Strengthening Cash Waqf Institutions: Governance, Technology and Blended Finance Approaches in Malaysia, Turkey and Brunei

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ABSTRACT

Waqf had a historical role in social welfare and social advancement. However, today its potential, notably through cash waqf, in combatting contemporary economic and social challenges remains underexplored. This research focuses on cash waqf institutions that have been modernised in order to mobilize resources and increase attendance. Following the method of a qualitative study, 46 specialists consists of academicians, banking professionals and local experts--from Malaysia, Turkey, Brunei were interviewed and their documents analyzed. Data from participants in Malaysia, with a systematic coding method conducted through MAXQDA for systematic analysis, also analysed responses from Turkey and Brunei as well for thematic analysis to find out recurring trends, major themes, and insights. There is a strong consensus among the three countries on the importance of technology-driven, transparent, and professionally managed cash waqf systems that prioritise effective governance, active community engagement, and Shariah-compliant financial investments. At a regional level is the need for innovative co-working with the government-based waqf finance systems like "Waqf-Sukuk blended finance" to ensure long-term socio-economic development and efficient investment of waqf capital.

Keywords: ECF, *Mudarabah*, Blended Finance, and Shariah-compliant Investment. Digital Fundraising, SDG.

INTRODUCTION

Waqf is one instance of traditional Islamic charitable system, where it is most commonly expressed in cash waqf, the donors (wakifs) offer their funds for religious, social or economic purpose (Aldeen, Ratih & Herianingrum, 2020). As highlighted by Ibrahim, Amir & Masron (2013), cash waqf traditionally has played an important role in the community, yet currently its strength is underutilized especially when providing a solution to major social, economic issues in Malaysia.

However, a growing enthusiasm as evidenced in Azganin, Kassim & Sa'ad, (2021) for waqf crowdfunding shows up in the need to update waqf tools or services used to provide more resources to mobilise. This method combines elements of a more accessible system, not just cash waqf as such, because it involves broader participation and it utilises digital platforms to collect resources for various initiatives (Suhaili & Palil, 2016). Whilst Waqf crowdfunding has promising potential, its implementation is faced by numerous obstacles including, lack of public awareness, technological limitations, and legal uncertainty (Haniff et al, 2024).

Understanding these challenges is key to seeing the rising need for novel approaches to waqf finance. Lahuri & Lutfiah (2024) pointed out that the existing scarcity of funds in social, economic, and development projects would also make the study of waqf crowdfunding relevant as it should contribute to emerging strategies that can bolster

participation, transparency, and functionality that remain compliant with Shariah regulations. This sets the stage for the development of waqf finance to better serve the needs of the contemporary society.

Research Problem

According to Abd Rahman & Awang,(2018), despite the fact that cash waqf is a very ancient practice in Malaysia, its effectiveness in dealing with modern society has not been fully achieved. Ghazali & Mamat mentioned challenges of cash waqf including lack of public awareness, limited involvement of small donors, and inefficiencies in managing funds.

In the same vein, Haniff et al (2024) argued that current financing needs, such as investments in education, food security, climate protection, and social change require more flexible and elastic financing arrangements. Despite the optimistic potential of waqf crowdfunding to revitalize Islamic philanthropy, the application of this type of crowdfunding in Malaysia is faced with significant barriers, including regulatory ambiguity, limited technological integration of waqf with the charity sector, and an absence of awareness from potential financiers (Qurrata et al, 2021).

It raises an important question: How could the toolkit of waqf be effectively updated for resource usage, motivation and social influence improvement for contemporary Malaysia? Tackling this issue will require examining the shortcomings both of conventional cash waqf and the emerging prospects of blended finance waqf models in detail. Hence, it is the time to study the ways in which modern cash waqf institutions can create the funds efficiently, be held accountable for them, and adopt financial techniques such as Equity Crowdfunding (ECF) to enhance sustainability and social goodwill. To address these voids, this article tries to obtain views and practice in these three countries.

Objectives of the study.

