because the Prophet (ﷺ) said, "The best of people is he who discharges his debt in the best manner" (*Muslim*, chapter on business transactions, no. 1600). About the hadith prohibiting usury, "Any loan that

draws profit/interest is usury", according to (Kilani 2004) and (Al-'Umrani 2010), all the hadiths are not authentic (refer to Appendix B). However, they are correct in terms of meaning. No one should be treated unfairly or cruelly, and hence, adding to the amount of debt is not ethical.

Overpaying the loan amounts is advanced as a cash waqf concept. This is consistent with the Prophet's ﷺ hadith, where the extra payment is made together with the loan settlement at the end of the debt payment period. The act of overpaying the debt amount is sunnah. It is encouraged because the Prophet himself did so when settling his debt. It is not compulsory but is done to repay the good act of the creditor. Thus, paying more than the amount borrowed is allowed and is regarded as a gift to the creditor. It is not included in riba *nasi'ah*. In societal life, lending and borrowing activities are widespread. Thus, receiving help from someone will lead to love and mutual respect for one's sacrifice to one's brother. With the appropriate and sincere implementation, this act will bring blessings to each other. This is in line with verse 2 of surah *al-Mā'idah* which says, "And cooperate in righteousness and piety, but do not cooperate in sin and aggression. And fear Allāh; indeed, Allāh is severe in a penalty".

In conclusion, overpaying one's debt is allowed in Islam. For the new model in this study, the excess payments are deposited in the cash waqf fund for proliferation and investment to guarantee the fund's stability.

4.8 EXAMINATION ON THE LEVEL OF ACCEPTANCE *QHCW* MODEL AMONG B40 AND M40 MUSLIMS AS BORROWERS (RQ3).

SEM is a set of statistical approaches that makes it easier to connect data and theory. Researchers can conduct path-analytic modelling with latent variables using the PLS-SEM method and evaluate the path coefficients to determine the direct and indirect effects between latent variables as part of the structural model assessment (Jasimuddin, Mishra, and A. Saif Almuraqab 2017). The PLS-SEM method was used in this study to examine the entire research model and hypotheses. This method was primarily employed in this study to examine the relationships between the variables (Hair et al. 2019). Finally, the respondents' level of acceptance of the proposed model was

determined using the latent variables consisting of knowledge, objective, acceptance, and perception. The construct variables were gleaned from TPB, but the present study completely rejects that theory because it does not fit the Islamic paradigm point of view. All the arguments for rejection have been stated in the theoretical section of this study. Furthermore, SEM takes advantage of the latent variables measured by the indicator variables. According to (Cepeda-Carrion, Cegarra-Navarro, and Cillo 2019), PLS-SEM is linked to the construct's nature. Thus, although the researcher chooses a latent variable or measurement model, (Henseler, 2017) proposes that the choice be made depending on the nature of the construct. As a result, the behavioural constructs and design constructs can be identified. However, abstract concepts like happiness or trust cannot be assessed directly. Notwithstanding, the researcher can evaluate signs or expressions of what have been decided as joy or faith, such as in a brand, product, or organisation. When concepts are difficult to quantify, one method is to quantify them indirectly using a collection of indicators that act as proxy variables (Wong 2019).

Therefore, to determine the extent of people's argument, the researcher can ask them how much they know about the qarḍ ḥasan and cash waqf products. In this exploratory survey example, respondents were asked to rate their level of acceptance on a scale representing the proxy variables, namely respondents' knowledge (KNOW), objective (OBJ), and perception (PERCT). The study used a five-point Likert scale consisting of 1 = *strongly agree*, 2 = *agree*, 3 = *neutral*, 4 = *disagree*, and 5 = *strongly disagree*. The conceptual framework is shown in Figure 4.3, and the survey questions are presented in Table 4.4. Respondents' acceptance (ACCEPT) was assessed using multiple indicators rather than a sin(Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt 2017)Ringle, C. M., & Sarstedt 2017). Specifically, acceptance was evaluated through three distinct variables, ensuring a comprehensive measurement that captures various dimensions of the construct. Table 4.4 presents the preliminary list of 17 items or indicators for the QHCW model before the reduction process.

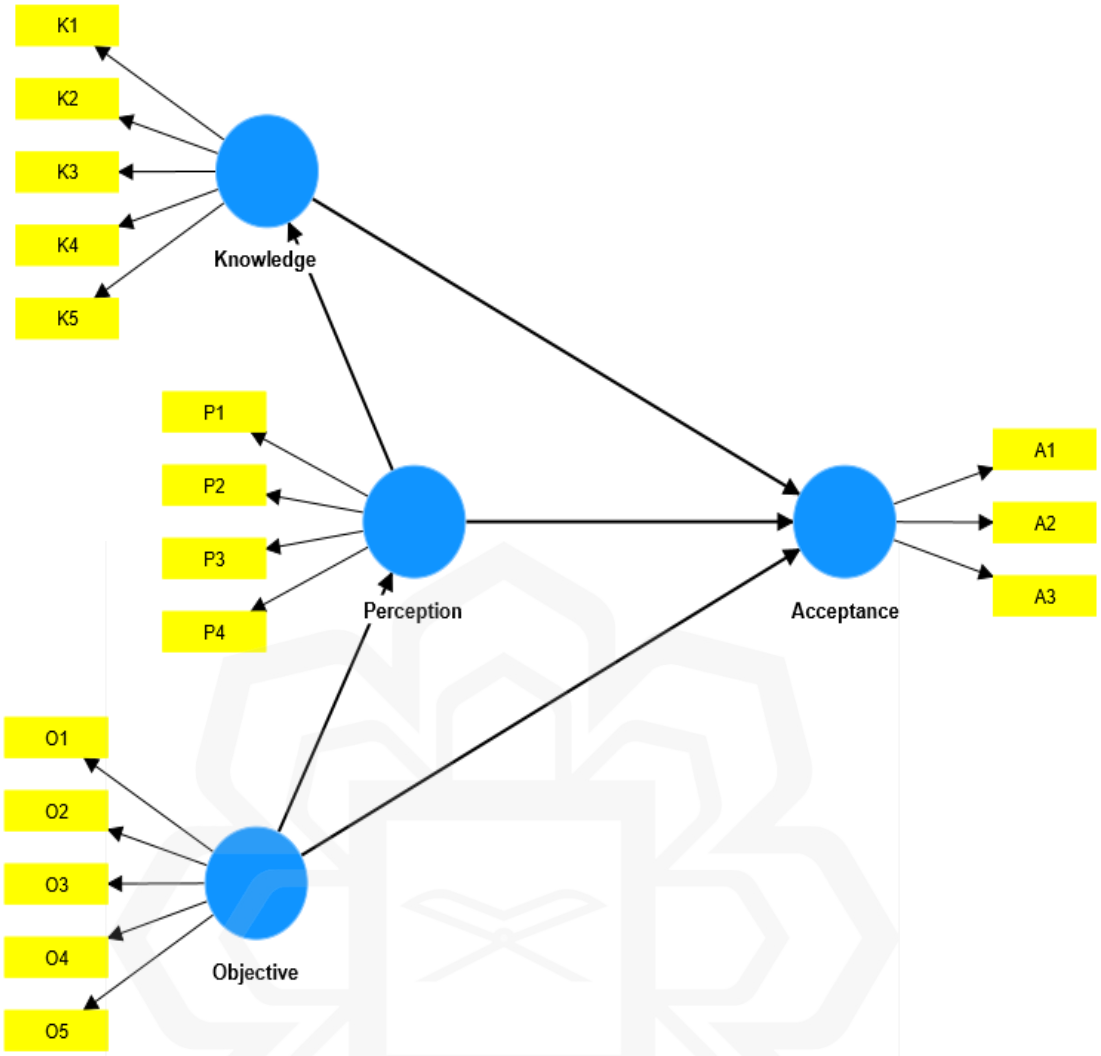

Figure 4.2 Conceptual Framework of Inner Model (structural model)

Table 4.4 The Preliminary List of Items Construct For The QHCW Model.

Code	Items
Knowledge	
K1	I have a good knowledge of Islamic banking terms.
K2	I know the concept of Cash Waqf.
K3	I know the concept of Qarḍ Hasan (loan without interest).
K4	I understand the concept of Qarḍ Hasan through Cash Waqf funds.

K5	I agree that anyone who wants to use the Qarḍ Hasan model through Cash Waqf should contribute to Cash Waqf first.
Objective	
O1	The Qarḍ Hasan model through the Cash Waqf fund can help the needy groups (B40 and M40) meet their needs.
O2	The Qarḍ Hasan model through Cash Waqf funds can help borrowers (B40/M40) to meet comfort (Hajiyat)
O3	The Qarḍ Hasan model through the Cash Waqf fund can help borrowers (B40/M40) meet perfection (Tahsiniyat)
O4	Qarḍ Hasan models through Cash Waqf fund only for borrowers (B40/M40).
O5	Qarḍ Hasan through Cash Waqf is suitable for all those in need.
Perception	
P1	I believe that with the Qarḍ Hasan model, through Cash Waqf funds can reduce the burden on borrowers.
P2	I am interested in wakaf (Cash Waqf) to facilitate loan transactions for B40/M40 in Malaysia.
P3	The Qarḍ Hasan model through Cash Waqf funds is not beneficial.
P4	I am sure I will be rewarded in the hereafter and in this world if I contribute to the Cash Waqf fund for the Qarḍ ḥasan Model.
Acceptance	
A1	I believe that Qarḍ Hasan's model through Cash Waqf can be widely accepted.
A2	I believe that the Qarḍ Hasan model through Cash Waqf is very suitable for the B40 and M40 groups who are experiencing financial problems.
A3	The Qarḍ Hasan and Cash Waqf models are good innovations.

4.8.1 PLS-SEM Analysis

This study used PLS-SEM to explore respondents' acceptance of the new model. Respondents' knowledge, acceptance, objective, and perceptions factors were examined. Since this model is a new model, this study measured the factors influencing respondents' acceptance of the QHCW model. These factors are important for establishing a guideline to predict the level of respondents' acceptance, thus allowing future researchers and practitioners to develop a new model related to it. PLS-SEM is a standard multivariate analysis method that is used to calculate variance-based SEM, particularly in social sciences. PLS-SEM is used chiefly for theory development in exploratory research. It is also the best tool for prediction. Significant applications of SEM include path analysis, CFA, second-order factor analysis, regression models, covariance structure models, and correlation structure models (Bamgbade et al. 2018). PLS-SEM modelling has considerable potential as a data analysis method in many sciences branches (Geladi 1988). (Hsu et al. 2006) also support the argument, saying that PLS-SEM is more predictive-oriented than other SEM techniques such as LISREL and EQS. According to (Hair et al. 2019), PLS-SEM is a valuable instrument for scholars, as its calculations are highly reliable.

Moreover, PLS-SEM estimates the part of the regression model by combining OLS with principal component analysis or PCA (Mateos-Aparicio 2011). The present study unravels the level of respondents' acceptance of the QHCW model by examining which factors have the most influence on respondents' acceptance of the model. (Ab Hamid et al. 2013) affirmed in their study that the PLS techniques can manage the issue of multicollinearity. This technique is also distribution-free, that is, free from the assumption of non-distribution assumptions dependent on each other in independent variables. Therefore, this technique can explain the cause and effect and describe the relationship between the variables studied.

4.8.2 Measurement Items and the Survey Instruments

This study used a questionnaire to survey respondents' acceptance of the QHCW model. The 17 measurement items in this study were adapted from in-depth observations by choosing the most straightforward questions for respondents coming from various educational backgrounds. The instruments were written in English as per the university requirement. However, in the actual field study, questions were written in the Malay language to avoid confusion in understanding the questions. The survey was downloaded on the online Google platform for easy access. The results from the survey and the hypotheses are reported using SmartPLS software.

In the fields of psychology, education, and social sciences, the method of construct validity analysis known as CFA is considered to be the most trustworthy. Factor analysis is an analytical method to find out whether there are one or more latent (not directly observable) variables that cause a set of correlated variables. Further, in recent years, an alternative method that has emerged to confirm the measurement models when using PLS-SEM is confirmatory composite analysis (CCA). CCA is a process that uses PLS-SEM to carry out a number of steps that confirm the reflective and formative measurement models of well-established measures that are being updated or adjusted to a new context. CCA also helps in the creation of new metrics. In comparison to other methods, CCA has a number of benefits for validating measurement models that include linear composites.

Although the researcher employed CCA, (Joe F. Hair, Howard, and Nitzl 2020) recommends carrying out the CFA procedure first before performing CCA. Therefore, this thesis presents the CFA results first before moving on to CCA using SmartPLS software. The SmartPLS software in this study used the latest version, which is 4.0.

4.8.3 Population, Sample Size and Sampling Strategy

The survey was conducted among Malaysian Muslims above 18 years old from three backgrounds: The B40 and M40 economic groups as borrowers and contributors, and

the T20 economic group as contributors to the QHCW fund. The timeframe of the survey was from June 2021 to January 2022.

The language used for the survey is Malay. The questionnaire items were placed online and distributed through online platforms such as e-mails and social media groups such as WhatsApp, Telegram, and Facebook. The survey was self-administered, whereby respondents filled in the questionnaire by themselves.

The (Cochran 1977) formula lets researchers figure out an optimal sample size based on their desired accuracy, degree of confidence, and the proportion of that attribute in the population. Cochran's formula is particularly appropriate for large populations. According to (Cochran 1977), a sample of any size offers more information about a smaller population than a larger one. Therefore, the Cochran formula allows for a "correction" in which the number provided by the Cochran formula can be reduced if the total population is relatively small. Likewise, according to (Krejcie, R.V., & Morgan 1970), the sample size can be adjusted depending on the population size. For example, for a given population (N) of 15,000, the sample (S) required is 375, and if N = 10,000, then S = 370.

It is critical to determine the appropriate sample size in order to draw realistic conclusions from the research findings. Although there are several widely accepted rules of thumb for calculating the sample size, researchers are often uncertain of which one to use in their respective studies. According to (Garson 2016), another factor that makes PLS occasionally preferred to SEM is its ability to handle small samples. The study by (Liu and Wang 2014), for example, used 63 respondents to investigate how user liaison behaviour and outcome control influence the process performance of information technology (IT) projects. (Hair et al. 2019) also confirmed that when models contain a large number of constructs and items, PLS-SEM produces solutions with small sample sizes. Thus, a small number of samples does not affect the study. However, collecting a large sample is better for any field of study. In this case, the present study limited the number of respondents to the minimum, as suggested by several researchers (see(Memon et al. 2020) ; (Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt 2017); (Hair et al. 2019). This is because exploratory research does not adhere

to a predetermined, fixed sample size requirement due to its qualitative nature and emphasis on generating insights and exploring new ideas.

Since the QHCW model is a novel framework developed for exploratory research, this study employs the snowball sampling technique (Naderifar, Goli, and Ghaljaie 2017) to assess respondents' acceptance of the model. While snowball sampling does not generate a representative sample for statistical generalization, it remains effective for qualitative research involving hard-to-reach populations. To ensure the reliability of statistical inferences despite the small sample size, this study applies the inverse square root method, which provides a heuristic approach for determining the minimum sample size required for meaningful statistical analysis. This method, as discussed by (Kock and Hadaya 2018), suggests that statistical power in Partial Least Squares Structural Equation Modelling (PLS-SEM) improves as the sample size increases, following an inverse square root function. By leveraging this approach, the study enhances the robustness of its findings, mitigating biases associated with small-sample research. Given the data collection challenges, particularly in constrained settings such as the Covid-19 pandemic, the integration of snowball sampling and the inverse square root method strengthens the study's methodological rigor in assessing the feasibility and acceptance of the QHCW model.

4.8.4 Pilot Study

In research, the instrument's validity and reliability are critical. Validity and reliability, according to (Creswell 2012), are two crucial criteria for choosing a good instrument. This study used PLS-SEM. PLS-SEM model assessment evaluates the instrument's reliability and validity. The process examines reflective measurement models to measure components reliably.

The researcher conducted a pilot study before distributing the final version of the survey questionnaire. The pilot study was conducted to assess how well the respondents understood the questions and how to respond appropriately. A group of experts from the social sciences field, the Islamic banking system, and fiqh muamalat evaluated the content validity of the instrument used in the pilot study. Their objective

was to review the questionnaire's constructs in order to evaluate the questionnaire's suitability for the study and the content validity (Giesen, Meertens, and Beukenhorst 2012).

The validity and reliability of an instrument are essential to ensure that the findings obtained are reliable and unquestionable. Testing for reliability is vital since it refers to the accuracy of a measuring instrument's components. The Cronbach's alpha coefficient is the most widely used internal consistency metric, and the bell shape indicates that the questionnaire is answered appropriately. Most researchers agree that the minimum internal consistency coefficient for Cronbach's alpha is .70 (Taherdoost 2018). The most popular method for determining internal consistency is by using SPSS software; internal consistency can be predicted using the Cronbach's alpha coefficient. (Whitehead et al. 2015) suggest that for the main trial designed with 90% power and two-sided 5% significance, as recommended pilot trial sample sizes per treatment arm of 75, 25, 15 and 10 for standardized effect sizes that are extra small (≤0.1), small (0.2), medium (0.5) or large (0.8), respectively.

The items in the questionnaire are correlated with the research variables and in line with the literature review. Table 4.4 shows the questions in the pilot survey before its distribution to the respondents. In the pilot study, the proposed number of respondents of 30–50 people is reasonable, ideal, and acceptable. This is in line with (Connelly 2008). The justification is that a pilot study is performed to determine inconsistencies in the questions and assess respondents' knowledge of the questionnaire only before proceeding to the actual step. A pilot study is also conducted to determine whether the questions make the participants uncomfortable and whether changes to the questions are necessary. The questionnaire for the pilot study consisted of 17 items in total, including six demographic questions and one open-ended question. After collecting data from 30 randomly selected participants, the pilot test was carried out, and descriptive statistics were generated using IBM SPSS. Cronbach's alpha for the pilot test is .839, which is very close to 1. Cronbach's alpha greater than .8 is considered very good, indicating strong reliability, which means the questionnaire is ready for the actual survey.

Table 4.5 The Alpha Cronbach Values for Pilot Study Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.839	.845	17

4.8.5 Descriptive Data Analysis

The descriptive data analysis was done using IBM SPSS Statistical Package. A pilot study was done before the final version of the survey questionnaire was sent out. The purpose of conducting the pilot study was to see how well people understood the questions and how to answer correctly. After determining the validity of the instrument, the measurement items can be used as a benchmark for the actual study. The researcher used SPSS to process the pilot study data. The CFA method in SPSS was conducted to ensure that the instruments used in this study are reliable and valid. There are dissensions among researchers on the choice between CFA and CCA for determining the validity and reliability of an instrument. According to (Schuberth 2021), CCA should be used to evaluate composite models, and SEM with CFA should be used to evaluate reflective and causal-formative measurement models instead of the method of confirming measurement quality (MCMQ), as recommended by (Joe F Hair et al. 2020). To find a middle ground in their dispute, this study used both of the recommended methods. The main aim is to determine the validity and reliability of the instrument that is commonly known as data normality.

4.8.6 Data Normality

The current study needed to conduct CFA first before performing the PLS-SEM analysis. CFA is an effective data reduction technique that enables researchers to investigate concepts that are difficult to measure directly. By distilling a large number of variables into a small number of understandable underlying factors, factor analysis generates actionable data. In other words, CFA can assist researchers in determining

which items should be kept or discarded. Hence, some tests must be performed as agreed upon by the researchers who used the CFA method. The following tests are among those that must be reported. Two statistical tests, the Shapiro-Wilk and the skewness and kurtosis analyses, are used to check data normality. The data is normal if the Shapiro-Wilk test value is greater than .05. The data significantly departs from a normal distribution if the value is less than .05. A quantile-quantile (Q-Q) plot can be used to visually depict normality (Wah and Razali 2011). Data points that are normally distributed will be near the diagonal line. Data are not normally distributed if the data points deviate clearly from the linear trend. If the assumption of a normal data distribution has been confirmed, then the use of PLS-SEM is appropriate to the present study because the present study is related to the exploration and new development of theory. PLS-SEM is also associated with nonparametric statistics. Nonparametric statistics are a subset of statistics that is not solely based on parametrised families of probability distributions (common examples of parameters are the mean and variance). Nonparametric statistics are based on either being distribution-free or having a specified distribution with unspecified parameters. Nonparametric statistics encompass descriptive statistics and statistical inference. When the assumptions of parametric tests are violated, nonparametric tests are frequently used.

4.8.7 Reflective Measurement Model Assessment

Researchers in the social sciences field have been using statistical analysis tools for years to develop, explore, and confirm research findings. In the 1980s, research was dominated by factor analysis and regression analysis. Second-generation methods have expanded rapidly since the early 1990s and currently make up almost 50% of empirical research's statist(Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt 2017)Ringle, C. M., & Sarstedt 2017). This sub-section explains the basics of second-generation statistical methods and lays the groundwork for understanding and using PLS-SEM. Furthermore, a reflective measurement model was measured in this study. A reflective measurement model occurs when the indicators of a construct are thought to be caused by that construct. In other words, the indicator is pointed out from the latent variable.