This study sets as its aims that through modernization of cash waqf institutions may help answer today's economic problems. The specific objectives are:

1. To address the limitations of traditional cash waqf in today’s social and economic challenges in Malaysia. In this paper we seek to uncover the potential and new challenges around waqf blended finance (equity crowdfunding) as a new tool of resources mobilisation and participation mobilisation.

LITERATURE REVIEW

As Avedta (2023) reported before, waqf had traditionally been important in contributing in social welfare, school and healthcare as well as finance system in Islamic societies and the Ottoman Empire provided the means for supporting public services including education, healthcare and infrastructure of the public sector. Syamsul et al (2021) found that waqf’s independence has diminished by modernization and an increase in state control and so the practice's effectiveness in meeting modern economic challenges. That said, waqf is also one of the biggest tools we have for supporting community development and for charitable donations.

The provision for Cash Waqf (CW) is a contemporary solution since it permits cash transfers instead of immovable assets enabling more adaptable productive investment. CW is also institutionalized through State Islamic Religious Councils and agencies in Malaysia, showcasing its ability to generate sustainable income without compromising Shariah compliance (Kunhibava et al., 2023). Other countries, such as Turkey and Brunei, show that legal and bureaucratic constraints on CW can impede full application of the scheme (Abdullah, Basir, and Abdul 2022).

To optimize capacity, they will need to invest further in governance, transparency, financial decision-making and investment planning to instill trust and effective use of money. Fintech and Equity Crowdfunding (ECF) is believed to have a role in the upgrade of waqf to make it more accessible, effective, and transparent (Haniff et al, 2023). Malaysia has utilized digital donation systems, crowdfunding mechanisms, and blockchain technology for shifting waqf from being an inactive form of charity as a formal investment in alignment with the Sustainable Development Goals (SDGs).

Based on Shariah compliant contracts like Mudarabah and Musharakah, ECF can raise funds for SMEs and social projects which forms Waqf-Equity Crowdfunding (Waqf-ECF) with promising potential (Haniff et al, 2025). A sustainable waqf ecosystem cannot exist without governance, fintech, and community engagement as it seeks to balance the spiritual and economic objectives of the waqf ecosystem to unlock the full potential of waqf in terms of social and financial output.

RESEARCH METHODOLOGY

A qualitative research design was adopted to obtain opinions on waqf activities, cash waqf fundraising activities, and socio-economic impacts in the different countries of the region. The use of qualitative methods was evident due to their ability to investigate intricate social phenomena, bring to life multiple expert viewpoints, richness of data and the contextualization of data which cannot be fully captured by quantitative methods.

Data Collection Methods

The main data collection methods were threefold:

1. Semi-structured interviews: With experts from banking industries, academic institutions, and local experts. We adopted an approach that enabled participants sharing detailed comments and providing space for exploring emergent themes.

2. Document Analysis: Review of appropriate policies, legal systems and literature to triangulate results and support interview data.

Sampling Strategy

A number of participants were chosen by pre-identified interviews to be eligible to have an interview. A purposive sampling strategy was used to obtain participants who had expertise in waqf and Islamic finance. This comprises 15 experts from Malaysia and 31 participants from Turkey and Brunei, representative of the waqf practice and institutional structure of the two countries.

Data Analysis Methods

Data was analyzed on Malaysia participants using MAXQDA software, providing systematic coding, categorization, and correct identification of themes (Marjaei, Yazdi & Chandrashekara, 2019). Thematic analysis of the interview data in Turkey and Brunei helped identify recurring patterns and key themes. The dual approach ensured methodological rigour while addressing heterogeneity in data volume and contexts across countries.

Justification of Key Questions

This research is guided by four key questions to understand the operation and socio-economic impact of **cash waqf**.

1. **Fundraising in modern society** – Examines how a new cash waqf institution can raise funds using modern approaches such as technology, contemporary fundraising models, and stakeholder collaboration.

2. **Revenue and sustainability** – Explores how the income generated from cash waqf should be allocated and reinvested to support long-term socio-economic development.

3. **Limitations of waqf** – Identifies institutional, regulatory, and social challenges that restrict waqf from effectively addressing economic problems.

4. **Alternative solutions** – Considers whether other Islamic financial instruments or socio-economic strategies could better address social and economic issues.

Overall, these questions provide insight into the **management, effectiveness, and socio-economic role of cash waqf institutions in modern contexts.**

Reliability and Validity.

Methodological code, systematic coding and authoring clear analytical procedures; researchers cross-verified. For data triangulation between interviews and document analysis to provide cross-cited confirmation, and for interpretation verification with the feedback obtained from participants, validity was assured.

FINDINGS

Cash waqf institutions plan to raise funds in the modern world.

Contemporary cash waqf fundraising is perceived to be predominantly digital, transparent, and professionally managed (Brunei, Turkey, and Malaysia). In each of the three countries participants mentioned that online platforms, mobile applications, e-wallets, crowdfunding, fintech, and blockchain are important to increase the ease of donating and transparency.

Brunei relies heavily on governance and regulated approaches to digital; Turkey focuses on bridging traditional waqf principles with modern financial systems such as Shariah-compliant fund management, blockchain, and sukuk; and Malaysia aims to combine cash waqf with Islamic banking solutions, fintech innovations, and ESG-oriented projects. In all three case studies, engagement of the community, CSR partnerships, small donations, and promoting public awareness programs are considered very crucial to increase involvement. In this sense, Brunei, Turkey, and Malaysia share a cash waqf model that melds Islamic values with technology and technology innovation, business integration, financial cohesion, and strong relations with community.

The other cash waqf proceeds.

Responding to the comments of the other cash waqf's profits (pros) employed for new cash waqf plan, throughout Malaysia, Turkey, and Brunei, there was an overwhelming consensus that cash waqf income should be invested to advance social welfare, sustainable development, and empower communities as long as Shariah principles are respected and donors' intentions are adhered to. All three also emphasized cash waqf returns should be a continuing asset, repurposed smartly to ensure lasting, longer-lasting impact rather than short-term help.

The most widely reported themes include education, health, poverty alleviation, microfinance, and infrastructure, and show a shared commitment to using waqf revenues to do substantial and lasting good. Every country has its special perspectives which cement this common future vision. Malaysia views income from cash waqf not only as philanthropy but also a strategic way to make profits, supporting microfinancing, scholarships, affordable housing, and healthcare while enforcing good governance and adhering to donor criteria and fatwa decisions.

Brunei respondents offered a similar structured and holistic approach, focusing on the development of communities, education, sustainability, and the empowerment of economy, and made urgent calls for reinvestment and transparency in order to sustain the long term stability of the institution.

Turkey, for its part, highlighted traditional but novel use of waqf to distribute benefits such as education, healthcare, poverty alleviation and infrastructure, in addition to developing entrepreneurship, microfinance, and convergence with modern financial instruments, such as participation banking and social enterprises. Taken together, these perspectives demonstrate that Malaysia, Turkey and Brunei have the same belief that by well-governed, transparent, and strategically reinvested cash waqf can be a self-propagating engine of social and economic development within the Muslim world.

Factors that restrain waqf from utilising to full potential to tackle economic issues.

In Brunei, Turkey, and Malaysia, all participants concurred that the potential for economic advancement of waqf was not so much restricted by the concept in itself, its potential for growth, because of inherent governance and management and wider public participation weaknesses. All three countries found similar issues: poor legal frameworks, outdated administrative systems, insufficient public awareness and lack of professional expertise. These constraints undermine people with their trust in the concept, prevent meaningful asset development, and

limit the ability of waqf to make a significant contribution in poverty alleviation, education and overall socio-economic sustainability.

Proper governance, modification of management procedures, and promotion of transparency were generally acknowledged to be essential to improve effectiveness and sustainability of waqf. A look at each country reveals the same common challenges. Brunei identified weak governance, poor leadership and archaic systems, calling for legal changes, Shariah-compliant investments, and joint activities between government and private sectors.