SEM can be divided into two categories: CB-SEM and PLS-SEM or also called PLS path modelling (Hair et al. 2019). The primary function of CB-SEM is to validate

or disprove theories. To accomplish this, it examines how well a proposed theoretical model can estimate the covariance matrix for a sample data set. This is done so that it can determine how accurate the model is. Meanwhile, PLS-SEM is primarily used in exploratory research for the purpose of theory development. To accomplish this aim, it emphasises on explaining the variance in the dependent variable when analysing a model.

Measurement and structural models are evaluated using SmartPLS. This statistical software estimates the structural model's parameters and psychometric properties. Internal consistency reliability, indicator reliability, convergent validity, and discriminant validity are used to evaluate the measurement model's validity and reliability. In this study, all analyses were carried out according to the rules suggested by Hair, (Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt 2017) in their book titled *A primer on partial least squares structural equation modeling (PLS-SEM)*. In addition, in recent years, academics have started using the term CCA to describe PLS-SEM's measurement model assessment step. CCA is a methodological procedure with a set of rules for verifying measurement models in PLS-SEM. The steps proposed for CCA are also found in the study by (Joe F. Hair et al. 2020). This is because Hair and his team are researchers who have produced extensive writing about how to use PLS-SEM, and they are the primary reference for researchers who use SmartPLS.

4.8.7.1 Internal Consistency Reliability

A measurement model has satisfactory internal consistency reliability when each construct's composite reliability (CR) exceeds .7 (Suhada, Setiyani, and Setiadi Sukardi 2021). If so, the items representing the constructs have satisfactory internal consistency reliability.

4.8.7.2 Convergent Validity

Average variance extracted (AVE) can be used to measure convergent validity. The AVE value is found by averaging the reliability of a construct's indicators. This metric measures how much the construct and its individual indicators differ from each other on average. The AVE value should be .5 (50%) or higher (Schuberth 2021).

4.8.7.3 Discriminant Validity

(Fornell and Larcker 1981) criterion and cross loadings are two ways to measure the discriminant validity of a measurement model. A measurement model has sufficient discriminant validity when: (1) the square root of the AVE is higher than the correlations between the measure and all other measures; and (2) an indicator's loading is higher for its own construct than for any other construct. In other words, the square root of the AVE of a construct should be greater than the correlations between the construct and other constructs in the model.

4.8.7.4 Goodness of Model Fit

In order to meet the criteria established by Hair et al. (2014) for an acceptable fit, the standardised root mean squared residual (SRMR) value should be lower than .08 and the "Normed Fit Index." (NFI) value should ideally be greater than .9. According to (Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt 2017), for PLS-SEM, the goodness-of-fit index (GoF) was created as an overall measure of model fit. Researchers should avoid using GoF because it is not able to accurately differentiate between valid and invalid models and because it only works with certain model setups. All the benchmarks are related to research in strategic management and marketing disciplines. None of the finance behavioural researchers has estimated the strength of fit in detail for the finance behavioural models thus far. As a result, all assessments of GoF follow the benchmark of research in strategic management and marketing disciplines.

4.8.8 Structural Model Assessment

Structural model evaluation comes next in the process of analysing PLS-SEM results after the measurement model evaluation is found to be satisfactory. The coefficient of determination (R^2), the cross-validated redundancy measure (Q^2) based on blindfolding, and the statistical significance and relevance of the path coefficients are all common evaluation criteria that should be taken into account. Additionally, using the PLSpredict procedure, researchers should evaluate their model's out-of-sample predictive power. In other words, the structural model assesses the hypothesised relationships to see whether the relationships are supported or not.

The R^2 value of each endogenous latent variable is the first important criterion for evaluating the structural model. R^2 values of .75, .50, and .25 are considered substantial, moderate, and weak, respectively. R^2 values of .90 and higher are typically indicative of over fit (Hair et al. 2019).

The path coefficient value analysis, which forecasts the strength of the relationship between two latent variables, is the second criterion for assessing the structural model. The researcher should look at the path coefficients, algebraic sign, magnitude, and significance when examining the relationship between two latent variables. For a given effect to be accounted for in the model and to be significant at the .05 level of significance, the path coefficient must be greater than .100.

PLS has been introduced as a "causal-predictive" approach to SEM, with the goal of overcoming the apparent dichotomy between explanation and prediction. However, while PLS-SEM researchers frequently emphasise the predictive nature of their analyses, model evaluation assessment is solely based on metrics designed to assess the path model's explanatory power.

(Shmueli et al. 2019) proposed using PLSpredict, a holdout sample-based procedure that generates case-level predictions on an item or construct level. They provide the guidelines for using PLSpredict and explain the key decisions that researchers must make when using the procedure. PLSpredict was attempted in this study as a new contribution to literature.

The main feature of the guidelines is pertaining to Q^2, which is used for predictive relevance. Q^2 measures whether a model has predictive relevance or not (>0 is good). A Q^2 value that is greater than 0 means that the model has predictive relevance. Further, Q^2 establishes the predictive relevance of the endogenous constructs. Q^2 values above zero indicate that the values are well reconstructed. Q^2 values of .02, .15, and .35 indicate weak, moderate, and strong degree of predictive relevance of each effect (Shmueli et al. 2019).

4.9 PROVIDING RECOMMENDATIONS AND SUGGESTIONS TO IMPROVE THE PRODUCT DEVELOPMENT OF THE ISLAMIC BANKING SYSTEM (RQ4).

The contribution of this study is expected to provide an opportunity to improve the existing modelling system in the Islamic financial system. Reliance on the theory and application of conventional banking in product development is not appropriate for the Islamic banking product development environment. The development of Islamic financial products must meet the needs of the current world situation. The present study hopes to add new ideas for the examination of product development improvements in the future. All the RQ1, RQ2, and RQ3 results are reported in Chapter Five of this thesis.

4.10 SUMMARY

To achieve the first research objective, the present study analysed qarḍ ḥasan and cash waqf starting from their validity from the Qur'an, hadith, and previous implementation until today. At the same time, an online survey was also held involving the Islamic banks that willingly responded to the survey. Both methods help to strengthen the argument to answer the first research question. To achieve the second research objective, the present study adopted the study by (Dinc 2020) and made appropriate changes according to the needs of the study. Meanwhile, to assess respondents' acceptance for the third research objective, this study conducted an online survey and analysed the data using the PLS method. Finally, all the results are highlighted as recommendations to financial institutions, especially banks, for further examination and refinement.

CHAPTER FIVE

RESULTS AND DISCUSSION

5.1 INTRODUCTION

In this chapter, the researcher reports the findings from the qualitative and quantitative methods, in addition to the content analysis results. Current practices of qarḍ ḥasan implementation, QHCW model development, customer acceptance of the QHCW model, and recommendations for the QHCW model implementation are also discussed.

5.2 CURRENT PRACTICE IN *QH* IMPLEMENTATION (RQ1)

A few researchers have investigated the practical applications of qarḍ ḥasan in the Islamic financial system. Some researchers associate qarḍ ḥasan with CSR practices and microfinance, which provides loans to those in need. Regardless of how it is implemented, the effectiveness of qarḍ ḥasan has been demonstrated by Islamic banking institutions in Malaysia. Also, the financial institutions of the Al-Qard Al-Hasan Association in Lebanon and financial institutions in Indonesia, Egypt, Jordan, Pakistan, and Nigeria have successfully implemented qarḍ ḥasan in their financial systems.

According to (Noraini Mohd. Ariffin. and Muhammad Akhyar Adnan. 2010) Malaysia's Islamic banking institutions know qarḍ ḥasan and agree that Islamic banks should offer qarḍ ḥasan to improve their CSR activities and assist those in need. At the same time, Islamic banks expressed the need to further study the qarḍ ḥasan mechanism to ensure that appropriate policies are in place so that issues of injustice will not arise (Noraini Mohd. Ariffin. and Muhammad Akhyar Adnan. 2010).

Recent qarḍ ḥasan research has changed the focus from traditional lending to Islamic social finance in the microfinance sector for SMEs. This is demonstrated by the findings of the studies carried out by (Habeebullah Zakariyah and Mansab Mahsen

Abdulrahman 2021), (Muneer and Khan 2019), (Aderemi and Ishak 2020), (Afonso and Khan 2019), (Begum et al. 2019), (Sa'ad and Pitchay 2019), (Harper and Khan 2017), and (Sadr 2017).

Zakat is a fundamental aspect of the Islamic financial system, and it serves as one of the pillars of Islam (Habeebullah Zakariyah and Mansab Mahsen Abdulrahman 2021; Zakariyah and Abdulrahman 2021). Their study examined the views of Muslim scholars regarding the permissibility of granting soft loans from zakat sources involving the utilisation of zakat funds for purposes not explicitly mentioned in the Qur'an or sunnah. The research employed analytical and inductive methods to study the perspectives of classical and contemporary scholars, as well as the opinions of advanced and contemporary jurists.

Muslim scholars hold varying opinions, based on different doctrines, on whether it is permissible to use zakat funds to grant soft loans. The first opinion maintains that soft loans can be provided using zakat funds, and scholars such as Al-Maududi, Abdulrahman Khalaf, and Abu-Zuhra support this viewpoint. The second opinion asserts that it is forbidden to grant soft loans using zakat funds, and this stance is supported by Rafiq Yunuss, Jadal Al-hāqī, and others. The third opinion suggests that it is permissible to grant soft loans using zakat funds, but with specific conditions. Scholars like Abu Satar and Muḥāmād Azukheil advocate for this position.

The study concludes with several key findings. First, using zakat funds without specific objectives contradicts the Qur'anic text and the purpose of Islamic Sharīʿah concerning zakat expenditures. Therefore, it is deemed impermissible to use zakat funds without clear intentions. The study recommends that zakat institutions establish a fund to provide qarḍ ḥasan (beneficial loans) to individuals who do not qualify as zakat recipients.

Muneer and Khan (2019) highlighted the Islamic economic system's emphasis on socioeconomic justice and the well-being of society, particularly the marginalised segments. Qarḍ ḥasan, along with zakat and sadaqah, plays a crucial role in income and wealth redistribution from the wealthy to the poor. The study focused on the Fael Khair Waqf (FKW) Programme implemented in Bangladesh as a response to the devastation

caused by the super cyclone SIDR 2007. The programme introduced an interest-free microloan (qarḍ ḥasan) scheme to restore the livelihoods of cyclone victims and lift them out of poverty.

The study investigated the effectiveness of qarḍ ḥasan in poverty reduction by analysing 1,600 households using statistical methods such as independent sample *t*-test and logistic regression. The findings revealed that FKW participants had a lower probability of being poor compared to non-participants, indicating the programme's success in poverty alleviation. Furthermore, the interest-free nature of qarḍ ḥasan significantly reduced the borrowing costs for participants, allowing them to accumulate more assets and potentially improve their economic status.

Based on the programme's effectiveness, the study recommends that development practitioners and researchers actively promote the outreach of qarḍ ḥasan to provide easy access for the extremely poor. By expanding the availability of interest-free micro-loans, more individuals in need can benefit from the poverty reduction opportunities provided by qarḍ ḥasan. (Aderemi and Ishak 2020) share the same opinion, referring to the emergence of crowdfunding as a popular financing method, facilitated by the 2008 global financial crisis and the widespread use of social media and technology. The study recognises that crowdfunding is linked to spiritual and religious responsibility, which can contribute to the growth of SMEs. The objective of their study is to explore the potential of crowdfunding and propose a model that aligns with Sharīʿah principles by employing a legitimate contract involving qarḍ ḥasan.

The research methodology employed in their study is qualitative, utilising secondary data with descriptive and inductive approaches to the analysis. The findings indicate that qarḍ ḥasan-based crowdfunding offers a viable option for aspiring entrepreneurs to access financing for their small and micro enterprises while adhering to Sharīʿah principles. This model provides a new mechanism for funding SMEs in accordance with Sharīʿah guidelines.

The study also highlights the compatibility between crowdfunding and the growth of SMEs, and it emphasises the importance of adhering to Sharīʿah principles in crowdfunding endeavours. The proposed qarḍ ḥasan-based crowdfunding model

offers a solution that allows entrepreneurs to obtain funding while remaining compliant with Sharīʿah principles.

(Afonso and Khan 2019) highlighted the unmet demand for Sharīʿah-compliant finance in Pakistan, which likely is similar with the experience of other countries with significant Muslim populations. AIM's experience demonstrates the willingness of Muslim donors to support qarḍ ḥasan programmes to assist low-income borrowers. While AIM's model has been financially sustainable, its replication has faced challenges in terms of scale and outreach. AIM's success can be attributed to factors such as low operational costs, high loan repayment rates, and Dr Amjad Saqib's leadership qualities and connections.

Further research is needed to explore the importance of faith and other factors in the success of AIM and other Islamic microfinance approaches. Islamic microfinance remains an under-researched area, and ongoing investigations, such as the longitudinal study by Lendwithcare, are steps in the right direction. Analysing client heterogeneity can help identify the critical success factors for the replication of the model. Promoting research and studies on the qarḍ ḥasan model will enhance transparency and accountability, besides addressing scepticism regarding its financial sustainability. It will also contribute to the development of evaluative thinking within Islamic microfinance institutions.

(Sa'ad and Pitchay 2019) emphasised the significance of financing SMEs as a crucial driver of economic growth in both developed and developing nations. SMEs play a substantial role in the GDP of many countries, contributing to job creation and improving the economic well-being of individuals. However, numerous SMEs face challenges in obtaining financing due to strict regulations and high interest rates. These obstacles result in missed opportunities for talented individuals and ideas that could have generated job opportunities.

To address this issue, the study proposes using Islamic FinTech and its mechanisms to facilitate SME financing and support new businesses, thereby promoting sustainable economic growth. The specific mechanism suggested is utilising the Islamic benevolent loan of qarḍ ḥasan. This approach aims to provide an alternative Sharīʿah-

compliant means of financing for SMEs, bypassing the limitations imposed by traditional financing regulations and interest rates.

By leveraging Islamic FinTech and implementing the qarḍ ḥasan model, government agencies can foster an environment that promotes SME financing and facilitates the growth of new businesses. This initiative is crucial for achieving sustainable economic development while adhering to Islamic financial principles.

Likewise, (Harper and Khan 2017) his study stated that AIM, a microfinance institution in Pakistan, operates on a fully halal basis. Its funds come from interest-free government loans accompanied by grants for operational expenses. AIM's clients repay their interest-free loans promptly, and the institution's financial sustainability is supported by staff working for below-market wages, volunteers, and client donations. This model challenges the traditional concept of the "economic man" by fostering a culture of responsible repayment. Despite being one of the largest and simplest microfinance institutions, AIM relies on donations and charges a small non-refundable application fee to discourage frivolous requests, covering less than 10% of its total costs.

(Sadr 2017) focused on indigenous credit and savings schemes, specifically rotating savings and credit associations (ROSCAs), which have gained popularity in developing countries. The study aimed to determine the optimal size of these associations and address various issues, including how group size varies with income level, loan demand, loan size, and duration. The study also explored the compliance in lending to ROSCAs with the qard (loan) contract in Islamic finance and provided Sharīʿah-compatible formulations. Economic analysis was applied to determine the optimum size of Sharīʿah-compliant qarḍ ḥasan associations (QHAs) as an equivalent to ROSCAs. The findings indicate the factors affecting the size of QHAs. Further, the study proposes alternative legal forms for group financing. The main limitation of the study is a lack of access to data for hypothesis testing. The study concludes that interest-free ROSCAs are an efficient informal microfinance scheme, compatible with Sharīʿah rules, and applicable in both Muslim and non-Muslim countries.

The study by (Begum et al. 2019) explored the potential of Sharīʿah-based microfinance products in the context of sustainable poverty alleviation. The qualitative

study analysed the fundamentals of sustainable Islamic microfinance and its ability to combat poverty effectively. The findings suggest that Islamic microfinance, with its ethical principles and flexibility in repayment, offers a more compassionate approach compared to profit-driven conventional microfinance. The research highlighted the need for further examination and criticised conventional microfinance, particularly regarding the high interest rates imposed. Islamic microfinance not only promotes financial inclusion but also emphasises social responsibility by providing credits and zakat to the extremely poor to meet their basic needs. The study proposes that sustainable Islamic microfinance could attract religiously sensitive individuals and help to reduce poverty levels. From the findings, its clearly stated that Islamic microfinance is profitable on a significant scale. Further, research needs to be conducted to provide the theory of Islamic microfinance with newer innovations that are appropriate to the times and conditions. Therefore, qarḍ ḥasan needs to be re-modelled and not implemented based on a traditional model.

Several points can be extracted from the above discussion. First, Muslim scholars hold different opinions on the permissibility of granting soft loans using zakat funds, with some supporting it, some opposing it, and others suggesting imposing specific conditions. Second, utilising zakat funds without specific objectives is considered impermissible. Further, it is recommended that zakat institutions establish a fund for the provision of beneficial loans (qarḍ ḥasan) to individuals who do not qualify as zakat recipients. Third, the FKW Programme in Bangladesh, which introduced interest-free qarḍ ḥasan micro-loans, has been successful in reducing poverty and improving the economic status of cyclone victims. Fourth, qarḍ ḥasan-based crowdfunding is seen as a viable option for financing small and micro enterprises while adhering to Sharīʿah principles. Fifth, AIM, the Islamic microfinance institution in Pakistan, operates on a fully halal basis, relying on interest-free government loans, grants, and responsible repayment by clients. Sixth, ROSCAs are regarded as an efficient informal microfinance scheme that is compatible with Sharīʿah rules and applicable in both Muslim and non-Muslim countries. Seventh, Sharīʿah-based microfinance is seen as a more ethical and compassionate approach to poverty alleviation compared to profit-driven conventional microfinance.

These statements highlight the importance of ethical principles, social responsibility, and adherence to Sharīʿah guidelines in microfinance practices, with a focus on poverty alleviation and financial inclusion. Different qarḍ ḥasan models and approaches have been explored to provide sustainable and equitable financial solutions for individuals and communities.

However, (Asbeig 2019) and (Selim & Hassan, 2020) highlighted the limited number of studies done on qarḍ ḥasan thus far. (Asbeig 2019) highlighted the issues of non-profitability and insufficient funding pertaining to qarḍ ḥasan, leading to the perception that it is an ethical subject rather than a viable financial tool. To overcome these challenges, the author proposed a framework that aims to enable Islamic banks in Libya to considerably substitute qarḍ ḥasan for interest-based social loans. The framework addresses the issues of non-profitability and insufficient funding by providing a solution that would allow Islamic banks to offer qarḍ ḥasan without affecting their loanable funds. By bridging the gap between conventional and Islamic banking, this proposed approach may contribute to the transition to an Islamic banking system in Libya and enhance public satisfaction with Islamic banking services.

Unlike previous experiences that relied on public funds and charity to encourage qarḍ ḥasan, (Asbeig 2019) suggests regulatory adjustments to facilitate its provision. This way, qarḍ ḥasan can be utilised not only as a means of liquidity management and monetary policy but also as a Sharīʿah-compliant alternative to social loans. The proposed framework emphasises the regulatory aspect as a means to promote the practical implementation of qarḍ ḥasan and maximise its benefits within the Libyan banking industry.

The study by Selim and Hassan (2020) examined how central banks can implement qarḍ ḥasan-based monetary policy as a lender of last resort for Islamic banks and conventional interest-based banks. By implementing qarḍ ḥasan-based monetary policy, central banks would be able to provide borrowing facilities to Islamic banks without interest. Currently, Islamic banks resort to building their own large liquid asset holdings due to the unavailability of interest-free borrowing from central banks during liquidity crises. The study suggests that if central banks act as the lender of last resort under qarḍ ḥasan-based monetary policy, then Islamic banks can easily borrow,

eliminating the need for large idle cash reserves. The successful implementation of qarḍ ḥasan-based monetary policy has shown positive effects on economic indicators, including increased "Aggregate Expenditure." AE, multiplier value, real GDP, employment, and decreased unemployment. Additionally, price stability can be achieved through supply-side effects, lowering overall financing costs and shifting the aggregate supply curve. The study advocates for the global adoption of qarḍ ḥasan-based monetary policy to promote fairness and healthy competition besides mitigating the risks of bankruptcies and financial crises.

The preceding discussions substantiate the notion that qarḍ ḥasan is an important financial concept, provided that it is adapted and enhanced by introducing diverse models. Its relevance in the contemporary era of rapid progress extends beyond its traditional role as a borrowing instrument. Thus, it is evident that qarḍ ḥasan embodies a comprehensive financing model that transcends temporal boundaries and can be implemented effectively within the existing financial and banking institutions. This recognition highlights the dynamic nature of qarḍ ḥasan, which can adapt to evolving economic landscapes and address the diverse needs of individuals and businesses in the modern financial ecosystem. By embracing innovative approaches and incorporating qarḍ ḥasan into the framework of contemporary financial systems, institutions can harness its potential to provide ethical and sustainable financing solutions to a wide range of stakeholders.

The number of qarḍ ḥasan studies in the Malaysian context has declined, especially in the Islamic banking sector. This scenario arises due to the resolution by the SAC of BNM (2010) stating that financing products using only the qard principle is permitted. The combination of the words “qard” and “hasan” might lead to public misunderstanding, giving rise to the perception that debt or qard can be released (not paid) via a charity approach due to the nature of qarḍ ḥasan which is interest-free and a sincere gift without reciprocation.