Turkey highlighted the growing obstacles of neoliberal political economy, asset fragmentation and hindrance in modernization, but noted that waqf is itself capable of promoting microfinance and entrepreneurship and social justice (if proactively managed in accordance with national development goals). Malaysia raised concerns around regulatory fragmentation, professional incapacity, lack of financial management, government or corporate intervention, etc.

Respondents demanded more clear guidelines, the use of new technology, tax incentives and closer alignment with national development strategies. Together the perspectives suggest that it remains crucial for Brunei, Turkey, and Malaysia to undertake comprehensive reform, modernise and improve institutional commitment in order to unlock the economic feasibility of waqf.

Mechanism chosen to solve economic and social issues.

In Malaysia, Turkey and Brunei, participants reported that although cash waqf has its economic benefits, a wider range of Islamic social finance instruments is more convenient to addressing economic and social concerns. Zakat was repeatedly presented as the most effective instrument by virtue of its mandatory characteristics and organized distribution structure, which guaranteed reliable support to poverty alleviation, education and health services.

Sadaqah builds on this, offering flexible and immediate support for a range of community needs. All three nations' participants emphasized that Islamic microfinance and qard al-hasan were vital in the context of entrepreneurship, financial inclusion, and enabling sustainable livelihood evolution. Today's approach, meanwhile, emphasized crowdfunding platforms, community-centric programs, Corporate Social Responsibility initiatives and tech-enabled donation systems, all seen as integral in getting more people involved and developing social innovative solutions.

Nationally-driven insights corroborate this broader perspective: Microfinance, crowdfunding, and Social Impact Bonds in Malaysia; building the traditional Islamic institutions, cooperative frameworks, and structural reforms in Turkey; and governance enhancements, community empowerment initiatives and leadership training in Brunei.

Taken together, these perspectives all express a common belief that economic and social challenges cannot simply be met with cash waqf (Shariah) and require an array of well-crafted Islamic social finance instruments. Participants, in this regard, implicitly endorse the growing significance of waqf blended finance, a mode of financial management under which waqf resources are properly combined with other resources such as zakat, microfinance, social investment, and public–private cooperatives. This integrated approach enhances financial capacity, mitigates risk and creates a more sustainable, scaled socio-economic growth model that permits waqf to exist as a central but not in isolation component within a collective social finance paradigm.

Waqf-Sukuk blended finance model

Existing waqf management systems tend to depend on conventional administrative approaches, with inflexibility and limitations that may not be fully inclusive of modern-day financial instruments or technical advances. Poor management of funds, failure to plan for strategic investment, limited interactions with financial markets and private sector players have significantly reduced the economic capacity of waqf institutions, participants said. Even more legal and bureaucratic constraints limit operational flexibility.

The structure of waqf governance also varies in Malaysia because there is heterogeneity across states giving rise to fragmented regulations; institutional restrictions in Turkey and the lack of revitalisation plans have delayed the development of cash waqf initiatives; but in Brunei the insufficient funds and a focus on short-term charitable

initiatives limit the ability of waqf institutions to foster sustained socio-economic activity. In some respects, these findings underscore opportunities to rejuvenate waqf through financial innovation and institutional reform.

Across the three countries respondents stressed the need for governance frameworks to be bolstered, transparency increased, and for waqf initiatives to be consistent with development priorities within the nation. Strengthening institutional capacity through professional oversight, updating the regulatory regime and raising public awareness were identified as major approaches to transforming waqf into a sustainable vehicle for socio-economic empowerment. In accordance with the above, the paper introduces the Waqf–Sukuk Blended Finance Model as a new approach to realize the economic potential of waqf. The proposed Waqf-Sukuk Blended Finance Model, is shown in Figure 6.1.