Aside from that, the main obstacle faced by qarḍ ḥasan is that it is unprofitable. Several researchers (see (Asbeig 2019); (Ariffin & Adnan, 2010a) (Al-muwallad & Idris, 2021) are unanimous in saying that qarḍ ḥasan is unable to produce significant profits for financial institutions. They are in agreement that the model is not sustainable

due to high administrative and transaction costs, a lack of support from top management, and the time value of money issue.

However, (Kumar et al. 2020) reached a different conclusion. The study employed the generalised method of moments (GMM) estimator to examine the intricate relationship between monetary policy and bank profitability in the context of New Zealand. They drew upon a sample of 19 banks operating in New Zealand from 2006 to 2018. By employing this rigorous methodology and a comprehensive dataset, their study offers valuable insights into the dynamics of the relationship between monetary policy and bank profitability in the New Zealand banking sector.

They found a significant relationship between changes in interest rates and bank profitability in New Zealand. Specifically, an increase in short-term interest rates had a positive influence on the profitability of banks operating within the country. This result suggests that when short-term interest rates rise, banks in New Zealand would experience enhanced profitability, potentially due to the prevalent borrowing and lending practices within the banking industry.

Conversely, their study also demonstrated that an increase in long-term interest rates had a detrimental effect on bank profitability in New Zealand. This observation suggests that rising long-term interest rates would pose challenges for bank profitability in the country. The negative impact of long-term interest rates on bank profitability may be attributed to a range of macroeconomic factors that interact with interest rate changes, influencing the profitability of banks in New Zealand.

Furthermore, their analysis extended beyond monetary policy variables and explored additional determinants of bank profitability in the New Zealand context. They identified CAR, NPL ratio, and cost to income ratio as crucial factors affecting the profitability of banks in New Zealand. Specifically, CAR had a positive effect on bank profitability, indicating that higher levels of CAR would enhance the profitability of banks in the country. Conversely, they found that both the NPL ratio and cost to income ratio had a negative impact on bank profitability in New Zealand. These finding imply that a higher NPL ratio and a higher cost to income ratio would reduce bank profitability in the country.

By shedding light on the multifaceted relationships between monetary policy, CAR, NPL, and cost to income ratio, their study provides valuable insights into the drivers of bank profitability in the New Zealand banking sector. The findings have implications for policymakers and industry stakeholders, offering guidance in decision-making related to monetary policy instruments and other factors influencing bank profitability.

Overall, the results suggest that an increase in short-term interest rates would lead to an increase in banks' profitability. In contrast, an increase in long-term interest rates would reduce bank profitability. In addition to monetary policy variables, CAR, NPL ratio, and cost-to-income ratio are important determinants of banks' profitability. CAR has a positive impact on bank profitability, while NPL ratio and cost-to-income ratio hurt bank profitability.

For that reason, it is timely to create products such as qarḍ ḥasan to maintain bank profitability. This is because qarḍ ḥasan can be used as a benchmark for the performance of banks, as has been proven by previous studies.

5.2.1 Content Analysis of Practitioner's Responses On Qarḍ Ḥasan.

The researcher conducted an online survey with four practitioners from Malaysian Islamic banks to assess the actual qarḍ ḥasan operation. The practitioners responded freely, and the names of the banks were kept confidential as per the letter of permission to conduct the research.

Table 5.1 Content analysis of Practitioner's Responses On QH

Question	Interviewee	Remarks
1. Does your bank implement a Qarḍ ḥasan product in the personal financing model?	IV1	Yes, the bank implements a Qarḍ ḥasan product in the personal financing model.
	IV2	Unable to provide an answer due to internal policy restrictions.
	IV3	No response due to limiting conditions within the institution.
	IV4	Cannot disclose information to protect shareholder interests.

Question	Interviewee	Remarks
2. Does your bank implement Qarḍ ḥasan as a Corporate Social Responsibility (CSR) approach?	IV1	Yes, Qarḍ ḥasan is implemented as part of the bank's Corporate Social Responsibility (CSR) approach.
	IV2	Restricted from answering due to institutional policies.
	IV3	No response due to internal constraints.
	IV4	Information is confidential to safeguard shareholder interests.

Question	Interviewee	Remarks
3. What products are offered by banking institutions to B40 and M40 individuals who lost their source of income during the financial crisis caused by COVID-19?	IV1	As a credit intermediary, the bank must balance risk and depositor protection. The following approaches are taken a) Limiting exposure to high-risk groups through strict underwriting. b) Seeking alternative funding sources, such as philanthropic capital (Sadaqah funds).
	IV2	The bank provides moratorium programs, repayment assistance, and support for micro-entrepreneurs.

	IV3	The bank provides moratorium programs, repayment assistance, and support for micro-entrepreneurs.
	IV4	Unable to respond due to the confidentiality of institutional financial strategies.

Question	Interviewee	Remarks
4. Suggest how this Qarḍ ḥasan product would be held in Islamic banking institutions in Malaysia.	IV1	A microfinance and sadaqah approach is the best option for the B40 and M40 groups.
	IV2	Qarḍ ḥasan can be implemented for certain groups, such as B40, but banks need to carefully assess liquidity requirements and the lack of profit incentives.
	IV3	Qarḍ ḥasan can be implemented but should not be financed by shareholders' or depositors' funds unless a specific mandate is given by fund owners.
	IV4	No response due to internal policy and regulatory considerations.

5.2.2 Summary of Findings Based on Interview Themes

5.2.2.1 Theme 1: Implementation of Qarḍ Ḥasan in Personal Financing

While one bank confirmed its implementation, others refrained from disclosure due to internal policies, regulatory constraints, and shareholder interests, indicating a cautious approach driven by concerns over sustainability and compliance. This suggests that banks hesitate to integrate qarḍ ḥasan into personal financing due to financial and regulatory barriers.

5.2.2.2 Theme 2: Qarḍ Ḥasan as a Corporate Social Responsibility (CSR) Initiative

Although *qarḍ ḥasan* is recognized as part of CSR efforts in at least one bank, it is neither widely promoted nor transparently disclosed, suggesting its limited role in banks' strategic priorities. The lack of open acknowledgment implies that *qarḍ ḥasan* is not fully institutionalized as a key CSR component in Islamic banking.

5.2.2.3 Theme 3: Banking Products for B40 and M40 During the COVID-19 Crisis

Banks primarily relied on conventional relief measures such as moratoriums, repayment assistance, and micro-entrepreneur financing, with *qarḍ ḥasan* playing a negligible role due to its non-profit nature and the absence of a dedicated funding structure. Although one bank suggested alternative funding sources such as *Sadaqah*, the overall response indicates that *qarḍ ḥasan* was not a primary tool for supporting financially distressed individuals during the crisis.

5.2.2.4 Theme 4: Feasibility of Implementing Qarḍ Ḥasan in Islamic Banks

The study highlights key challenges, including the necessity of integrating philanthropic funding (Sadaqah and microfinance), liquidity concerns, and regulatory limitations that prevent qarḍ ḥasan from being financed through shareholder or depositor funds unless explicitly mandated. Some banks also hesitated to disclose information, further underscoring the complexities of adopting qarḍ ḥasan at a large scale.

The findings above reveal a cautious and fragmented approach to implementing qarḍ ḥasan in Islamic banking, shaped by financial, regulatory, and institutional constraints. While one bank confirmed its integration into personal financing, others refrained from disclosure, highlighting concerns over sustainability and compliance. This reluctance underscores the challenges Islamic banks face in balancing social finance objectives with financial stability. Similarly, although qarḍ ḥasan is acknowledged as part of corporate social responsibility (CSR) efforts, its limited promotion and lack of transparency suggest that it is not yet institutionalized as a core

component of Islamic banking strategies. During the Covid-19 crisis, banks predominantly relied on conventional relief measures such as moratoriums and micro-entrepreneur financing, with qarḍ ḥasan playing a negligible role due to its non-profit nature and the absence of a structured funding mechanism. The feasibility of expanding qarḍ ḥasan further remains constrained by liquidity risks, the necessity of integrating philanthropic capital (*sadaqah* and microfinance), and strict regulatory limitations preventing financing through shareholder or depositor funds. Additionally, the reluctance of some banks to disclose information reflects the broader uncertainty surrounding its large-scale adoption. These findings highlight a critical gap in Islamic banking, where qarḍ ḥasan, despite its alignment with social finance principles, lacks the institutional framework necessary for widespread implementation. Addressing these limitations requires a sustainable, investment-backed funding model that ensures financial resilience while enabling qarḍ ḥasan to serve as an effective tool for financial inclusion and crisis response.

5.2.3 Discussion

Based on the findings, this study concludes that the current practice of qarḍ ḥasan within the Islamic financial system involves various aspects and applications. The effectiveness of qarḍ ḥasan has been demonstrated by Islamic banking institutions in countries such as Malaysia, Lebanon, Indonesia, Egypt, Jordan, Pakistan, Yemen, Iran, and Nigeria. Research on qarḍ ḥasan has expanded beyond traditional lending to include studies on Islamic social finance, microfinance for SMEs, and crowdfunding. Muslim scholars hold different opinions on the permissibility of granting soft loans using zakat funds, but there is a consensus regarding the need to adhere to Sharīʿah principles in implementing qarḍ ḥasan. The findings also highlight the positive impacts of qarḍ ḥasan on poverty reduction, economic growth, and sustainable development. However, there are also limitations and challenges in implementing qarḍ ḥasan, such as non-profitability, insufficient funding, and the need for regulatory adjustments. Overall, qarḍ ḥasan is seen as a viable and ethical financial tool that can contribute to social responsibility, financial inclusion, and economic well-being while adhering to Islamic principles.

Furthermore, based on the content analysis, among the four respondents, only one informed that their bank offers a qarḍ ḥasan product for personal financing. Also, only one respondent agreed to implement qarḍ ḥasan as a CSR activity. Evidently, there is no specific product catering to the B40 and M40 individuals affected by the economic crisis, except for the cautious approach mentioned by one respondent, classifying them as high-credit risk groups. This respondent suggested using philanthropic capital, such as the sadaqah fund, from inside or outside the bank to assist these groups. The fourth respondent (R4) did not comment on the questions. Further, the respondents had varying opinions regarding the implementation of qarḍ ḥasan in Islamic banking institutions in Malaysia. One respondent believed that a microfinance and sadaqah approach is the best option for B40 and M40 groups, while another respondent suggested careful examination due to the absence of profit and the need to follow liquidity rules. The third respondent stated that qarḍ ḥasan can be implemented, but not with the existing depositors' funds unless specific mandates are provided by the fund owners. Overall, the findings suggest that qarḍ ḥasan can be implemented in financial institutions in Malaysia, but it requires special funds for a sustainable implementation. All the respondents from the practitioner group agree to the implementation of qarḍ ḥasan.

The content analysis shows that only one banking institution in Malaysia offers qarḍ ḥasan in personal financing or CSR activity. No specific product caters to B40 and M40 individuals affected by the economic crisis. Respondents suggested using philanthropic capital, such as sadaqah funds, to assist these groups. The qarḍ ḥasan implementation in Islamic banking institutions in Malaysia requires special funds to ensure sustainability. Overall, practitioners agree on the qarḍ ḥasan implementation. If all the Islamic banking practitioners in Malaysia unanimously agree to the implementation of qarḍ ḥasan, then BNM will need to reintroduce the word "hasan" that was previously removed.

According to (Yunus, Kamaruddin, and Embong 2017), the mechanisms supporting Islamic banking products in Malaysia can be categorised into trading, participation, and supporting principles. However, not all of these mechanisms are adopted by the Islamic banks in Malaysia, resulting in a lack of satisfaction among Islamic banking managers. Yunus (2017), Islamic banking products revealed that the total deposits of Islamic banks in Malaysia were only RM31 billion in 2000,

significantly lower than the conventional system's total deposits of RM381 billion. This indicates a need for increased efforts to promote and advertise Islamic banking products to Malaysian customers. Effective marketing strategies play a crucial role in ensuring the success of Islamic banking and influencing customer usage. One of the reasons for the limited acceptance of Islamic banking products is the use of different names and terms, causing confusion among customers. To address this issue, it is recommended that Islamic banks in Malaysia adopt names that are more universally acceptable to reduce misunderstandings. In addition, a comprehensive study needs to be conducted to enable banks to offer such underutilised banking products.

Table 5.2 Information on Islamic products and Mechanism

Category	Islamic Loan Product
Trading Principles	1-Bai' murabahah (cost plus) 2-Bai' Wadiah (deposit) 3-Bai' salam (Pay first and deferred item) 4-Bai' istisna (sale by order) 5-Bai'bithaman ajil (deferred payment sale) 6-Bai'istijrar (Supply or wholesale financing) 7-Bai' inah (sale and buyback) 8-Ijarah (leasing) 9- Kafalah (Guarantee) 10- Wakalah (Agency) 11- Hiwalah (Transfer of debt) 12- Rahnu (Mortgages) 13-Tawarruq (Deferred purchase of commodity, buyer resells to third party.)
Participation Principles	***Profit loss sharing principles*** 1-Murabahah (PLS) 2-Musharakah (PLS)

Supporting Principles	***Free based principles***
	1- Qard hassan (benevolent loan)
	2- Tabarru (Donation)
	3- Hibah (Gift)
	4- Ibra (Rebate)

Table 5.2 illustrates a lack of innovation in the mechanisms used by Islamic banks in Malaysia to offer interest-free personal financing products to affected individuals, especially those affected by the economic crisis post-Covid-19. Qarḍ ḥasan is the only product available to help those affected; therefore, a new and suitable product needs to be developed to face economic crises in the future. Point (32) of Qard Principles in Islamic Finance in *Sharī'ah resolutions in Islamic finance* (2010, p. 47, second edition) states that the use of the term "qarḍ ḥasan" to refer to a loan in the context of *mua`malah*, especially Islamic finance, is inaccurate. This is because, based on the definition of "qard" by jurisprudence scholars, a loan (qard) must be repaid. Therefore, the term "qard" is seen to coincide more with the interest-free loans currently provided by the Islamic financial industry. If only the term "qard" is allowed in the Islamic banking system in Malaysia, it means that the Islamic banks that are currently using the term "qarḍ ḥasan" are in violation of BNM's rules.

The findings of this study reinforce the necessity of a sustainable funding structure for qarḍ ḥasan within Islamic banks, aligning with the proposed qarḍ ḥasan–cash waqf (QHCW) model. While qarḍ ḥasan has been implemented in various Islamic financial systems worldwide, its adoption in Malaysia remains limited due to its non-profit nature, regulatory constraints, and lack of a structured investment mechanism. Islamic banks exhibit reluctance to incorporate qarḍ ḥasan as a personal financing product, citing liquidity risks and shareholder concerns. Even as a CSR initiative, qarḍ ḥasan lacks transparency and institutional commitment, indicating that banks have yet to integrate it as a strategic financial tool. The COVID-19 crisis further exposed these limitations, as banks primarily relied on conventional relief programs rather than leveraging qarḍ ḥasan to support financially distressed individuals, particularly the B40 and M40 groups. This highlights a critical gap in financial inclusivity, necessitating an

alternative framework that ensures sustainability while fulfilling Islamic social finance objectives.

The QHCW model directly addresses these challenges by establishing cash waqf as a self-replenishing investment fund, ensuring continuous financing for qarḍ ḥasan without burdening bank balance sheets. By integrating Shari'ah-compliant investment strategies, QHCW not only sustains operational viability but also builds financial resilience against future economic downturns. Moreover, the current regulatory stance, which excludes qarḍ ḥasan from Malaysia's Islamic banking lexicon, further limits its development. If Islamic banking practitioners collectively support the reintroduction of qarḍ ḥasan, regulatory frameworks may need to be revisited to accommodate innovative solutions like QHCW. The lack of innovation in Islamic banking mechanisms for personal financing underscores the urgent need for new models beyond traditional profit-loss sharing and debt-based instruments. The QHCW model bridges this gap by incorporating investment-backed philanthropy**,** ensuring that qarḍ ḥasan remains financially viable while fulfilling its role as an ethical and inclusive financial tool. With its ability to generate sustainable returns, enhance financial inclusion, and address crisis-induced financial distress, QHCW is a transformative solution poised to become a primary product in Islamic banking**,** seamlessly integrating Islamic social finance with modern financial sustainability.

5.3 QHCW MODEL DEVELOPMENT (RQ2)

Loan product development is crucial and yet intricate, requiring the expertise of professionals in credit market analysis, banking finance, and loan portfolio management. It is important to factor in the country's financial stability, inflation, and currency fluctuations, among others. Thus, based on the findings from the interviews with Islamic banking practitioners, the main obstacles to applying qarḍ ḥasan are a lack of profit, insufficient funds, and payment defaults. Therefore, generating profit from qarḍ ḥasan is the main focus in this study.

The indicators of risk deserve special consideration when designing new loan products. In other words, how likely is it that a loan will be unpaid, and how much profit

can be expected? These factors have been shown to be relevant when deciding whether or not to introduce a new type of loan product to the market. It is not easy to develop new models for financial products, especially for the Islamic finance sector, because of the risk barrier. Notwithstanding, a strict risk management process can minimise the risk.

Thus, this study aims to develop a new personal financing model for the post-Covid-19 period by introducing the qarḍ ḥasan instrument, the original method of the Islamic debt system, to those financially impacted by the Covid-19 pandemic crisis. At the very least, this product should be an optional product for future personal financing. The main defining characteristic is the SOP development for this model is based on the Prophet's hadith, which commands debtors to pay more than the amount they borrowed. Those who are not affected by the financial crisis will need to contribute first to the QHCW fund before borrowing from the fund. The fund needs to be easily accessible for open donations from the public who want to contribute. The fund offers two advantages: customers will be able to obtain interest-free financing and receive a reward from Allah for contributing to the fund. Thus, it is proper that the bank invests a portion of the funds in less risky and Sharīʿah-compliant investments, where the profits from the investments will be deposited back into the QHCW fund. Administration and management costs can be charged to the QHCW fund.

5.3.1 The QHCW Model

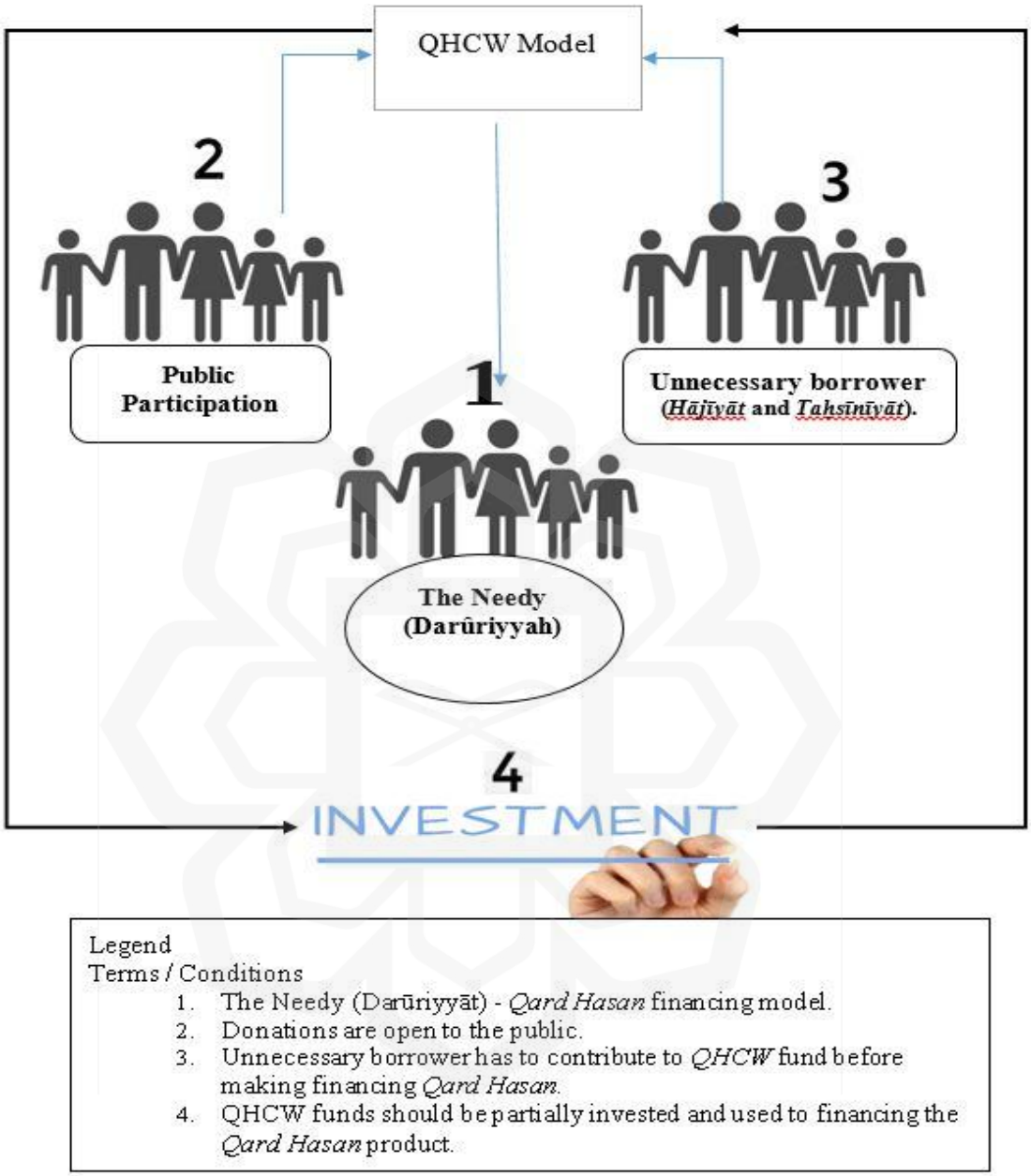

Figure 5.1 QHCW Model

5.3.2 Model Components and Operations

The QHCW model is for personal financing only, prioritising those facing financial problems due to the economic crisis, particularly first-time borrowers. It is mainly for

darûriyyat (essentials/necessities) and ḥājiyyāt (complementary needs) purposes. Borrowing for taḥsiniyyāt (luxuries) will be conditional upon the potential borrower contributing to the cash waqf fund first. Debt repayment will be according to the borrower's ability, with mutual agreement between the borrower and the QHCW principal. Lease or mortgage transactions will not be allowed.

The QHCW fund will accept donations openly; anyone can contribute, even those with no intention to borrow from the fund. The contribution amounts to be eligible for borrowings for hājiyyāt (complementary) and tahsiniyyāt (luxuries) purposes will be decided by the QHCW principal. Those who do not face financial problems but want to borrow from the fund will be required to contribute to the fund first. The contribution amounts will depend on the financial institution as the fund manager. For example, to borrow RM3,000 to RM5,000, one needs to contribute RM500 to the fund; to borrow RM5,000 to RM10,000, one needs to contribute RM700 to the fund; and to borrow RM10,000 or more, one needs to contribute RM1,000 or above without compulsion. Briefly, to obtain financing for unnecessities, one needs to contribute to the QHCW fund first. This is to ensure the purity of qarḍ ḥasan and the fund itself. QHCW funds can also receive donations from the public 24/7, and non-Muslim can also borrow from the fund.

5.3.3 Credit risk management and mitigation strategies

Islamic banks and conventional banks in Malaysia use similar methods to manage credit risk due to the application of the same legal and regulatory framework. However, Islamic banks have a wider scope of responsibility. Credit risk is common for Islamic and conventional banks, and BNM requires both types of banks to follow BNM's policy document, titled *Credit risk*. Islamic banks adopt different mechanisms to deal with default cases, including governance, dispute resolution, internal technology use, and external reliance on other institutions like Credit Counselling and Debt Management Agency (AKPK).

Regarding the risk management proposed for the QHCW model, if the debtor fails to settle their debt due to reasonable reasons (i.e., joblessness/disability), the

principal can utilise the fund to settle the deferred payment. Those who deliberately do not pay their debts will be subject to legal action. To guarantee the stability of the fund, the fund operator or trustee should invest the fund and take a minimum amount as wages for the service provided.

Alternatively, the proposed QHCW model can also be developed following the model used by financial institutions in Bangladesh. This model is known as Biniog Sathi, which means Friend in Investment. Biniog Sathi is a new approach conceived by Mobroor Muhmood from Bangladesh. This study hopes that future researchers can conduct research to improve the QHCW model by engaging zakat and *baitul mal* centres in Malaysia.

5.3.4 Discussion

A developing financial industry needs to be managed well if it wants to survive and remain profitable in the future. In the Islamic banking and finance industry, it is becoming the norm for product markets to face increasing competition. Thus, there is a need to generate and try out new ideas that are based on Islamic principles while also meeting the needs of modern markets. To stay alive and grow, the Islamic finance industry needs to create more financial products and services that are in line with Islamic Sharīʿah. Islamic banks and other financial institutions must always improve their performance by introducing new products and processes and enhancing their services.

The development of Islamic banking products needs to meet the current requirements and conditions. In other words, modelling the Islamic banking product requires a focus on *fiqh al wāqi'*. Further, Islamic banking products need to go through a strict screening process to be recognised as Sharīʿah-compliant products ((Dinc 2020) (Al-Salem 2009).

(Ali and Hussain 2016) opine that Islamic banks' overreliance on debt-based products like murabahah has damaged their reputation. The authors urge Islamic banks to improve Sharīʿah compliance and goodwill by using equity-based financing tools

like musharakah and mudarabah. Musharakah, a Sharīʿah-compliant financial tool, is based on mudarabah and musharakah structures and derived finance models. Mudarabah is another important equity-based finance concept. In this model, two or more people form a mudarabah business partnership and share the profits. In the Malaysian context, changing from one product to another is commonplace. Some researchers have explained that the banking system in Malaysia is looking for products that are suitable to be practised in their respective institutions (see (Jusoh and Zain 2017) (Yusoff et al., 2016). Changing the selection of financing products affects customer perception both positively and negatively. Thus, every product introduced by the banking system needs to meet certain objectives that hover between darûriyyat, hājiyyāt, and taḥsiniyyāt. Likewise, it should not deviate from the maintenance of the five main elements, namely, religion, life, property, lineage, and intellect. For example, the objective of zakat is to ensure that wealth is not concentrated only among the rich, as stated in the Qur'an. Instead, wealth should be distributed throughout the community. This specific objective is closely related to the preservation of property.

In this QHCW model, the donor to the cash waqf is considered a mudarib, and the Islamic bank is considered the trustee. Profits from investment activities are channelled directly into the QHCW fund. This fund is used to offer the qarḍ ḥasan financing product to those in need. The QHCW model has some similarities with equity-based financing.

Dinc (2020) indicates that early interventions in the development of conventional products are effective in converting the models into Islamic financial products. Although there are many similarities in the ways and processes of product development in both sectors (conventional and Islamic), priority should be given to Islamic financial products. Product development in the Islamic financial system must emphasise justice to all parties. The results of the survey conducted in this study need to be taken into account so that the development of a product will not go into waste. This study also asserts that product changes in the business field are normal. However, Islamic financing products should remain consistent and follow the guidelines provided by the main sources of reference in Islam, namely the Qur'an and hadiths. It is hoped that the QHCW model, developed in this study to enhance the integration of qarḍ ḥasan

and cash waqf in Islamic banking, will help fill the gap in the literature on alternative personal financing models for economic resilience.

5.4 CUSTOMER ACCEPTANCE ON QHCW MODEL (RQ3)

In this study, the PLS-SEM method was used to determine customers' acceptance of the QHCW model by establishing the relationships between the following variables: knowledge, objective, perception, and acceptance (Hair et al., 2019).

5.4.1 Descriptive Statistics of Respondents

The total number of respondents in this study was 106. As Table 5.3 shows, 56 (52.8%) respondents were male, and 50 (47.2%) were female. Regarding age, 44 (41.5%) respondents were 46 years old or older. Another 37 (34.9%) respondents were in the age range of 36–45, followed by 17 (16.0%) respondents who were 26−35 years old and 8 (7.5%) respondents who were under the age of 25.

In terms of the highest academic qualification, 41 (38.7%) respondents had a bachelor's degree, 18 (17.0%) respondents had a master's degree, and 14 (13.2%) respondents had a diploma. Further, 16 (15.1%) and 7 (6.6%) respondents studied up to secondary and primary school levels, respectively. Other respondents obtained qualifications at the certificate level (6 respondents, 5.7%) and PhD level (4 respondents, 3.8%)

Table 5.3 Demographic Profile of Respondents (N =106)

Profile	Indicator	Frequency/ (%)
Gender	Male	56 (52.8%)
	Female	50 (47.2%)
Age	1-25	8 (7.5%)
	26-35	17 (16.0%)
	36-45	37 (34.9%)
	46-90	44 (41.5%)
Marital Status	Married	78 (73.6%)
	Single	22 (20.8%)
	Widow	5 (4.7%)
	Widower	1 (0.9%)
Job	Government	38 (35.8%)
	Private	34 (32.1%)
	Not working	34 (32.1%)
Education	PhD	4 (3.8%)
	Master	18 (17.0%)
	Bachelor	41 (38.7%)
	Dip	14 (13.2%)
	Certificate	6 (5.7%)
	Secondary	16 (15.1%)
	Primary	7 (6.6%)
Income	500-2500	41 38.7%)
	2,500 – 3,169	14 (13.2%)
	3170 – 3,969	1 (0.9%)
	3,970 – 4, 849	12 (11.3%)
	4,850 – 5,879	0 (0%)
	5,880 – 7,099	17 (16.0%)
	7,110 - 8,699	11 (10.4%)
	8,700 – 10,959	3 (2.8%)
	over 10,960	7 (6.6%)

Table 5.3 also shows that 72 (67.9%) respondents were employed during the time of the study, with 38 (35.8%) respondents working in the government sector and 34 (32.1%) respondents working in the private sector. Another 34 (32.1%) respondents were unemployed.

In terms of monthly income, 41 (38.7%) respondents earned between RM500 and RM2,500, 17 (16.0%) respondents earned between RM5,880 and RM7,099, and 14 (13.2%) respondents earned between RM2,500 and RM3,169. Other respondents had a monthly income between RM7,110 and RM8,699 (11 respondents, 10.4%), above RM10,960 (7 respondents, 6.6%), between RM8,700 and 10,959 (3 respondents, 2.8%), and between RM3,170 and RM3,969 (1 respondent, 0.9%). Most of the respondents were from the B40 income group (68 respondents, 64.1%), followed by the M40 group (31 respondents, 29.2%) and the T20 group (7 respondents, 6.6%).

5.4.2 Data Normality Assessment

The purpose of assessing data normality before using PLS-SEM is to evaluate the distributional properties of the variables in the dataset. It involves examining whether the data follows a normal distribution or if it deviates from normality. This is important because PLS-SEM assumes multivariate normality of the data, meaning that the variables should be normally distributed. If the data is not normally distributed, it may be necessary to apply techniques such as log transformations or non-parametric approaches to address the non-normality before proceeding with the PLS-SEM analysis. Ensuring data normality helps maintain the reliability and validity of the statistical analysis and the interpretation of the results.

Many parametric statistical methods require the dependent variable to be normally distributed for each independent variable category. Hence, the present study prepared the overall score of respondents by computing the values of all items. The score should be approximately normally distributed for both male and female. The following numerical and graphical outputs must be investigated and matched with all the required criteria to ensure the data is normally distributed.

In the study, respondents' overall scores were computed and should ideally be approximately normally distributed for both male and female groups. Skewness and kurtosis *z*-values in the range of –1.96 to +1.96, the Shapiro-Wilk *p*-value above .05, the histograms, and normal Q-Q plots would visually imply that the data is approximately normally distributed (Doanne and Seward 2011). The collected data does not need to

be exactly normally distributed. It is sufficient for the data to have a distribution that is close to normal and to scrutinise each of the categories of the independent variable. In this particular example, the data for males and females is provided in Table 5.4.

Table 5.4 Skewness and Kurtosis Report (Male/Female)

Respondent Score	Male	Mean		Statistic	Std. Error
					.12463
				3.4464	
		95% Confidence Interval for Mean	Lower Bound	3.1967	
			Upper Bound	3.6962	
		5% Trimmed Mean		3.4405	
		Median		3.0000	
		Variance		.870	
		Std. Deviation		.93263	
		Minimum		2.00	
		Maximum		5.00	
		Range		3.00	
		Interquartile Range		1.00	
		Skewness		.092	.319
		Kurtosis		-.798	.628
	Female	Mean		3.6400	.16601
		95% Confidence Interval for Mean	Lower Bound	3.3064	
			Upper Bound	3.9736	
		5% Trimmed Mean		3.6556	
		Median		4.0000	
		Variance		1.378	
		Std. Deviation		1.17387	

Minimum	2.00	
Maximum	5.00	
Range	3.00	
Interquartile Range	2.25	
Skewness	-.194	.337
Kurtosis	-1.450	.662

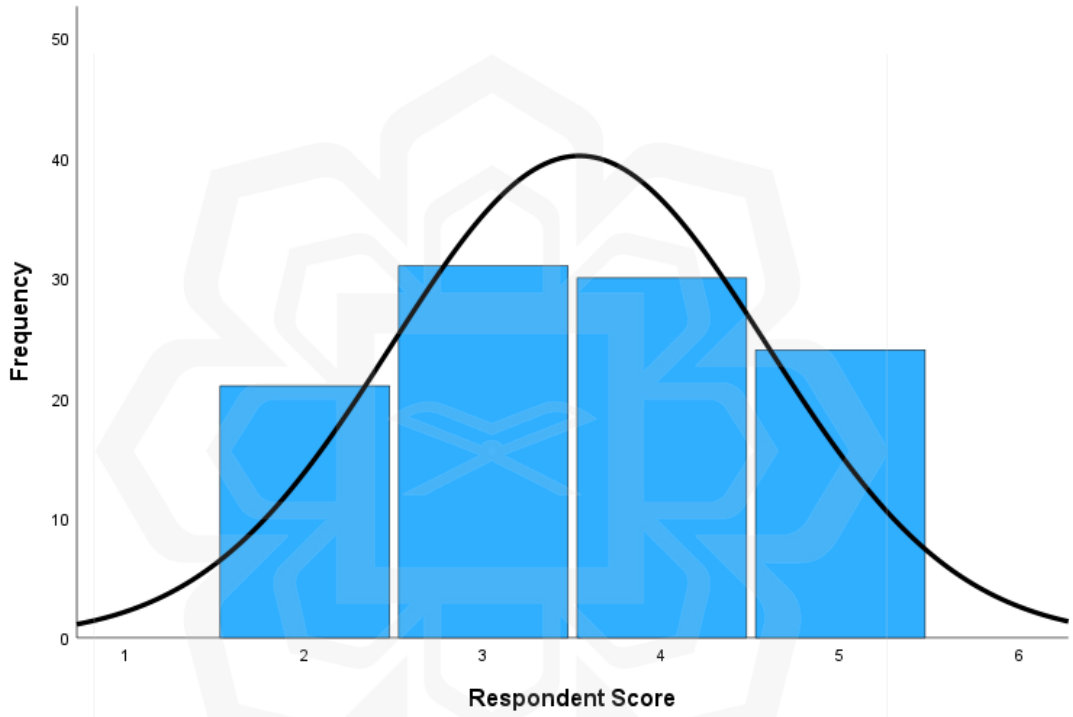

Figure 5.2 Histogram for Overall Respondent Score

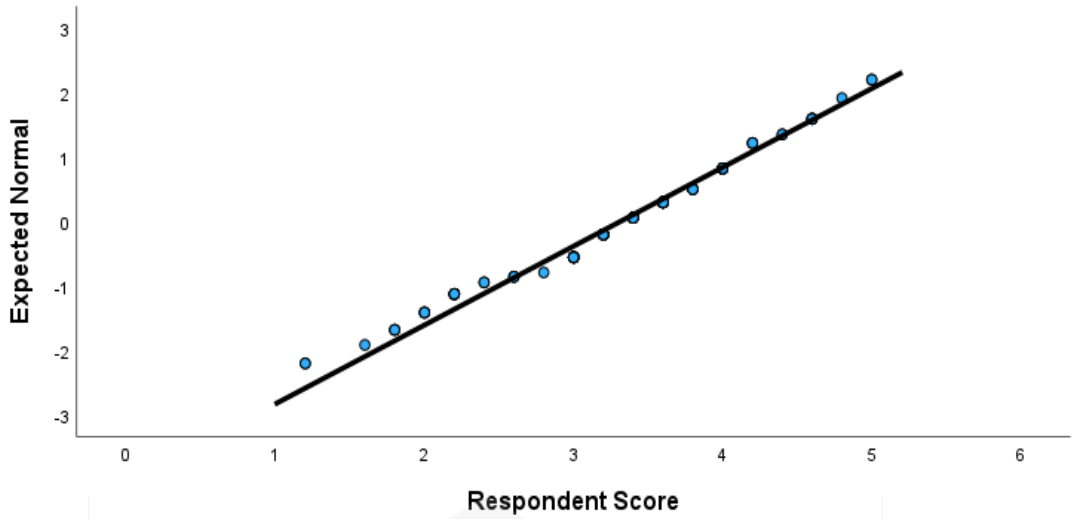

Figure 5.3 Q-Q plot For Overall Respondent Score

Figure 5.2 illustrates the graphical formation of a bell shape (mean = 3.47, std dev = 0.978, *n* = 106). In statistics, in a normal distribution often represented by a bell curve, all possible outcomes are symmetrically distributed around the mean, resulting in a downward-sloping curve on either side of the peak. The highest point on the curve, or the top of the bell, represents the most probable event in a series of data (its mean, mode, and median in this case). Meanwhile, the Q-Q plot in Figure 5.3, or the normal probability plot, contrasts the observed data distribution with the assumed normal distribution. Observations should fall roughly on a straight line if the data is normally distributed. When the data is not normally distributed, the points cluster into a curve with noticeable outliers. Possible outliers are the extremes, or the farthest points, on the line (M. S. Abbasi, 2011). The entire graphical and visual outputs indicate that the data is normally distributed.

5.4.2.1 Skewness and Kurtosis Report

The skewness and kurtosis measure (*z*-value) should be as close to zero as possible in SPSS. In reality, however, data are often skewed and kurtotic. A small departure from zero is therefore not a problem, as long as the measures are not too large compared to their standard errors. As a consequence, measures must be divided by their standard error.

5.4.2.2 Sample Characteristic

The Shapiro-Wilk test ($p > .05$) (Wah and Razali 2011); (Shapiro and Wilk 1965) and the visual inspection of the histogram, the normal Q-Q plots, show that respondents' scores are approximately normally distributed for both male and female, with skewness of 0.092 (SE = 0.319) and kurtosis of −0.798 (SE = 0.628) for male and skewness of −0.194 (SE = 0. .337) and kurtosis of −1.450 (SE = 0. 662) for female (Cramer 1998) (Cramer and Howitt 2004) (Doanne and Seward 2011). Hence, the study can proceed to the next process, which is CFA. The inferential output is presented in Table 5.4.

5.4.2.3 Kaiser-Meyer-Olkin (KMO) Test for Sampling Adequacy

The Kaiser-Meyer-Olkin (KMO) test evaluates how well the data fits the criteria for factor analysis. The test evaluates whether sampling is adequate for both the entire model and each variable. The statistic represents the percentage of variance among variables that could be considered common variance. The basic guidelines for KMO values are presented in Table 5.5.

Table 5.5 Kaiser values results. Source (Kaiser & Rice, 1974)

KMO 0.00 to 0.49	Unacceptable
0.50 to 0.59	Poor
0.60 to 0.69	Average
0.70 to 0.79	Acceptable
0.80 to 0.89	Good
KMO 0.90 to 1.00	Excellent

KMO values between .8 and 1.00 indicate the sampling is adequate (good), and KMO values of less than .6 indicate that the sampling is not adequate and that remedial action should be taken. Some authors put this value at .5; hence, researchers need to use their own judgement for values between .5 and .6.

5.4.2.4 Bartlett's Test of Sphericity.

This statistic was suggested by Bartlett to assess the suitability of using the correlation matrix for factor analysis. For this test, multivariate normality is necessary. The KMO can still be applied if this prerequisite is not satisfied. The diagonal value is 1 and the off-diagonal value is 0. This condition means that the variables are completely independent of each other and thus the factor model is appropriate. A p-value less than a certain threshold (e.g., 0.005) suggests that the data is not suitable for factor analysis.

Table 5.6 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.810
Bartlett's Test of Sphericity	Approx. Chi-Square	943.190
	df	136
	Sig.	<.001

Table 5.6 illustrates that the KMO value is .810, which is considered good as it exceeds .5. The result indicates that this study may conduct the factor analysis. The Bartlett's test result is .001, which is less than .05, A KMO value above 0.5 is generally seen as acceptable for factor analysis. The result reveals that there is no high correlation or coefficient among the items.

5.4.2.5 Communalities Test

Table 5.7 Communalities Test

	Initial	Extraction
K1	1.000	.708
K2	1.000	.826
K3	1.000	.735
K4	1.000	.777
K5	1.000	.631
O1	1.000	.702
O2	1.000	.717
O3	1.000	.717
O4	1.000	.666
O5	1.000	.838
P1	1.000	.832
P2	1.000	.675
P3	1.000	.602
P4	1.000	.698
A1	1.000	.680
A2	1.000	.787
A3	1.000	.746

The commonalities test results in Table 5.7 explains how the commonalities test in factor analysis helps decide whether to retain or remove variables. For example, variables with communality values above 0.5 are likely to be retained. While the communality value less than 0.5 to be considered for further analysis. Otherwise, the variable should be removed from further steps of factor analysis if the variable has been accounted for by the extracted factors. In other words, items with commonalities values above .5 should be retained.

5.4.2.6 Total Variance Explained and Anti-Image Correlation

Table 5.8 shows that the total variance explained for five components with initial eigenvalues of more than 1.0. Total Variance Explained is a measure that tells you how much of the total variance in your data is accounted for by the factors extracted in a factor analysis. The first, second, third, fourth, and fifth components explain 35%, 14%, 10%, 7%, and 6%, respectively. The total variance explained is 73%. This indicates that from 17 items stopped to only five items but still able to retain 72.580% of the information. This is considered a good result as it is above 50%. Next, Table 5.9 illustrates that all values for anti-image correlation are above .5, indicating that all items should be retained.

Table 5.8 Extraction Method: Principal Component Analysis.