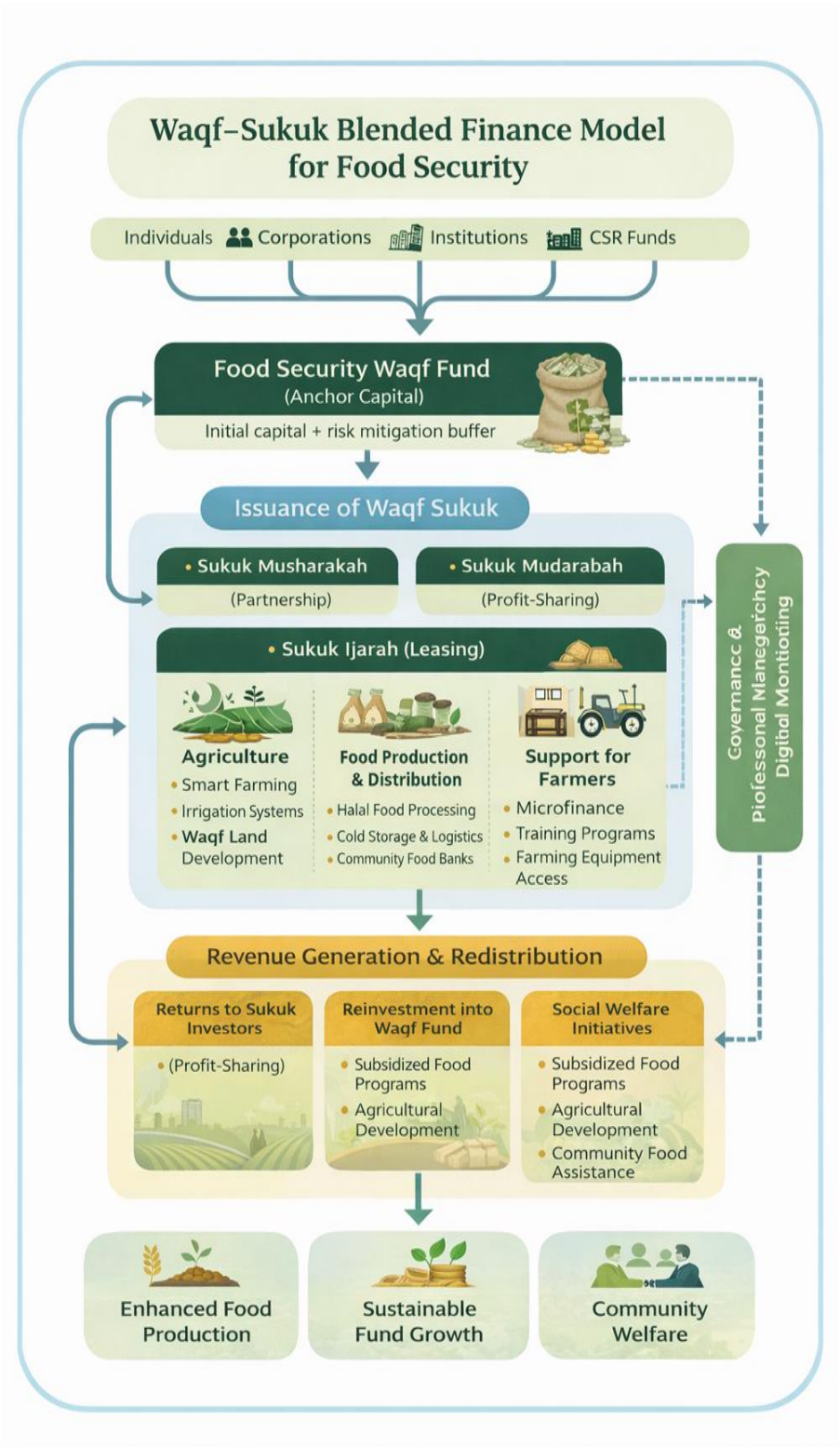


Figure 1.0 : Waqf-Sukuk model for food security

Based on the proposed model, sukuk can be understood as a Shariah-compliant mechanism that facilitates large scale funding of agricultural and food security projects. Sukuk, unlike conventional bonds, serve as ownership or participation in an asset (or project) that has an income generated but is not due an interest.