	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.967	35.099	35.099	5.967	35.099	35.099	4.192	24.661	24.661
2	2.391	14.065	49.165	2.391	14.065	49.165	2.962	17.421	42.083
3	1.755	10.325	59.490	1.755	10.325	59.490	2.078	12.221	54.304
4	1.135	6.676	66.166	1.135	6.676	66.166	1.866	10.974	65.278
5	1.090	6.414	72.580	1.090	6.414	72.580	1.241	7.302	72.580
6	.844	4.964	77.544						
7	.669	3.936	81.480						
8	.509	2.996	84.475						
9	.478	2.812	87.287						
10	.432	2.539	89.826						
11	.366	2.155	91.981						
12	.322	1.896	93.877						
13	.312	1.835	95.712						
14	.221	1.300	97.011						
15	.212	1.245	98.256						
16	.155	.912	99.169						
17	.141	.831	100.000						

Table 5.9 Anti-image Matrices

K1	**.683**[a]	-.485	.215	-.311	-.024	.076	-.031	.059	-.160	-.247	.276	-.046	-.066	.127	-.014	-.107	-.201
K2	-.485	**.767**[a]	-.422	-.170	-.181	-.047	-.091	.000	.252	.226	-.078	.015	.040	-.175	.064	-.030	.152
K3	.215	-.422	**.761**[a]	-.445	-.028	-.300	.226	-.040	-.004	-.110	.105	.146	-.129	-.022	-.096	-.008	-.140
K4	-.311	-.170	-.445	**.861**[a]	.003	.094	-.061	-.084	-.061	.039	-.197	-.123	.024	.068	.005	.046	.064
K5	-.024	-.181	-.028	.003	**.808**[a]	-.209	.080	.084	-.294	-.002	-.271	.098	-.076	.120	.020	.071	.039
O1	.076	-.047	-.300	.094	-.209	**.838**[a]	-.276	-.060	-.119	-.049	-.117	.007	.308	.016	.017	.121	-.111
O2	-.031	-.091	.226	-.061	.080	-.276	**.750**[a]	-.430	-.162	-.110	-.092	-.024	-.079	.099	-.026	-.003	.027
O3	.059	.000	-.040	-.084	.084	-.060	-.430	**.723**[a]	-.210	.028	-.016	.008	-.146	.143	-.212	.073	-.002
O4	-.160	.252	-.004	-.061	-.294	-.119	-.162	-.210	**.667**[a]	.314	-.016	-.113	-.031	-.188	.209	-.218	.119
O5	-.247	.226	-.110	.039	-.002	-.049	-.110	.028	.314	**.640**[a]	-.424	.137	-.089	-.081	.072	-.052	.060
P1	.276	-.078	.105	-.197	-.271	-.117	-.092	-.016	-.016	-.424	**.830**[a]	-.344	-.021	-.347	-.076	-.147	.000
P2	-.046	.015	.146	-.123	.098	.007	-.024	.008	-.113	.137	-.344	**.891**[a]	-.054	-.079	-.239	.042	-.212
P3	-.066	.040	-.129	.024	-.076	.308	-.079	-.146	-.031	-.089	-.021	-.054	**.753**[a]	.126	.103	.132	.019
P4	.127	-.175	-.022	.068	.120	.016	.099	.143	-.188	-.081	-.347	-.079	.126	**.888**[a]	-.110	-.028	-.162
A1	-.014	.064	-.096	.005	.020	.017	-.026	-.212	.209	.072	-.076	-.239	.103	-.110	**.888**[a]	-.337	-.012
A2	-.107	-.030	-.008	.046	.071	.121	-.003	.073	-.218	-.052	-.147	.042	.132	-.028	-.337	**.846**[a]	-.515
A3	-.201	.152	-.140	.064	.039	-.111	.027	-.002	.119	.060	.000	-.212	.019	-.162	-.012	-.515	**.850**[a]

a. Measures of Sampling Adequacy(MSA)

5.4.2.7 Scree Plot

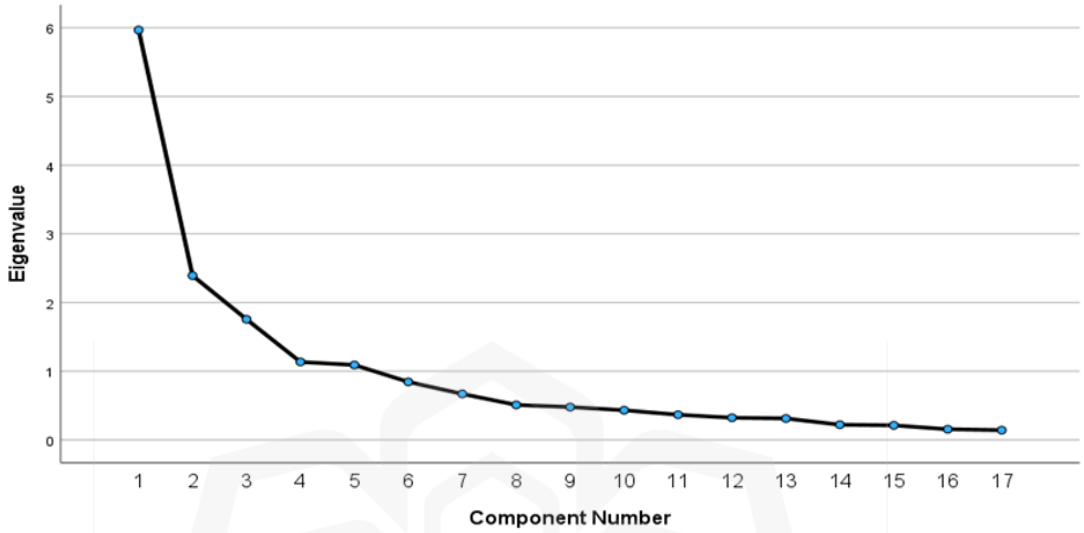

Figure 5.4 Scree Plot Image

Based on the Scree Plot (Figure 5.4), the sixth component is becoming smaller and the line drops off gradually to become flat. This indicates that the questions asked have begun to permeate the respondents' minds. Hence, the previous items need to be retained by doing the parallel analysis test.

5.4.2.8 Parallel Analysis (Monte Carlo Simulator)

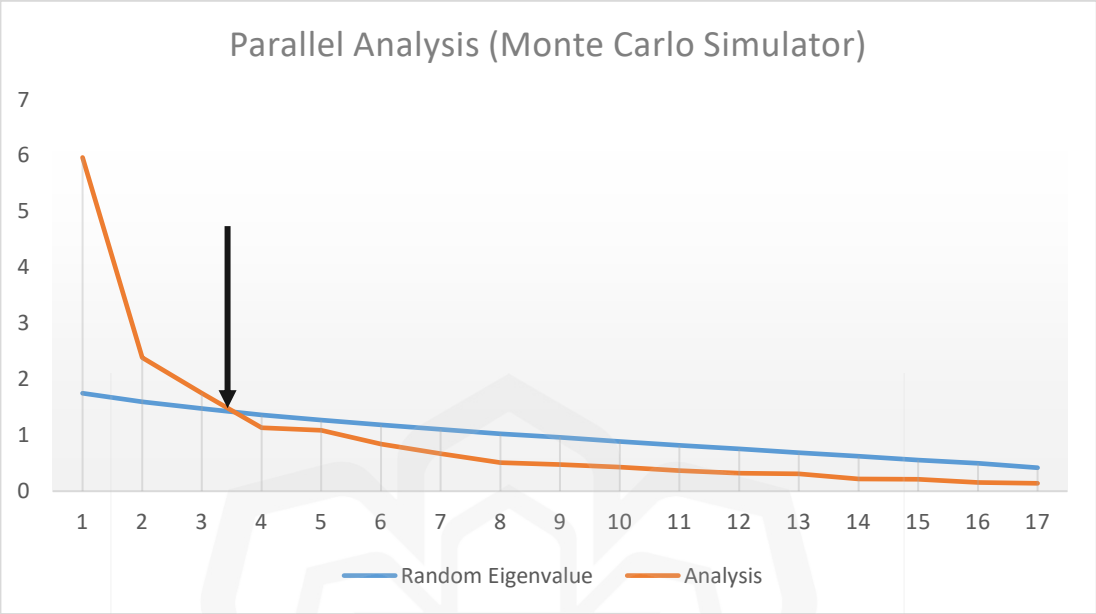

Figure 5.5 Parallel Analysis (Monte Carlo Simulator)

Figure 5.5 shows the point of intersection. The parallel analysis test can strengthen the relationship with the previous items. The parallel analysis test involves comparing the eigenvalues from the actual dataset with eigenvalues from a simulated dataset to decide how many factors should be retained in factor analysis. Based on the result, all items should be retained.

Table 5.10 Over All Descriptive Statistics

	N	Mean	Std. Deviation
Knowledge	106	3.31	.819
Objective	106	3.62	.686
Perception	106	3.68	.534
Acceptance	106	4.15	.711
Valid N (listwise)	106		

Table 5.10 presents the mean values for the overall items. The lowest value of 3.31 for the knowledge factor indicates that the respondents were approximately close to neutral towards the model. This demonstrates that the respondents did not have solid information about qarḍ ḥasan and cash waqf. Thus, comprehensive marketing methods should be used to intensify the information dissemination about products in the future so that customers will better understand the banking products offered by the bank.

In summary, all variables were retained after this study conducted the data normality test. All items have shown the relationships between the independent variables and the dependent variable for respondents' acceptance of the QHCW model. Based on this, the present study has discovered that all the relationships between the independent and dependent variables are positive. Although the Shapiro-Wilk test has some differences, other tests can support the retention of all items for future analysis in PLS-SEM.

5.4.3 Reflective Measurement Model Assessment

5.4.3.1 Internal Consistency Reliability

Confirmatory composite analysis (CCA) is a recently proposed method for measurement model evaluation. It is used in conjunction with PLS-SEM to validate the reflective and formative measurement models of well-established measures that are being updated or modified to fit a new context. CCA has several advantages over other methods for validating measurement models made up of linear composites. Evaluating the validity and reliability of the measurement model is the first step in applying PLS-SEM. This step is CFA in CB-SEM and CCA in PLS-SEM (Manley et al. 2021).

CCA is a methodological process that ensures the measurement models in PLS-SEM are valid and reliable, regardless the measurement model is reflective or formative affects. The reflective model measurement steps entail: (1) loading factor, (2) convergent reliability, (3) average variance extracted (AVE), (4) heterotrait-monotrait ratio of correlations (HTMT), (5) cross loading, and (6) Fornell-Larcker criterion. All of these assessments are also recommended in the study by (Manley et al. 2021). The

rule of thumb for this assessment is the loadings factor ≥0.708, and the *t*-statistic >±1.96.

Table 5.11 The Loading Factor LF.

	Outer loadings
A1 <- Acceptance	0.869
A2 <- Acceptance	0.924
A3 <- Acceptance	0.901
K1 <- Knowledge	0.754
K2 <- Knowledge	0.895
K3 <- Knowledge	0.862
K4 <- Knowledge	0.909
O1 <- Objective	0.788
O2 <- Objective	0.766
O3 <- Objective	**0.662**
O4 <- Objective	0.714
P1 <- Perception	0.911
P2 <- Perception	0.869
P4 <- Perception	0.854

Table 5.11 shows the loading factor of each construct in this study, which ranges from 0.662 to 0.924. These results indicate that the items validly measure the variables that represent them. Any alteration or shift in how the respondents perceive or accept something will be reflected in the A2 variation of 85.3%. O3 (0.662) did not reach a satisfactory level because the loading factor is below .708 as recommended by (Shmueli et al. 2019). However, the researcher believes that the item should be retained based on the study by (Chin 1998), which states that a loading factor above 0.60 should be retained. The largest loading factor is 0.924 (0.924 × 0.924 = 85.3%). Table 5.12 demonstrates the overall model's Cronbach's alpha, CR, and AVE values. Then, Figure 5.6 visualises the outer and inner model for this study.

Table 5.12 Construct Reliability and Validity.

Main Constructs Construction	*Items*	*Loadings*	*Cronbach's Alpha*	*CR*	*AVE*
Knowledge	K1	0.754	0.879	0.911	0.734
	K2	0.895			
	K3	0.862			
	K4	0.909			
Perception	P1	0.911	0.852	0.858	0.771
	P2	0.869			
	P3	0.854			
Objective	O1	0.788	0.729	0.758	0.539
	O2	0.766			
	O3	0.662			
	O4	0.714			
Acceptance	A1	0.869	0.880	0.880	0.807
	A2	0.924			
	A3	0.901			

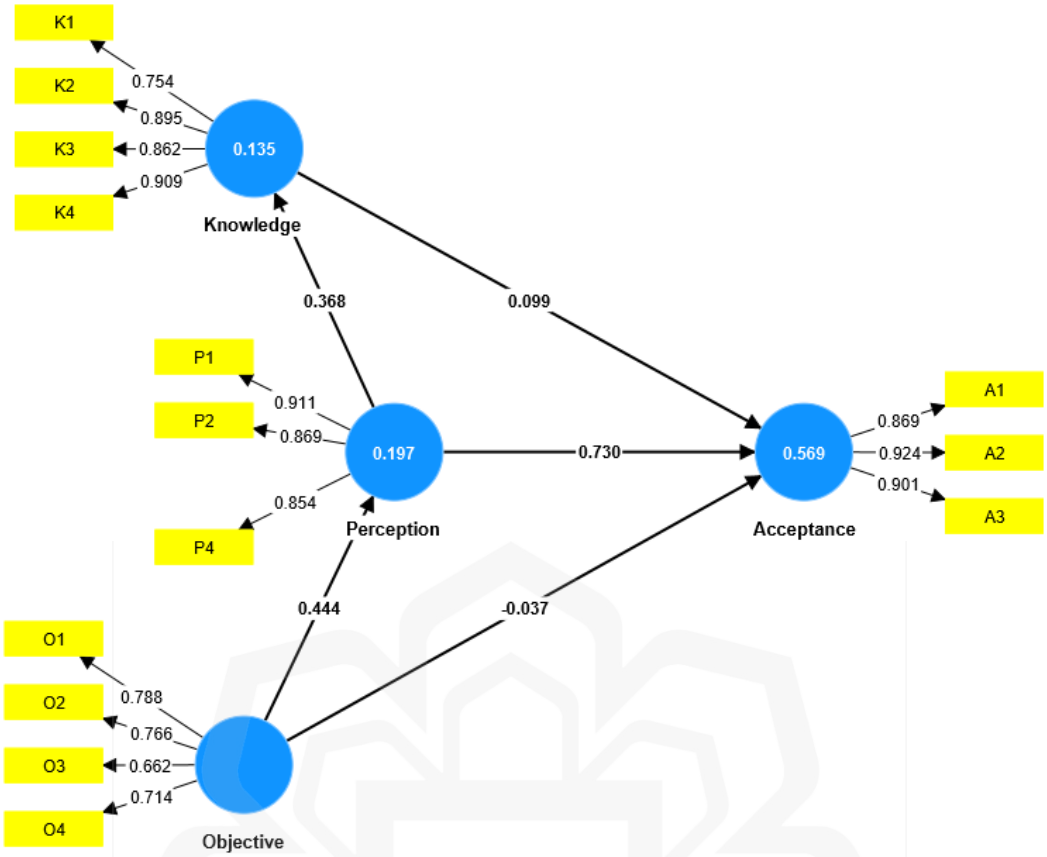

Figure 5.6 Outer and Inner Model

5.4.3.2 Convergent Validity

When each construct's composite reliability (CR) is greater than the threshold value of .70, the measurement model is said to have satisfactory internal consistency reliability ((Manley et al. 2021). Table 5.12 shows the CR for knowledge (KNOW), objective (OBJ), perception (PERPT), and acceptance (ACCPT) are all above .70. These results mean CR and validity are achieved for the four variables. This study used AVE values to examine the convergent validity of the measurement model. Convergent validity is said to be adequate when a construct's AVE value is close to or greater than .50. According to Table 5.13, the constructs have AVE values ranging from .771 to .807, indicating that the measurement model has adequate convergent validity. The AVE value of .807 represents 80.7% CR for the ACCPT indicator; it is the highest value among all the indicators. This value satisfies the condition of good convergent validity ($\geq$.05). This is followed by PERPT, KNOW, and OBJ with 77.1%, 73.4%, and 53.9%, respectively. All the AVE values exceed .05, indicating good convergent validity.

Meaning that, the variation of measurement items A1 to A3 is contained by the acceptance variable of 80.7%. This also implies that the respondents have a very high level of acceptance and that they are satisfied with the model constructed.

Table 5.13 Composite reliability and Average Variance Extracted

	Cronbach's alpha	**(rho_A)**	**Composite reliability**	**Average variance extracted (AVE)**
Acceptance	0.88	0.88	0.926	**0.807**
Knowledge	0.879	0.911	0.917	0.734
Objective	0.729	0.758	0.823	0.539
Perception	0.852	0.858	0.91	0.771

5.4.3.3 Discriminant Validity

In this study, the four HTMT values are smaller than .90. Meanwhile, the Fornell-Larcker values for acceptance, knowledge, objective, and perception are larger than their correlations with other variables' values. In addition, the cross loading values of acceptance, knowledge, objective, and perception are larger than their loadings to other variables. These HTMT, Fornell-Larcker, and cross-loading results show that the indicators have achieved discriminant validity. All the results are tabulated in Table 5.14.

Table 5.14 Overall values For Discriminant Validity

Discriminat validity < 0.90				
	Acceptance	Knowledge	Objective	Perception
Acceptance				
Knowledge	0.398			
Objective	0.376	0.442		
Perception	0.866	0.407	0.509	
Fornell - Larcker criterion				
	Acceptance	Knowledge	Objective	Perception
Acceptance	**0.898**			
Knowledge	0.352	**0.857**		
Objective	0.326	0.396	**0.734**	
Perception	0.749	0.368	0.444	**0.878**
Cross-Loadings ascertain				
	Acceptance	Knowledge	Objective	Perception
A1	**0.869**	0.307	0.306	0.689
A2	**0.924**	0.314	0.287	0.671
A3	**0.901**	0.328	0.284	0.657
K1	0.294	**0.754**	0.239	0.183
K2	0.255	**0.895**	0.323	0.301
K3	0.301	**0.862**	0.345	0.313
K4	0.349	**0.909**	0.415	0.415
O1	0.323	0.444	**0.788**	0.431
O2	0.193	0.218	**0.766**	0.284
O3	0.154	0.218	**0.662**	0.17
O4	0.227	0.201	**0.714**	0.327
P1	0.647	0.376	0.479	**0.911**
P2	0.681	0.303	0.404	**0.869**
P4	0.648	0.285	0.273	**0.854**

5.4.4 Structural Model Assessment

The structural model assessment relies heavily on multiple regression concepts and characteristics. The first step entails evaluating the model constructs to determine whether they have high multicollinearity or not. Multicollinearity can increase or decrease the beta coefficients (weights) and change their signs. Variance inflation factor (VIF) values can be examined, and if they are below 3.0, multicollinearity is unlikely to be a problem. Researchers can also examine the bivariate correlations between construct scores. If the bivariate correlations are above .50, multicollinearity may affect the path coefficient size and sign. When multicollinearity is a problem, creating higher-order constructs by combining similar lower-order constructs is recommended (Joe F. Hair et al. 2020). In this study, the VIF values for all indicators are smaller than the benchmark of 5.0. No multicollinearity problem was found among the indicators. In brief, the indicators of the measurement model are valid and reliable. Table 5.15 presents the VIF values.

Table 5.15 Variance inflation factor (VIF) values.

	VIF
A1	2.007
A2	3.258
A3	2.847
K1	1.946
K2	3.196
K3	2.844
K4	2.734
O1	1.265
O2	1.754
O3	1.603
O4	1.279
P1	2.517
P2	1.988
P4	2.024

5.4.4.1 Path Coefficients

Table 5.16 Mean, Standard deviation, T-Value and P-value for Path Coefficients

	Original sample (O)	**Sample mean (M)**	**Standard deviation (STDEV)**	**T statistics (|O/STDEV|)**	**P values**
Knowledge -> Acceptance	0.099	0.098	0.082	1.213	**0.225**
Objective -> Acceptance	-0.037	-0.033	0.091	0.409	**0.683**
Objective -> Perception	0.444	0.457	0.087	5.093	0.000
Perception -> Acceptance	0.73	0.731	0.061	11.971	0.000
Perception -> Knowledge	0.368	0.376	0.079	4.659	0.000

Table 5.16 illustrates that objective has a significant influence on perception (.444) with the *t*-statistic value of 5.093 (>1.96) and the *p*-value of .000 (<.05). Perception has a significant influence on acceptance (.730) with the *t*-statistic value of 11.971 (>1.96) and the *p*-value of .000 (<.05). Perception has a significant influence on knowledge (.368) with the *t*-statistic value of 4.659 (>1.96) and the *p*-value of .000 (<0.05).

However, knowledge has no significant influence on acceptance (.099) with the *t*-statistic value of 1.213 (<1.96) and the *p*-value of .225 (>.05). Likewise, objective has no significant influence on acceptance (−.037) with the *t*-statistic value of .409 (>1.96) and the *p*-value of .683 (>.05).

Thus, this study predicts that knowledge and objective are not the main reasons for respondents' acceptance of the QHCW model. Instead, perception is the main reason

for their acceptance of the QHCW model. The findings of this study provide significant support for the proposed QHCW model by revealing that perception is the primary determinant influencing respondents' acceptance, rather than knowledge or objective factors. This result underscores the centrality of perception within the theoretical framework of the model, which posits that individuals' attitudes, beliefs, and subjective interpretations of the QHCW model are pivotal in shaping their willingness to accept and engage with it. These findings contribute to a deeper understanding of the psychological and socio-cultural factors driving the adoption of innovative financial models in Islamic banking, aligning with the broader discourse on the role of perception in financial decision-making processes.

Table 5.17 Confidence Intervals of 95% Path Coefficients

	Original sample (O)	**Sample mean (M)**	**2.50%**	**97.50%**
Knowledge -> Acceptance	0.099	0.098	-0.048	0.267
Objective -> Acceptance	-0.037	-0.033	-0.215	0.141
Objective -> Perception	0.444	0.457	0.277	0.617
Perception -> Acceptance	0.73	0.731	**0.596**	**0.838**
Perception -> Knowledge	0.368	0.376	0.222	0.53

Table 5.17 shows the confidence intervals of 95% CI [0.596, 0.838] for the effect of perception on acceptance. The results indicate that there is 95% confidence that perception strongly influence respondents' acceptance of the QHCW model, compared to objective and knowledge.

5.4.4.2 Model Explanatory Power

PLS-SEM, which is primarily used to develop explanatory models, has strong and respectable predictive power (Shmueli et al. 2019). Several benchmarks have been proposed to demonstrate a system's ability to predict and create explanatory models. For example, (Joe F. Hair et al. 2020) suggest evaluating the structural model's collinearity and examining the size and significance of the path coefficients, R^2 values of the endogenous variables (in-sample prediction), effect size (f^2), predictive relevance (Q^2), and PLSpredict, as well as performing the robustness check of linearity, heterogeneity, and endogeneity. This section details out all the assessments carried out.

5.4.4.3 Measuring the Value of R^2

Table 5.18 R-square Output

	R-square
Acceptance	0.569
Knowledge	0.135
Perception	0.197

The R^2 statistics in Table 5.18 show the proportion of the endogenous variable that is explained by each exogenous variable. According to (Falk and Miller 1992), the R^2 value should be equal to or greater than .10 in order for the variance explained of a specific endogenous construct to be considered adequate. For marketing-specific scholarly research, R^2 values of .75, .50, and .25 for the endogenous latent variable can be roughly described as substantial, moderate, and weak, respectively ((Hair, Ringle, and Sarstedt 2011). Meanwhile, in Cohen, values of .26 (substantial), .13 (moderate), and .02 (weak) are proposed for R^2 when evaluating endogenous latent variables. In this study, for the inner path model, the R^2 value is 0.569 (56.9%) for the endogenous latent construct of acceptance. This result indicates that two independent constructs explain 56.9% of the variance in acceptance. Thus, two latent constructs in the model account for approximately 56.9% of the change in acceptance. This R^2 value is considered

moderate according to Hair et al. (2011). This means that the two latent variables (KNOW and PERPT) moderately explain 56.9% of the variance in ACCPT.

5.4.4.4 Measuring the Effect Size (f^2).

More than one structural model variable might have an effect on a single target variable. When an exogenous factor is removed, the dependent variable often changes. When an exogenous variable is no longer included in the model, the F^2 statistic indicates the change in R^2. According to (Cohen 1988), the f^2 values of .35, .15, and .02 indicate large, medium, and zero effect (small effect), respectively. If any of the indicators in this study is removed, it will affect the research hypothesis concerning the factors affecting the acceptance variable. The effect sizes for the influence of knowledge, objective, and perception on acceptance are spread over three conditions (refer to Table 5.19). These results indicate that perception is a strong predictor of respondents' acceptance of the model.

Table 5.19 Effect size.

	Acceptance	Knowledge	Objective
Acceptance			
Knowledge	0.018**		
Objective	0.002*		
Perception	0.938***	0.156**	

5.4.4.5 Predictive Relevance of the Model (Q^2)

Predictive relevance, or Q^2, is the metric used to evaluate a model's accuracy in making predictions. In addition, Q^2 proves that the endogenous construct has predictive value. If Q^2 is greater than zero, it means that the researcher has successfully reconstructed the values and that the model is useful for making predictions. A Q^2 value above 0 means that the model has some predictive value. The blindfolding procedure in SmartPLS

version 3 can produce the Q^2 value. In SmartPLS 4, the Q^2 value is in PLSpredict. The Q^2 value for this study's model is .061, which is greater than the threshold limit. Therefore, the path model's predictive relevance is adequate for the endogenous construct (see Table 5.20).

Table 5.20 Q²predict Relevance's

	Q²predict	RMSE
Acceptance	0.061	1
Knowledge	0.098	0.966
Perception	0.159	0.938

Table 5.21 Comparative Table for PLS predict Results and Linear Model

	Q²predict	PLS-SEM_RMSE	PLS-SEM_MAE	LM_RMSE
K1	0.02	0.898	0.693	1.015
K2	0.061	1.001	0.756	1.092
K3	0.124	1.069	0.808	1.055
K4	0.19	0.981	0.777	1.094
K5	0.136	0.998	0.793	1.031

Note. MAE = mean absolute error; RMSE = root mean square error; LM = linear model.

Table 5.21 presents a comparison between PLSpredict results and linear model results. If the PLS-SEM analysis results in higher prediction errors in terms of RMSE (or MAE) for all indicators when compared to the LM benchmark, the model is not predictive ((Hair et al. 2019); (Ghasemy, Muhammad, et al. 2021) (Ghasemy, Rosa-Díaz, and Gaskin 2021). The model has high predictive power if none of the PLS-SEM analysis indicators has RMSE (or MAE) values that are higher than the LM benchmark.

In this study, all the PLS values are lower than the LM values, indicating that the model has high predictive power.

5.4.4.6 Finite Mixture (FIMIX) SmartPLS

Finite mixture partial least squares (FIMIX-PLS) is a latent class segmentation technique used to reveal unobserved heterogeneity in the internal (structural) model (Hair et al. 2016). It captures heterogeneity by simultaneously estimating the probabilities of segment memberships for each observation and path coefficients for all segments. Data consists of two types of heterogeneity, observed heterogeneity and unobserved heterogeneity. Researchers can use the observable characteristics to partition the data into separate groups of observations and carry out group-specific PLS-SEM analyses with regard to the endogenous exogenous variables. Running the FIMIX-PLS procedure requires the researcher to make several algorithm settings decisions. The likelihood principle is applied to the model estimation in FIMIX-PLS, which states that the likelihood function contains all of the evidence in a sample that is relevant to the model parameters. The likelihood function represents the probability of random variable realisations given certain statistical parameters (Casella and L.Berger 2002). The expectation-maximisation (EM) algorithm is used to maximise this likelihood function. According to (Sarstedt and Ringle 2010), FIMIX-PLS applications demonstrate that Normalized Entropy (EN) values of .50 indicate well-separated class memberships that permit meaningful a priori segmentation of specific PLS-PM estimations. Table 5.22 presents the FIMIX-PLS segmentation.

(Hair et al. 2016) suggests refining the sample size first before calculating the FIMIX segmentation in SmartPLS version 4. This is because the range of possible segment numbers depends on the interplay between the sample size and the minimum sample size requirements to reliably estimate the given model. In this case, this study used the G-Power software to determine the minimum sample size. The minimum sample size is $n = 74$, and the number of suggested segments is 2 (see Figure 5.7).

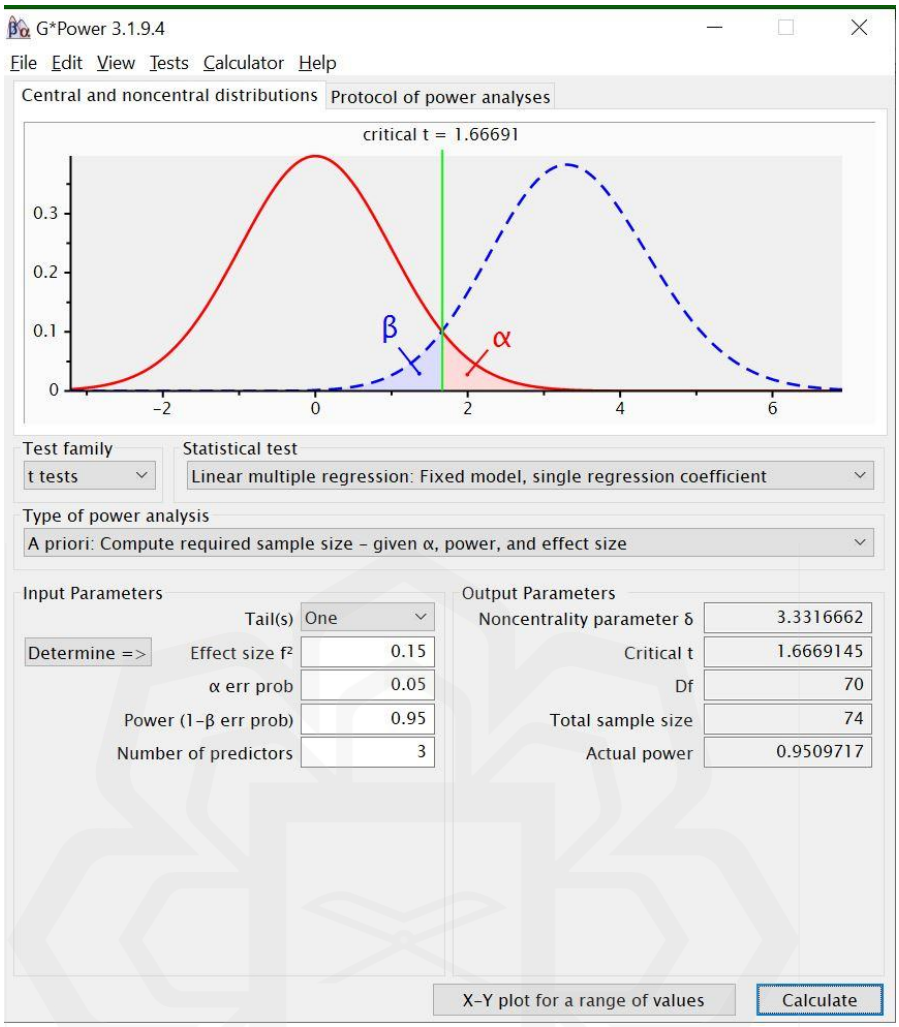

Figure 5.7 Minimal Sample Size.

Table 5.22 Selected information criteria and their performance in FIMIX-PLS

Criteria	Segment 1 (n = 106)	Segment 2 (n = 74)
AIC (Akaike's information criterion)	**790.423**	771.797
AIC3 (modified AIC with Factor 3)	798.423	788.797
AIC4 (modified AIC with Factor 4)	806.423	805.797
BIC (Bayesian information criterion)	811.73	**817.075**
CAIC (consistent AIC)	819.73	**834.075**
HQ (Hannan-Quinn criterion)	799.059	790.148

MDL5 (minimum description length with factor 5)	960.96	1134.189
LnL (LogLikelihood)	-387.211	-368.898
EN (normed entropy statistic)	0	**0.469**
NFI (non-fuzzy index)	0	0.519
NEC (normalized entropy criterion)	0	56.264
Segment Sizes	0.615 (61.5%)	0.385(38.5%)

Table 5.22 shows that the Akaike information criterion (AIC) value is higher for segment 1 (790.423) than segment 2 (771.797). The Bayesian information criteria (BIC) value is higher for segment 2 (817.075) than segment 1 (811.73). The consistent Akaike information criterion (CAIC) value for segment 2 is 834.075. Meanwhile, the normed entropy statistics (EN) value was obtained the lowest value in the segment 1 compared to 0.469 in segment 2. Since the EN value produced in segment 1 is the lowest and the non-fuzzy index (NFI) is less than .90 ((Alnakhli 2019), the best segment is segment 1. Thus, this study concludes that the number of segments in this study is 1, which means that there is no issue of unobserved heterogeneity and there is a very high confidence level that this data is from a heterogenous segment.

5.4.4.7 Hypotheses Testing

A hypothesis is a specific prediction about a new phenomenon that should be seen if a certain theory is true. It is an explanation based on a few key ideas. Most of the time, hypotheses are specific predictions about what will happen in a study. Hypotheses are formulated by looking at what is known and by using logic to figure out what will happen in the specific situation of interest. Theories often lead to hypotheses, but this is not always the case. Hence, a hypothesis is often a prediction based on a theory. However, some hypotheses are not based on a theory, and a theory is formed after a number of observations have been made. This is because theories are broad and can explain many different kinds of information (Toledo, Flikkema, and Toledo-Pereyra 2011). There are several types of research hypotheses, including inductive (based on

observation) and deductive (originating from theory), directional (expected direction) or non-directional (relation exists), and null (no significant relationship) and alternative hypotheses (significant relation). The present study hypothesised that the chances of obtaining a bank loan increases as the effects of the economic crisis worsen. However, additional loans from financial institutions are not widely available during the post-Covid-19 period. The chance of obtaining a borrowing is small because banks only provide financing to those who want to restore their businesses or start a new one. Then, in this study, hypothesis H1 is not supported by any deductive evidence. Whereas, according to (Al-muwallad and Idris 2021), purchasing power will increase when there are many financing opportunities, which will increase buying and selling activity and stimulate the economy. From the findings for *H1* above, this study concludes that weak innovation has caused failures to provide funding opportunities during the post-Covid-19 period. The need to borrow has increased due to the MCO that resulted in the closure of the economy, causing many people to lose their source of income. Although various forms of assistance were received from the government during the post-Covid-19 period, the assistance was only temporary. Hence, indirectly, this study has answered hypothesis *H2*, which is Islamic banking does not have any new features, making it hard for customers to borrow from Islamic banks.

Based on inferential data, hypothesis *H3* in this study is supported. For item P3 in the questionnaire distributed to the respondents, 86.9% of them said they wanted to contribute to the cash waqf fund. Finally, hypothesis *H4* is not supported. From a theoretical point of view, knowledge plays a major role in influencing the acceptance of something. Without adequate knowledge, there will be low response. In this case, the perception indicator is the main factor influencing the respondents' acceptance of the QHCW model. Table 5.23 provides a summary of the hypothesis testing and results.

Table 5.23 Summary of Hypothesis Testing

	Hypothesis statement	Result
H1	The desire to contribute to and assist those affected by the economic crisis increases after it occurs.	Supported
H2	Knowledge has a positive relationship with respondents' perceived acceptance of the QHCW model in Islamic banking institutions in Malaysia.	Not Supported

5.4.5 Content Analysis Results from Respondents' Open-ended Question

This report presents the qualitative findings of the study, with a focus on thematic coding, content validity, and reliability of the research instrument. The study employs content analysis to interpret responses from open-ended questions and utilizes expert validation to ensure the robustness of the questionnaire.

5.4.5.1 Expert Validation and Practical Insights

Table 5.24 highlights the expert feedback that provided valuable insights into the study's validity and practical implementation. Below is a summary of expert evaluations:

Table 5.24 Expert Validation

Expert	Field of Expertise	Feedback
Expert 1	Social Science	The questionnaire is well-structured and easy to understand but should be further validated by Islamic commercial law experts.
Expert 2	Islamic Commercial Law	The questionnaire is clear and conceptually sound. A pilot study is necessary to empirically test its effectiveness.
Expert 3	Language	The instrument is linguistically and conceptually appropriate; testing in a pilot study is recommended to refine its application.

5.4.5.2 Content Validity Assessment

To ensure content validity, expert reviews were conducted per formal academic protocols. As documented in Appendix C and D, a recommendation letter was issued to facilitate data collection and appoint expert reviewers for questionnaire validation and feedback. Initially, a social science expert from a public university affirmed that the questionnaire was well-structured and comprehensible. However, the expert emphasized the necessity of further validation by scholars specializing in Islamic commercial law to enhance its jurisprudential soundness. Consequently, two additional experts one in Islamic commercial law and another with linguistic expertise in Malay, English, and Arabic evaluated the questionnaire. Their assessment confirmed its clarity, linguistic appropriateness, and conceptual adequacy. Furthermore, they advised conducting a pilot study to empirically test the questionnaire's effectiveness, thereby reinforcing the robustness of the instrument before full-scale implementation.

5.4.5.3 Reliability and Pilot Study Findings

A pilot study was undertaken to assess the reliability and internal consistency of the questionnaire. The results demonstrated a high level of reliability, with Cronbach's Alpha recorded at 0.839, indicating strong internal consistency. Composite Reliability (CR) values exceeded 0.7 for all constructs, ensuring robustness, while the Average Variance Extracted (AVE) surpassed 0.5, demonstrating convergent validity. Furthermore, the HTMT and Fornell-Larcker criteria confirmed discriminant validity among constructs, affirming the questionnaire's reliability for further application.

5.4.5.4 Qualitative Findings and Thematic Analysis

The study analyzed responses from 106 participants, of whom 41 answered the open-ended question. Through content analysis, 13 key themes emerged, reflecting various perspectives on the proposed financing model. Table 5.25 demonstrates the thematic analysis.

Table 5.25 Thematic Analysis

Code	Theme	Description
T01	Suggestion	Recommendations for improving the model's structure and implementation.
T02	Amazement	Expressions of admiration for the model's innovative potential.
T03	Knowledge	Emphasis on the need for increased awareness and understanding of the concept.
T04	Hope	Aspirations regarding the model's success and long-term impact.
T05	Anxiety	Concerns related to feasibility and practical challenges in implementation.
T06	Expectations	Desires and anticipated outcomes regarding the model's functionality.
T07	Inquisitiveness	Requests for further clarification and elaboration on certain aspects.
T08	Motivation	Encouragement and support for the research initiative.

T09	Consent	Expressed approval of the model's conceptual foundation.
T10	Futuristic Perspective	Recognition of the model as an innovative financial approach.
T11	Supportive Attitude	Willingness to engage with and endorse the model.
T12	Encouragement	Positive reinforcement of the research endeavor.
T13	Marketing Strategy	Recommendations on dissemination and promotion of the model.

5.4.6 Discussion

Based on the results of the statistical and content analyses above, the three latent variables of knowledge, perception, and objective explain 56.9% of the variance in respondents' acceptance of the proposed model. In other words, this study predicts perception to be the main factor influencing acceptance of the QHCW model. From an Islamic point of view, knowledge is the most important thing when making a decision. However, in this study, the perception factor has substantial weight.

Given that this model has strong prediction power, this study confidently predicts that solid knowledge of a particular model (product) can increase customers' positive perception of the model (product), leading to acceptance. This prediction may be useful to other researchers who are interested in studying financial behaviour. Based on this study's findings, customer perception is an important determinant of their level acceptance to a product or a financial institution, in line with (Rashid et al. 2020) and (Wajdi Dusuki 2008).

Perceptions are often correlated with customer satisfaction ((Metawa and Almossawi 1998). Customer satisfaction is one way to measure how well a product or service works. In the study by (Rahmi et al. 2020) on university students' perceptions of Islamic banking and financial products, they found that most of the students were satisfied with Islamic banking products and thought Islamic banking products were better than conventional ones. Almost everyone agrees that Islamic banking is a valuable alternative to traditional banking. However, respondents were less sure whether the existing Islamic banks followed Sharīʿah rules, were efficient, and were helpful. The study's results indicate that the user's level of knowledge influences a

product's efficiency. Hence, if any financial institution wants a product to be efficient, they need to conduct many marketing and promotion activities.

The relationship between customer satisfaction and loyalty is more challenging when the country faces a financial crisis caused by Covid-19. During Covid-19 pandemic, the level of perception for helping those affected by financial problems caused by Covid-19 is high, as shown in the study by (Nurul Adilah Hasbullah and Rahman 2020). Many efforts have been taken to assist those affected. Hence, this perception should be seen as an opportunity for Islamic banking practitioners to act as mediators to further facilitate the aid operations. Hence, this study attempts to develop a formula that benefits both parties by innovating QHCW products for Islamic banking institutions in Malaysia.

Moreover, the thematic analysis of open-ended responses reveals a diverse range of perspectives on the proposed QHCW model, reflecting both enthusiasm and critical reflections on its feasibility and implementation. Participants expressed strong support and admiration for the model's innovative potential (Amazement, Futuristic Perspective), highlighting the need for greater awareness and understanding (Knowledge, Inquisitiveness). Additionally, pragmatic concerns regarding implementation challenges (Anxiety, Expectations) were balanced by optimism and encouragement (Hope, Motivation, Supportive Attitude). The findings underscore the importance of strategic marketing efforts (Marketing Strategy) and continuous stakeholder engagement to enhance acceptance and operational viability. These insights provide valuable guidance for refining the model, ensuring it aligns with theoretical robustness and practical applicability within the Islamic finance ecosystem. Building on these insights, this study seeks to bridge the gap between theoretical foundations and practical implementation by formulating a structured approach to QHCW within Islamic banking institutions in Malaysia. By addressing participant concerns, enhancing awareness, and incorporating expert recommendations, the study aims to develop an innovative QHCW framework that balances financial sustainability with social responsibility, ultimately benefiting both financial institutions and the target beneficiaries.