In such model cash waqf funds act as the seed or anchor capital that boosts investors' trust and makes possible the issuance of Waqf Sukuk that can earn more financial assistance from Islamic investors. After issuance, the capital received from investors is used to finance initiatives on food security. These include agricultural and irrigation-related facilities, halal food processing plants, cold storage units and the supporting program for small farmers. These projects make a profit on agricultural production, leasing, other cooperative trade and more.

Shariah contracts, such as *Musharakah* (partnership), *Mudarabah* (profit-sharing), or Ijarah (leasing), can determine the type of sukuk involved for the investment, depending on the model of sukuk (such as it is a form of partnership). The revenue earned from these projects is subsequently allocated in accordance with the structure identified. Some of the income is transferred to sukuk investors as their investment return, and a portion is reinvested in the waqf fund to make sure that it does not go out the window and does not die a long time. The remaining monies can be allocated to various food security social welfare programs, including subsidized food programs, food banks in communities, and agriculture programs.

It is this blended finance model which integrates waqf funds with sukuk financing, letting philanthropic resources mobilize capital market instruments for greater socio-economic impact. Such a model can improve food production, help fortify agricultural supply chains and contribute to sustainable community welfare in the context of Malaysia, Turkey and Brunei alongside good governance and Shariah compliance.

CONCLUSION

Whilst the potential of the proposed Waqf-Sukuk integrated food security-based mixed finance model for food security is to mobilize Islamic social finance for sustainable agricultural development, several challenges have also been encountered. There could also be potential challenges arising from the dual governance of waqf institutions and other financial market regulators on regulation and financial markets. In some places, waqf goods are controlled by religious institutions; sukuk is controlled by financial regulatory authorities. Such institutional fragmentation may also lead to uncertainties regarding ownership of assets, responsibilities to governance and compliance.

Consequently, strengthening regulatory coordination and clear governance frameworks are necessary to enable transparency, accountability, and effective implementation of the Waqf–Sukuk model. Another important limitation is institutional capacity and professional managerial capacity. Many waqf institutions have been established as charitable or administrative entities and thus, it becomes difficult because they aren’t equipped with adequate technical competency to handle intricate financial instruments like sukuk. The efficiency of the model may be compromised without sound financial governance, risk management and professional oversight. Additionally, food security initiatives – and particularly agricultural ones – are vulnerable to a range of uncertainties including risks from climate, variability of pricing and variability in output.

These factors could have implications for project returns and hence, for success in delivering stable returns to sukuk investors and sustainably managing the waqf fund. In addition to the institutional and financial difficulties, public awareness and stakeholder confidence are still major considerations which continue to affect the success of the model. As the Waqf–Sukuk blended finance strategy is an infant in finance, potential donors, investors and community stakeholders may not possess in-depth knowledge of its setup and contribution. Behavioural perspectives, such as TPB (Theory of Planned Behaviour), can help provide a better understanding of public acceptance of innovative waqf financing interventions. It is also well documented that waqf initiatives are greatly influenced by attitude, social norms and religious motivation, thus public perception and trust can play an important role in prompting wider diffusion of such blended finance models.

However, these issues are hardly obstacles in the way of realizing the transformative potential of the Waqf–Sukuk model. The model facilitates a strategic link between philanthropic waqf funds (in particular the waqf funds) and Islamic capital market instruments, creating a vehicle for mobilising a greater part of the financial resources for

achieving social development goals such as food security. But its sustainability, in the long run, requires strong regulatory support, professional governance, transparent management, and the adherence to the ethical and spiritual principles of waqf, especially in integrating financial sustainability and ethical guidance. The Waqf-Sukuk blended finance model can help in strengthening agricultural sustainability and can further the resilience of farmers and communities in Malaysia, Turkey and Brunei in pursuing sustainable development with well-designed implementation practices with integrated benefits for all.

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