5.5 RECOMMENDATION ON QHCW MODEL IMPLEMENTATION (RQ4)

The QHCW model is developed through rigorous processes of literature review, content analysis, and acceptance survey analysis. The model focuses on providing personal financing to individuals facing financial difficulties due to economic crises, with priority given to first-time borrowers seeking to meet their essential and complementary needs. Borrowing for luxuries is allowed, but the potential borrowers must contribute to the cash waqf fund first. The debt repayment condition should based on the borrower's ability, established through mutual agreement between the borrower and the QHCW principal. A lease or mortgage transaction is avoided in this model to adhere to the principles of qarḍ ḥasan. For this model to be successfully implemented, Islamic banks need to consider a number of important recommendations.

5.5.1 Recommendation 1: Risk Analysis for QHCW Implementation

The findings of the study on the current qarḍ ḥasan practice in Malaysia (Section 5.1) show that presently there is no specific loan product development for people from the B40 and M40 groups who are economically affected by Covid-19. The QHCW model developed in this study considers several factors, namely Islamic scholars' jurisdictions on qarḍ ḥasan and cash waqf, the eligibility of cash waqf crowdfunding from potential borrowers and the public, and stakeholders' feedback (i.e., Islamic banks regarding the potential of qarḍ ḥasan implementation, as well as borrowers and contributors regarding acceptance of the QHCW model).

In terms of risk analysis, it is crucial to assess the potential risks and benefits for both borrowers and banks. For borrowers, risks may include their ability to repay the loan, especially considering the economic crisis. Thus, a clear guideline for debt repayment and flexible repayment options to accommodate borrowers' financial situations must be established.

Banks are business entities and their key focus are maximising their profits while managing risks. According to (Ariffin & Adnan, 2010a), qarḍ ḥasan is not popular among Islamic banks due to three main factors. First, the product's inability to generate

profits is a significant concern. Second, the existing model faces challenges in terms of sustainability, primarily due to high administrative and transaction costs. Lastly, there is a lack of support from top management, which further hinders the adoption of qarḍ ḥasan by Islamic banks.

Qarḍ ḥasan offers long-term benefits in terms of economic stability by empowering B40 and M40 groups through interest-free loans that can meet their basic and complementary needs. Therefore, it is imperative that Islamic banks and financial institutions in Malaysia consider implementing the QHCW model. In this regard, Islamic banks need to implement effective risk management practices, including developing a comprehensive framework for managing potential defaults and non-payment situations. Additionally, robust internal controls and compliance mechanisms need to be established to ensure the model remains Sharīʿah-compliant and is aligned with regulatory requirements.

5.5.2 Recommendation2: Ensuring the Sustainability of QHCW Implementation

Assessing the financial health of the cash waqf fund and monitoring its sustainability is crucial. This is to ensuring the continuity of the QHCW implementation by Islamic banks. It is recommended that the cash waqf fund accumulated be invested to ensure the sustainability of the funds.

A potential method to achieve sustainability for the cash waqf fund is through the Investment Account Platform (IAP). This platform streamlines the process of moving money from investors to finance viable businesses and projects (IAP 2021). In the event that the qarḍ ḥasan loan is not repaid, banks can use the profit made from the investments to cover the loan cost.

The mechanics of investing the cash waqf fund via IAP is illustrated in Figure 5.8. IAP creates a differentiated product that provides Islamic banks with a new income and funding profile. Additionally, there is potential for strategic collaboration between the IAP, Islamic banks, and institutions with specific mandates, such as government agencies, to establish public–private partnerships. These partnerships should be aimed

at facilitating the efficient channelling of grants or funding opportunities, as well as enable financing for strategic ventures that have been identified — in this case, the QHCW implementation.

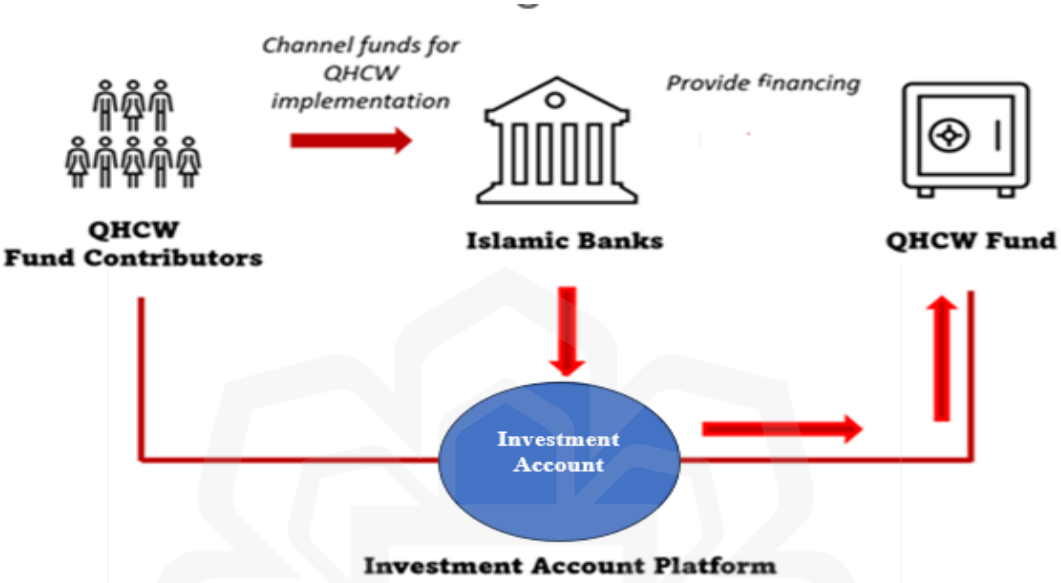

Figure 5.8 Mechanics of IAP for sustainability of QHCW

Another way to make the cash waqf fund sustainable is by leveraging the Islamic Financial Services Act 2013 (IFSA) to create a supportive ecosystem for Islamic banks in implementing QHCW. IFSA can enable Islamic banks to diversify their businesses by making available investment accounts to customers as an additional option for soliciting financial support from the general public. Under IFSA, Islamic banks will be authorised to continue playing their role as investment intermediaries, in which various alternative modes of risk-sharing contracts can be implemented for the investment accounts. The opportunities available, coupled with their expertise, will enable the Islamic banks implementing QHCW to invest the fund in the best possible avenues (Budiman et al. 2019).

Another important way to ensure the sustainability of the QHCW implementation is by educating the public on the model's objectives and benefits, even among those who do not borrow, to foster a sense of social responsibility and encourage contributions. Islamic banks can also encourage community participation and

awareness of the QHCW model by openly accepting donations to the cash waqf fund. For individuals without financial problems, Islamic banks can consider imposing a condition that they must contribute to the cash waqf fund first before borrowing. This approach ensures a fair distribution of resources and supports the sustainability of the QHCW model.

5.5.3 Recommendation 3: Enhancing the Accessibility and Sufficiency of Islamic Loan Products Information

To prevent unfavourable perceptions of a product, the research and development (R&D) sector of a company, specifically a banking institution, must be open to researchers and easily accessible to customers. This is to prevent problems that may be caused by misunderstanding about the information pertaining to the product.

Based on the experience of present study, information about individuals or product maintenance parties cannot be accessed online or through the e-mail or the telephone. For this reason, all activities must be held through customer service orders. In other words, the organisational charts of the Islamic banking institutions in Malaysia do not meet the standard of user experience (UI) and user interface (UX) requirements.

During the online survey of the Islamic banks in Malaysia, the researcher found that Islamic banks in Malaysia should update the UX and UI on their websites. Throughout the survey, almost all the Islamic banks did not disclose detailed access to the organisational chart of their Islamic operation division. Therefore, initially, the researcher faced difficulties to contact those responsible for answering the online survey. In general, Islamic banks only disclose important positions in their organisational charts. No email address or contact number is disclosed. All inquiries can only be made by calling the toll-free number through their customer service. Hence, the UX and UI of Islamic banks' websites in Malaysia need to be improved.

Thus, action must be taken to strengthen the operations of Islamic banks. First, Islamic banks need to improve their accessibility to make Islamic financing product information accessible to the wider audience through user-friendly platforms, mobile

applications, and dedicated websites. The telephone number and email address of the officer in charge for a particular product must be made available. Second, in terms of sufficiency, Islamic banks need to provide comprehensive information about Islamic financial products. They can collaborate with other institutions to gather accurate data on loan types, repayment structures, profit rates, fees, and unique requirements. This standardised format will help individuals make informed decisions based on their financial needs. Third, in terms of educational resources, the expansion initiative aims to create educational resources that help individuals understand the principles and concepts of Islamic finance. These resources may include guides, tutorials, and articles that explain the key differences between conventional and Islamic loans, the ethical principles underlying Islamic finance, and the overall benefits and considerations associated with Islamic loan products. The above recommendations will benefit Islamic banking and financial institutions in several ways. First, the initiative will empower borrowers, enabling individuals seeking Islamic financing to make well-informed decisions that align with their financial goals and values. Second, this initiative can help bridge the knowledge gap for those interested in exploring Islamic finance, thereby promoting financial inclusion and expanding access to alternative financing options. Third, standardised information enhances transparency in Islamic finance, allowing borrowers to compare offerings, evaluate costs, and understand terms.

Overall, increasing the accessibility and adequacy of information on Islamic financing products aims to empower individuals and businesses, increase knowledge about Islamic finance and banking, and drive a more transparent and inclusive Islamic financial ecosystem.

5.6 SUMMARY

From the findings obtained through the content and inferential analyses performed in this study, it can be concluded that the innovations by Islamic banks in Malaysia during the post-Covid-19 period are not comprehensive. Financing is only focused on groups that want to restore or start their businesses. Individuals who are outside the target group are left out. The study also concludes that products that do not charge interest such as qarḍ ḥasan remain ignored, as financing products continue to be designed in the same

traditional ways. There is no creative innovation in the qarḍ ḥasan product, even though it has been implemented before. As a result, individuals from the B40 and M40 groups that have been affected by the financial crisis continue to be left behind. In this study, respondents' acceptance of the QHCW model is not influenced by their knowledge or objective. However, there is a strong correlation between perception and acceptance of the QHCW model. The findings of the study show that the respondents' perception is the most important predictor of model acceptance.

CHAPTER SIX

CONCLUSION

6.1 INTRODUCTION

This chapter provides an overview of the content analysis and statistical results of this study. Important conclusions and suggestions are presented in this chapter as well. Further, this chapter also includes a discussion of the overall implications.

6.2 OVERALL RESEARCH OUTPUT

This study has provided a comprehensive analysis of the Qarḍ ḥasan-Cash Waqf (QHCW) model as an innovative financing mechanism within the Islamic banking framework. By addressing the research objectives, the findings highlight the viability of remodelling qarḍ ḥasan through cash waqf to support financially excluded individuals, particularly in Malaysia's post-COVID-19 economic landscape.

The study's empirical evidence underscores that while knowledge and objective do not significantly influence the acceptance of the QHCW model, perception plays a crucial role, making it the strongest determinant of model acceptance. This finding has important implications for Islamic banking institutions in terms of structuring financial literacy programs and strategic marketing efforts to enhance public trust and engagement with the model.

From a practical perspective, the integration of qarḍ ḥasan with cash waqf presents a sustainable financial model, ensuring the continuity of interest-free funding while addressing concerns related to the time value of money. The proposed structure of channeling voluntary excess repayments into a waqf pool creates a self-sustaining system that enhances financial inclusion while remaining aligned with Sharīʿah principles.

The research further contributes to policy discourse by emphasizing the necessity for Islamic banks to innovate beyond traditional financing methods. Despite the theoretical acceptance of qarḍ ḥasan, its stagnation within financial institutions necessitates institutional reform and regulatory support to enhance its practical implementation. The findings support the argument that Islamic banks should re-evaluate their social financing roles, particularly in providing accessible and sustainable financial solutions for the B40 and M40 economic segments.

Overall, this study advances the discourse on qarḍ ḥasan and cash waqf by offering an empirically tested model that balances financial sustainability with social welfare. Future research may explore cross-country applications of the QHCW model and examine its integration with emerging financial technologies to enhance efficiency and scalability within the Islamic financial ecosystem.

6.3 CONTRIBUTIONS TO KNOWLEDGE

The research contributes to the body of knowledge by focusing on developing the qarḍ ḥasan with cash waqf model as a solution to address the economic challenges faced by individuals who lack access to traditional banking services. By exploring various aspects of qarḍ ḥasan and its implementation within the Islamic financial system, the study aims to enhance and develop qarḍ ḥasan practices, particularly through the utilisation of cash waqf. This research provides insights into the benefits of overpaying the debt amount owed as a means to contribute to the cash waqf fund, thus ensuring stability and growth for the financial assistance provision. The findings highlight the significance of qarḍ ḥasan as a tool for social welfare and emphasise the willingness of individuals to contribute to the cash waqf fund, further supporting the development of the QHCW model. This research has implications for both theory and practice by shedding light on the integration of cash waqf and overpayment within the qarḍ ḥasan framework, offering a novel approach to address economic challenges and provide financial support to unbankable individuals.

6.4 CONTRIBUTIONS TO THEORETICAL

This study contributes to the theoretical discourse on Islamic social finance by introducing the Qarḍ ḥasan-Cash Waqf (QHCW) model as a novel framework for sustainable, interest-free financing. By integrating qarḍ ḥasan with cash waqf, the study bridges the gap between financial sustainability and social welfare, addressing the long-standing challenge of qarḍ ḥasan's viability in modern Islamic banking.

Furthermore, this research extends the application of the Theory of Planned Behavior (TPB) by demonstrating that perception, rather than knowledge or objectives, is the strongest determinant of acceptance in Islamic financial decision-making. This finding underscores the importance of behavioral economics in Islamic finance, emphasizing the role of trust, social influence, and awareness in shaping financial choices.

Additionally, the study provides empirical validation for the institutionalization of qarḍ ḥasan as a structured financing mechanism, rather than its traditional ad-hoc charitable application. This shifts the discourse from theoretical advocacy to practical implementation, offering a model that aligns with both Sharīʿah principles and contemporary banking practices.

By challenging the conventional profit-driven orientation of Islamic banks, this research paves the way for a re-examination of their social finance role, encouraging a paradigm shift toward financial inclusivity through innovative waqf-based funding structures.

6.5 CONTRIBUTIONS TO METHODOLOGICAL

This study advances the methodological framework of Islamic finance research by employing a mixed-methods approach, integrating content analysis with Structural Equation Modeling-Partial Least Squares (SEM-PLS). Combining qualitative and

quantitative techniques enhances the robustness of findings, ensuring both conceptual depth and empirical validation.

Notably, the study refines measurement models for qarḍ ḥasan and cash waqf acceptance, establishing a validated construct that can be applied in future research. By demonstrating the moderating role of perception in financial decision-making, this study offers a methodological advancement in behavioural finance studies within the Islamic banking sector.

Moreover, the structured content analysis of practitioner and respondent feedback provides a novel data triangulation strategy, reinforcing the reliability of insights on qarḍ ḥasan's operational viability. This methodological refinement strengthens the empirical foundation for integrating cash waqf into Islamic banking, setting a precedent for future studies exploring innovative, socially responsible financial models.

6.6 IMPLICATION

6.6.1 Implications and Future Research

The proposed model demonstrates strong alignment with Islamic law and presents no adverse managerial implications for Islamic banking institutions. By integrating stakeholder and shareholder insights, it is expected to enhance investment management, foster positive perceptions among internal and external investors, and increase contributions to the cash waqf fund for the qarḍ ḥasan product. This model is anticipated to encourage customer adoption, thus advancing community welfare. Theoretical implications further reveal that knowledge significantly shapes perceptions and decision-making within the Islamic context, suggesting that Islamic banks should assess customer perceptions to optimize their product offerings. However, the study's cross-sectional design and reliance on self-reported measures limit its generalizability beyond the Malaysian context. Future research could extend this theoretical framework to explore Islamic financial behavior in diverse cultural settings, offering broader insights into its global relevance.

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APPENDIX A:

CONSENT FORM: A REVIEW OF THE QARḌ ḤASAN MODEL THROUGH CASH WAQF IN ISLAMIC BANKING IN MALAYSIA.

Tinjauan Untuk Kajian Model Qard Hasan melalui Wakaf Tunai di perbankan Islam di Malaysia.

Assalaamualaikum wrt. Wbt.

Nama saya Zulkefly bin Ibrahim, pelajar Ph.D. dari Institut Perbankan dan Kewangan Islam (IIiBF), Universiti Islam Antarabangsa Malaysia (UIAM).

Saya sedang menjalankan penyelidikan akademik mengenai model Qard Hasan melalui Wakaf Tunai (QHCW). Penyelidikan ini bertujuan untuk mengkaji tahap penerimaan umum terhadap model Qard Hasan melalui Wakaf Tunai di kalangan Muslim B40 dan M40 sebagai peminjam.

Secara kesimpulannya, model Qard Hasan melalui Wakaf Tunai (QHCW) adalah dana Qard Hasan melalui Wakaf Tunai untuk dijadikan sebagai produk pinjaman pribadi kepada golongan B40 dan M40 yang mengalami masalah kewangan semasa krisis ekonomi khususnya dalam masa (Covid-19).

Dengan ini, saya akan menerangkan secara ringkas mengenai apa yang dimaksudkan dengan Qard Hasan dan Wakaf Tunai.

(1) Qard Hasan: Qarḍ Ḥasan adalah konsep hutang yang ditulis dalam Al-Quran. Qard Hasan adalah pinjaman tanpa faedah.

(2) Wakaf Tunai: Wakaf Tunai adalah dana amanah yang dikumpul melalui sumbangan wang dari penyumbang untuk menyokong aktiviti kebajikan kepada umat manusia atas nama Allah. Dalam kajian ini dana dari Wakaf Tunai akan dijadikan sebagai prodak pinjaman pribadi tanpa faedah di institusi kewangan/perbankan Malaysia.

Saya dengan rendah hati meminta Tuan/Puan mengisi soal selidik ini. Segala kerjasama Tuan/Puan dalam hal ini sangat dihargai.

Terima kasih.

Penyelidik:
Nama: Zulkefly Ibrahim
Tel. No: 0105575341
Email: zulkefly78@yahoo.com
https://www.facebook.com/groups/779381306074106

* Indicates required question

Model Pinjaman Pribadi Qard Hasan Melalui Dana Waqaf Tunai

Profil Responden:

APPENDIX B:

CONTENT ANALYSIS OF THE HADĪTH "EVERY LOAN, WHICH LEADS TO A BENEFIT, IS USURY."

Source of Data	Type of Hadīth	Reasons for the arrival of the hadīth	Theme	The Narrator	The Analyst
Allah's Messenger (ﷺ) said: "Every loan, which leads to a benefit, is usury."					
1. Al-Musnad (Al-Hāris Ibnu Muhammad Ibnu Abī Usāmah Al-Tamimī) (D.: 282H)	Its chain of narrators has been dropped (sāqit)	Not recorded	Usury	ʿAlī ibn Abī Ṭālib	**Sawwār Ibnu Musʿab** He is : *Matrûk* as reported by
2. Al-badr Al-munir fī takhrīj al-'ahādīth wal'athār alwaqiʿah fī al-sharh al-kabīr. (Omar Ibnu Ali Ibnu Ahmed, Siraj Al-Din Abu Hafs Al-Ansari, Al-Shafi'i, known as Ibnu Al-Mulqin, (D.: 804H)	Its chain of transmission is Sawwār Ibnu Musʿab, and it is abandoned (*Matrûq*)		Usury	ʿAlī ibn Abī Ṭālib	1. Al-Nasāʾī (d. 915 CE) - al-Ḍuʿafāʾ wa-l-matrūkūn 2. Najm ʿAbd al-Raḥmān Khalaf (1989) - Muʿjam al-jarḥ wa-l-taʿdīl li-rijāl al-Sunan al-kubrā
3. Khulāsah Al-badr Al-munir fī takhrīj al-'ahādīth wal'athār alwaqiʿah fī al-sharh al-kabīr. (Omar Ibnu Ali Ibnu Ahmed, Siraj Al-Din Abu Hafs Al-Ansari, Al-	Its chain of transmission is weak		Usury	ʿAlī ibn Abī Ṭālib	3. Ibn Zurayq al-Maqdisī (d. 1400-1401 CE) - Man takallama fī-hi al-Dāraquṭnī fī Kitāb al-sunan

Shafi'i, known as Ibnu Al-Mulqin, (D.: 804H) 4. 'Irshād al-faqīh ila ma'rifah 'adillah al-tanbīh. 'Isma'il Ibnu 'umar Ibnu Kathīr, 'imad al-diyn, 'abu al-fidā' al-shāfi'ī, al-'imam al-hāfiz, al-muhadith, (D.:774H) 5. 'Ithaf al-khayarah al-muharah bi zawāyid al-masānid al-'ashra. (Ahmad Ibnu abī bakr al-bûsīrī) (D.:840H) 6. Bulûgh al-marām min adilah al-ahkām. (Ahmad Ibnu 'ali Ibnu hajar al-'asqalānī) 7. Sharah fath al-qadir. (Muhamad Ibnu Abd al-wahid Ibnu Abd al-Hamīd Ibn Mas'ud), (D.:861H) 8. Al-jāmi' al-saghir fi 'ahādith al-bashīr al-nadhīr. (Abdul al-Rahmān Ibnu Abī bakr Ibnu Muhamad), (D.: 911H).	Disconnected between 'Ammār and Alī and Sawwār (weak) Its chain of transmission is weak, and it has a suspended witness. Its chain of transmission is dropped (sāqit), and it has a weak witness Weakened Weak		Usury Usury Usury Usury Usury	Sawwār Ibnu Mus'ab 'Alī ibn Abī Ṭālib 'Alī ibn Abī Ṭālib 'Alī ibn Abī Ṭālib 'Alī ibn Abī Ṭālib	4. Ibn 'Adī al-Jurjānī (d. 976 CE) - al-Kāmil fī ḍu'afā' al-rijāl 5. Aḥmad b. Ḥanbal (d. 855 CE) - al-Jāmi' li-'ulūm imām Aḥmad: al-Rijāl 6. Ibn Abī Ḥātim al-Rāzī (d. 938 CE) - al-Jarḥ wa-l-ta'dīl 7. Ibn al-Jawzī (d. 1201 CE) - al-Ḍu'afā' wa-l-matrūkūn 8. Abū Nu'aym al-Aṣbahānī (d. 1038 CE) - al-Ḍu'afā'

9. Tamyīz al-tayib min al-khabīth fīmā rawiya ‘ala al-sinat al-nās min al-hadīth. (Abdul al-Rahman Ibnu Ali Ibnu al-dabī‘), (D.: 944H).	His chain of transmission is dropped		Usury	ʿAlī ibn Abī Ṭālib	
10. Subul al- Salām (Muhamad Ibnu Ismā‘īl Ibnu Salām al-San‘ānī) (D.: 1182H).	Its chain of transmission is Sawwār Ibnu Mus‘ab Al-Hamedani, it is abandoned, (Matrûq)		Usury	Sawwār Ibnu Mus‘ab	
11. Fath al-ghafār al-jāmi‘ li ahkām sunnat nabiyyinā al-mukhtār. (Al-hasan Ibnu Ahmad Ibnu Yûsuf Ibnu Muhamad Ibnu Ahmad al-Rubā‘i), (D.: 1276H)	It has a weak witness on the authority of Fadālah Ibnu Abdullah		Usury	Fadālah Ibnu Abdullah	
12. **a**. Da‘if al-jāmi‘ al-saghīr waziyādatuhu. **b**. Iirwa' al-ghalīl fī takhrīj ahadīth manār al-sabīl (Muhamad Nāsir al-dīn al-albānī), (D.: 1420H)	Weak		Usury	‘Alī ibn Abī Ṭālib	

13. **a.** Al-sharh al-mumta‘ ‘ala zad al-mustaqna‘. **b**. fath dhī al-jalāl wal ikrām bi sharh bulûgh al-marām. (Muhamad Ibnu Sālih al-‘uthaymīn), (D.: 1421H)	Not right and Weak		Usury	ʿAlī ibn Abī Ṭālib	

APPENDIX C

APPOINTMENT AS EXPERT PANEL FOR QUESTIONNAIRE RESEARCH VALIDATION

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SUSTAINABILITY INSTITUTION OF THE YEAR

Our Ref: IIUM/315/G1920661
Date: 9 November 2021 / 4 Rabiulakhir 1443

Prof. Dr. Norzaidi Mohd Daud
Faculty of Business and Management
MARA University of Technology
40450 Shah Alam
Selangor

AsSalamu`alaykum warahmatullahi wabarakatuh

Dear Prof. Dr. Norzaidi,

APPOINTMENT AS EXPERT PANEL FOR QUESTIONNAIRE RESEARCH VALIDATION

May this letter find you in the best of Iman and `Afiyyah by the grace of Allah SWT.

This is to certify that Br. Zulkefly Ibrahim, Matric No: G1920661 is currently pursuing his Ph.D in Islamic Banking and Finance at IIUM Institute of Islamic Banking and Finance (IIiBF). He is conducting a research entitled "Cash Waqf as Sustainable Funding for Qard Hasan: New Model of Personal Financing for B40 and M40 in Malaysia".

We are writing to humbly request your expertise in validating the questionnaire items and indicators to ensure its suitability and validity.

We believe your expert review in questionnaire validation and valuable suggestions will benefit Br. Zulkefly Ibrahim in accomplishing his Ph.D research.

Please do not hesitate to contact the researcher at 010-5575341 or email him at zulkefly78@yahoo.com, should you need further clarification.

Attached is the related document for your kind attention and further action.

Your invaluable support is highly valued and appreciated.

Thank you. *Wassalam.*

ASST. PROF. DR. NUR FARHAH MAHADI
Deputy Dean (Student Development and Community Engagement) /
Main Supervisor
IIUM Institute of Islamic Banking and Finance (IIiBF)

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APPENDIX D

EXPERT REVIEW OF RESEARCH MODEL AND QUESTIONNAIRE

PROFESOR DR NORZAIDI MOHD DAUD
From:norza544@uitm.edu.my
To:zulkefly ibrahim
Tue, Nov 23, 2021 at 9:01 AM

I have reviewed the proposed model and questionnaire.

Based on the nature of this study, I am confident that it falls under basic research. For such research, the development of the research model should be based on expert review and focus group discussions.

The proposed model pertains to Islamic banking and finance. Therefore, expertise in this field is essential to ensure its relevance and accuracy.

Overall, the questionnaire items are well-structured, aligned, and easy to understand.

However, if the proposed model is not yet well-established, the questionnaire development should not proceed.

Hence, I recommend that Mr. Zul discuss this matter with the supervisor (SV) before proceeding further with the study.

Professor Dr Norzaidi Haji Mohd Daud, D.J.N
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Visiting Professor, Widyatama University, Indonesia
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Visiting Professor, University College Yayasan Pahang
Adjunct Professor, Multimedia University, Malaysia
Adjunct Professor, INTI International University and Colleges, Malaysia
Adjunct Professor, Asia e University

APPENDIX E:

CONTENT ANALYSIS OF THE QH VERSES IN THE QURAN

Source of Data		Type of Data	Reasons and occasions of revelations	Category	Theme	Interpretation
Allah says: (If you loan Allah a goodly loan, He will multiply it for you and forgive you. And Allah is Most Appreciative and Forbearing.)						
1	(64:17 Quran)	Secondary	Story of Abû Dahdāh	Give loan to Allah	Qarḍ Ḥasan	**I.** Ibn Kathīr a. The expense is in the way of Allah b. It is the maintenance of the family **II.** Tabarī a. The expense is in the way of Allah **III.** Qurtubī divide into eleven issues. **IV.** Baghawī a. The expense is in the way of Allah. **V.** Al-Sa'dī a. In charitable ways. b. In jihad.

Source of Data		Type of Data	Reasons and occasions of revelations	Category	Theme	Interpretation
Allah say: Indeed Allah took the covenant from the Children of Israel (Jews), and We appointed twelve leaders among them. And Allah said: "I am with you if you perform As-Salat (Iqamat-as-Salat) and give Zakat and believe in My Messengers; honour and assist them, and lend to Allah a good loan. Verily, I will remit your sins and admit you to Gardens under which rivers flow (in Paradise). But if any of you after this, disbelieved, he has indeed gone astray from the Straight Path."						
2	(5:12 Quran)	Secondary	Twelve tribes of Israelites were required to appoint a **Naqib** to oversee their affairs and prevent irreligion and moral corruption.	Appointment of **Naqib** and expense is in the way of Allah	Prevent irreligion and corruption	**I.** Ibn Kathīr a. Spending in Allah's way and seeking his pleasure **II.** Tabarī a. The expense is in the way of Allah. **III.** Qurtubī divide into eleven issues. a. Alms/charity **IV.** Baghawī a. Paying zakat. b. Alimony for the family **V.** Al-Sa'dī a. It is charity and benevolence, emanating from honesty, sincerity, and good gain

Source of Data		Type of Data	Reasons and occasions of revelations	Category	Theme	Interpretation
Allah say: Who of you will lend Allah a goodly loan which He will return after multiplying it for him manifold? For Allah has the power both to decrease and increase, and to Him will you be returned.						
3	(2:245 Quran)	Secondary	Story of Abû Dahdāh	Give loan to Allah and Allah will reward you	Allah urges His servants to spend in Allah's way.	**I.** Ibn Kathīr a. The expense is in the way of Allah b. It is the maintenance of the family **II.** Tabarī a. Gave people in need **III.** Qurtubī divide into eleven issues. **IV.** Baghawī a. The expense is in the way of Allah. **V.** Al-Sa'dī a. In charitable ways. b. In jihad.

Source of Data		Type of Data	Reasons and occasions of revelations	Category	Theme	Interpretation
Allah say, *Recite as much of the Qur'an as you easily can, and establish Prayer, and pay Zakah, 24 and give Allah a goodly loan.25 Whatever good you send forth for yourselves, you shall find it with Allah. That is better and its reward is greater.26 And ask for Allah's forgiveness; surely He is Most Forgiving, Most Compassionate.*						
4	(73:20 Quran)	Secondary	This verse in which reduction has been made in the injunction concerning the tahajjud Prayer.	Prayer at night was made voluntary instead of obligatory.	Preform the solat than pay a zakat	**I.** Ibn Kathīr a. Charity **II.** Tabarī a. The expense is in the way of Allah b. Charity **III.** Qurtubī a. The expense is in the way of Allah. b. The expense is to family **IV.** Baghawī a. The expense is in the ties of kinship. b. visiting guests **V.** Al-Sa'dī a. The expense is in the way of Allah b. Charity.

Source of Data		Type of Data	Reasons and occasions of revelations	Category	Theme	Interpretation
Allah say, *Who is it that will give Allah a beautiful loan? A loan that Allah will repay after increasing it many times and grant him a generous reward*						
5	(57:11 Quran)	Secondary	Story of Abû Dahdāh	Sincerity	Allah urges His servants to spend in Allah's way.	**I.** Ibn Kathīr a. Whoever spends in Allah's cause with pure intention and sincere will be rewarded. **II.** Tabarī a. The expense is in the way of Allah **III.** Qurtubī a. The expense is in the way of Allah. b. Charity **IV.** Baghawī a. Does not explain in detail in his interpretation. **V.** Al-Sa'dī a. The expense is in the way of Allah

Source of Data		Type of Data	Reasons and occasions of revelations	Category	Theme	Interpretation
Allah say: Verily those who give alms31 be they men or women, and give Allah a beautiful loan shall be repaid after increasing it many times; and theirs shall be a generous reward.						
6	(57:18 Quran)	Secondary	Story of Abû Dahdāh	Sincerity	Allah urges His servants to spend in Allah's way.	**I.** Ibn Kathīr a. Charities with money on people in need and poverty. **II.** Tabarī a. The expense is in the way of Allah. b. Charity. **III.** Qurtubī a. The expense is in the way of Allah. b. Charity **IV.** Baghawī a. The expense is in the way of Allah. b. Charity **V.** Al-Sa'dī a. The expense is in the way of Allah. b. Charity

APPENDIX F:

FEEDBACK FROM RESPONDENTS (OPEN-ENDED QUESTIONS)

Answer from Open-ended Question	***Text Condensation***	***Code***	***Category***	***Theme***
Data (1)	Indeed this is an excellent study and rarer in Malaysia, Qardh Hasan is very compliant with syar'a and has been implemented successfully in other Islamic countries, so the time and opportunity is very right if this Qardh Hasan and Cash Waqf is implemented in the best way now, where the people Islam is now very burdened and affected by the Covid 19 Pandemic. It is prayed that this study will be well received by Islamic scholars in the country, especially those who are experts in the field of Islamic finance. May the implementation of Qardh Hasan and Cash Waqf lead to the blessing and mercy of Allah SWT and ease the financial burden of Muslims in Malaysia.			
	Data 1: hope that the QHCW model can be implemented in Malaysia.	Expectations	Tell the story of hope	1. Narrative about hope
Data (2)				
	It is necessary to expand its use to all levels so that there is no gap in terms of knowledge.			
	Expand the implementation of the QHCW model across the board	Expectations	Disseminate knowledge about the model	1. Spreading Knowledge

Text Condensation	*Code*	*Category*	*Theme*
Data (3) The community needs to be given a clear understanding of these two models to increase the number of contributors.			
	Explain to the community about the model	Explanation	Explanation so that more involvement	1. Spreading knowledge 2. Knowledge explanation
Data (4) A very good study and approach among the many existing approaches and studies, I hope it can be realised and continued; it is very beneficial for people in great need, and it can also keep them from getting involved in loans that do not comply with Sharia or from being persecuted.			
	Good study and useful for those in need	Admiration	A feeling of awe because of its benefits to those in need	1. Amazed
Data (5) What is important is that we can help the poor.			
	Can help those in need	Help	The hope that the QHCW model can help those in need	1. Narrative about hope

Text Condensation	*Code*	*Category*	*Theme*
Data (6) Try referring to noriba.io..			
Suggestion: Look at Noriba's example.	Give suggestions	Look at existing models	1. Suggestion.
Data (7) Constructively involve all parties, whether government, the private sector, NGOs, individuals, political parties, academics, corporations, and others, in the implementation of this program.			
Involvement of all parties.	Engagement	Government, the private sector, NGOs, individuals, political parties, academics, corporations	1. Suggestion.
Data (8) Setting criteria for who can borrow and evaluating potential borrowers to stop anyone from taking advantage of the system and misusing funds.			
Suggestion: Setting lending criteria and evaluating applicants prevents system abuse.	Suggestion	Setting borrowing criteria and evaluating potential borrowers prevents anyone from abusing the system.	1. Suggestion

Text Condensation	*Code*	*Category*	*Theme*
Data (9) This is a good and excellent proposal if it can be realized, and if possible, it does not involve banking in Malaysia. I am perhaps managed by a unique trust council with loan system innovation that is transparent, smart, and organized. Hopefully, it will be more than just a PhD study.			
If realised, this is a good and excellent proposal that avoids Malaysian banking. I'm managed by a unique trust council with transparent, smart, organised loan system innovation. Hope it's more than a PhD study.	Hopes/suggestions	Hope not to implement it under the bank system, but under unit trust.	1. Narrative about hope 2. Suggestions
Data (10) Collateral and guarantees are needed to ensure the continuity of the system and can be used by many people.			
People can use collateral and guarantees to ensure the system's continuity.	Give suggestions	Collateral and guarantees ensure system continuity.	1. Suggestions

Text Condensation	*Code*	*Category*	*Theme*
Data (11) Is the contribution amount later "affordable" by those who will make a loan? If they have to make a loan, it seems that they will be forced to make a contribution if the value is high.			
Concerns over the ability to contribute to CW	Anxiety	The ability to be a factor of concern and contribute to the fund	1. Anxiety
Data (12) Roughly speaking, the term, the theory, appears to be fine and good, but its best not to confuse it with the terms "b40," "m40," and so on. "Waqf," if possible, let everyone with the title of Muslim benefit from it without further narrowing the scope... at the very least, this Qardu Hassan education must be spread to Muslims first, so that greedy elements do not try to manipulate this good system. Thank you.			
The proposal is not to limit it to household income, so that no party takes advantage.	Anxiety Give suggestions	Recommendation not to limit	1. Anxiety 2. Suggestions
Data (13) Need to speed up and simplify.			
Expectations	Expectations	Expectations	1. Expectations
Data (14) The trustee / manager of the fund should be proposed. Has this model been implemented in other countries?			
Trustees and role models in other countries	Asking Questions	Propose the fund's trustee/manager. Is this model used elsewhere?	1. Questions

	Text Condensation	*Code*	*Category*	*Theme*
Data (15) For the first time, I learned the terms and concepts of the qarḍ ḥasan model and cash waqf.I need to read and understand first.				
	No information at all	Knowledge	Absolutely no information	1. Knowledge
Data (16) Alhamdulillah. Thank you. By answering this survey I learned something new.				
	Gained some new knowledge.	Knowledge	Discovered something new by responding to this survey.	1. Knowledge
Data (17) Loan application conditions are not too strict.				
	Conditions for getting a loan are not too strict.	Anxiety	Requirements aren't strict.	1. Anxiety
				2.
Data (18) Very good effort.				
	Amazed	Amazed	Amazed	1. Amazed

Text Condensation	*Code*	*Category*	*Theme*
Data (19) Use cash Waqf to provide Ar Rahnu services to develop cash Waqf funds. The long-term viability of the cash Waqf system must be ensured.			
Use CW at Al-rahn operation	Suggestions	Use cash Waqf to develop Ar Rahnu funds. The cash Waqf system must be sustainable.	1. Perverse suggestions
Data (20) May all affairs be easy, Amen?			
Give encouragement and motivation	Motivation	Motivate others	1. Motivation
Data (21) No.			
No suggestions and ideas	None	No suggestions and ideas	1. No reaction

Text Condensation	*Code*	*Category*	*Theme*
Data (22) I think if the public gets better information about this QHCW, surely many will participate because they want to avoid hardships in the pursuit of a long life. Congratulations for this noble effort! May the results of your efforts be successful and blessed.			
If the public has better information about QHCW, many will participate to avoid hardships in life. Thanks for your work. May your efforts be blessed.	Dissemination of information	If more people know about QHCW, they'll join to avoid hardships.	1. Knowledge.
Data (23) Good loan innovation according to Islamic law			
Amazed	Amazed	Amazed	1. Amazed
Data (24) What you study will hopefully be supported and blessed.			
Motivation and encouragement	Give motivation	Motivation and encouragement	1. Motivation

Text Condensation	*Code*	*Category*	*Theme*
Data (25) My suggestion is that the "leader" of this model will use the term "per capita" instead of just household income. This is because most of those who are in the range of T20 or T1 are the less fortunate group, especially if they live in high-cost areas (urban) and have quite a lot of dependents compared to M40 or B40, who have no dependents or few dependents.			
Suggest the term per capita from household income	Suggestions	"Per capita" instead of "household income." This is because most people in the T20 or T1 range are in the less fortunate group, especially if they live in high-cost areas (cities) and have a lot of people who depend on them, while people in the M40 or B40 range have no or few people who depend on them.	1. Suggestions
Data (26) Yes, to make it easier for the B40 and M40 groups who are experiencing financial problems.			
Agreed, to help financially struggling B40 and M40 groups.	Give consent	Agreed to help B40 and M40.	1. Consent

	Text Condensation	*Code*	*Category*	*Theme*
Data (27) Qarḍ Ḥasan and Cash Waqf for B40/M40 are best for that group.				
	The best options for B40/M40 are Qarḍ Ḥasan and Cash Waqf.	Give consent	B40/M40 prefer Qarḍ Ḥasan and Cash Waqf.	1. Consent
Data (28) Very good for the people,,,we really appreciate Qarḍ Ḥasan and cash waqf for B40/M40 👍				
	Excellent, very grateful, Qarḍ Ḥasan and the cash waqf for B40 and M40.	Appreciate	Appreciate Qarḍ Ḥasan and cash waqf for B40/M40.	1. Appreciate
Data (29) I am very supportive.				
	Supportive	Supportive	Supportive	1. Supportive

Text Condensation	*Code*	*Category*	*Theme*
Data (30) Strange and wonderful things. I'd also like to know the authoritative scholars' perspectives, as well as the arguments and Qoul.			
	Amazing things and have a curious interest	Interest to know about the model in detail	Amazing thing and have interest to know the opinion of Islamic scholars	1. Inquisitive
Data (31) Information about Qarḍ Ḥasan through Cash Waqf is still lacking and needs to be expanded to the public.			
	Qarḍ Ḥasan through Cash Waqf needs more public information.	Deliver information to the public	Public knowledge of Qarḍ Ḥasan through Cash Waqf is lacking.	1. Marketing
Data (32) Keep on trying			
	Give encouragement	Encouragement	Give encouragement	1. Encouragement
Data (33) Good			
	Amazed	Amazed	Amazed	1. Amazed

	Text Condensation	*Code*	*Category*	*Theme*
Data (34) Very good.				
	Amazed	Amazed	Amazed	1. Amazed
Data (35) I have no idea about the Qarḍ Ḥasan model and have never heard of it.				
	No information at all	Knowledge	Absolutely no information	1. Knowledge
Data (36) No comment				
	No information at all	Knowledge	No comment	1. Knowledge
Data (37) Comment: An interest-free loan can help B40 and M40 families who are in desperate need. Recommendation: Continue. For the good of everyone who chooses the model, the choice is in on your hands.				
	Agreed, an interest-free loan can help B40 and M40 families.	Give consent	B40 and M40 families can benefit from an interest-free loan.	1. Consent

	Text Condensation	*Code*	*Category*	*Theme*
Data (38)	Keep doing research. Hopefully, it will be easier.			
	Motivation and encouragement	Give motivation	Motivation and encouragement	1. Motivation
Data (39)	What is the guarantee that borrowers can repay all loans so that the opportunity for other groups to borrow is not hindered? Is it permissible to impose monetary fines on late repayment of the loan, and is it included in usury?			
	Concern if the borrower does not repay the loan, will affecting other borrowers and late charges is usury?	Express concern	Worry that if the borrower doesn't pay back the loan, it will affected other borrowers.	1. Anxiety
Data (40)	If the Qarḍ Ḥasan Model is expanded, it is possible that it can change the culture of bank loans practised now.			
	Expanding the Qarḍ Ḥasan Model could change bank loan culture.	Imagination	Vision of the future	1. Futuristic
Data (41)	I agree and support.			
	Supportive	Supportive	Supportive	1. Supportive