

# From Charity to Strategic Asset Governance: Ethical Wealth Preservation in Waqaf Institutions

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## Abstract

Waqf has historically been viewed as a perpetual charitable institution, funding religious, educational, and social services across Muslim societies. While this charitable role remains significant, contemporary challenges such as mismanagement, asset encroachment, and weak governance limit waqf's ability to deliver long-term socio-economic impact. This paper develops a conceptual framework that repositions waqf from a charity-oriented model toward strategic asset governance, situating it as a mechanism for ethical wealth preservation. The framework highlights three interdependent pillars: governance as the structural foundation for asset preservation, accountability as the mechanism that builds trust and legitimacy, and innovation as the driver of sustainability and adaptation. Comparative evidence from Saudi Arabia, Malaysia, Indonesia, India, Pakistan, and Bangladesh illustrates both the risks of charity-centric models and the potential of governance-driven reforms. The paper contributes theoretically by linking waqf with institutional theory and intergenerational justice, while offering policy and practical implications for professionalization, transparency, and innovation in waqf management. By shifting from charity to strategic governance, waqf can evolve into a dynamic institution that not only preserves wealth ethically but also redistributes it equitably and sustainably for future generations.

**Keywords:** Waqaf, Ethical Wealth Preservation, Strategic Asset Governance, Charity, Institutional Management

### **Introduction**

The waqaf, or Islamic endowment, has long been regarded as one of the most enduring institutions of Muslim societies. Rooted in the principles of sadaqah jariyah, or perpetual charity, waqaf historically functioned as a mechanism for financing religious, educational, and social services. In its earliest forms, it represented a direct channel through which private wealth was preserved and redirected toward communal welfare. Mosques, schools, hospitals, caravanserais, and public water facilities were frequently funded through waqf, allowing communities to access essential services without relying solely on state provision (Hoexter, 1998; Kuran, 2019). For centuries, waqf institutions embodied the principle of perpetual charity, enabling benefactors to gain spiritual rewards while providing lasting contributions to society.

Despite this long legacy, waqf in its traditional form has faced significant challenges in the modern era. Many waqf institutions remain bound to a narrow charitable function, focusing primarily on small-scale donations and religious obligations. While these initiatives retain spiritual and social value, they often fail to address the complexities of asset management, governance, and long-term sustainability in contemporary economic environments. Reports from South Asia and Southeast Asia reveal that large portions of waqf assets remain idle, underutilized, or encroached upon due to weak institutional capacity and inadequate governance frameworks (Government of India, 2025; Government of Punjab, 2024).

The global context of wealth inequality amplifies the urgency of rethinking waqf management. According to the World Inequality Report (2022), the top 10 percent of the global population owns 76 percent of total wealth, while the bottom half of humanity possesses just 2 percent. In developing countries, weak governance structures exacerbate disparities by allowing mismanagement of both private and communal assets (World Bank, 2020). Within this broader framework of inequality, waqf has the potential to serve as a counterbalance by preserving wealth ethically and redistributing benefits toward marginalized groups. However, to achieve this potential, waqf institutions must transition from being primarily charitable in orientation to becoming strategic vehicles of asset governance.

A shift from charity to strategic asset governance requires re-envisioning waqf as a structured system of wealth management, rather than as a passive channel of donations. This involves professionalizing governance structures, introducing accountability mechanisms, and embracing innovation in asset management. Saudi Arabia's experience with regulated waqf investment funds offers a case in point. By treating waqf assets as strategic investments subject to market oversight, returns were doubled in a single year and reinvested into education, healthcare, and poverty alleviation (Elmahgop et al., 2025). Similarly, Malaysia's productive waqf models have demonstrated that assets can be developed into income-generating ventures, ensuring recurring benefits for communities while preserving the principle of perpetuity (Mohd Hadli Shah et al., 2024).

The persistence of inefficiencies in many waqf institutions underscores the gap between traditional charitable practices and the demands of modern asset governance. In India, despite reforms such as digitized registries and inclusive board structures mandated by the Waqf (Amendment) Act of 2025, thousands of waqf properties remain under dispute or encroached upon (Government of India, 2025). In Pakistan, the Punjab Auqaf and Religious Affairs Department has struggled to maximize the value of its vast landholdings due to mismanagement and lack of professional expertise (Government of Punjab, 2024). These examples illustrate that without strategic governance, waqf risks being trapped in a cycle of stagnation and inefficiency, undermining its ethical mandate of wealth preservation.

Theoretically, repositioning waqf as a governance-driven institution aligns with broader discourses on ethical wealth management and intergenerational justice. Rawls (1971) argued that fairness must extend across generations, requiring institutions to preserve resources while ensuring equitable access. Waqf embodies this principle through perpetuity, yet its effectiveness depends on the governance structures that protect assets and ensure fair distribution. Institutional theory also emphasizes the need for organizations to align formal structures with cultural legitimacy (Scott, 2014). For waqf, this means integrating Islamic principles of charity with modern governance standards, thereby achieving both spiritual and institutional legitimacy.

The objective of this paper is to develop a conceptual framework that explains how waqf can shift from a charity-based model to one rooted in strategic asset governance. The framework emphasizes three interdependent pillars. Governance forms the foundation, ensuring that assets are preserved through clear legal frameworks, professional management, and digitized systems. Accountability serves as the legitimizing mechanism, fostering trust through transparent reporting and stakeholder engagement. Innovation drives sustainability by enabling productive waqf, partnerships, and technological solutions that expand the scope and impact of waqf institutions. At the center lies ethical wealth preservation, achieved when governance, accountability, and innovation function together.

The contribution of this study is threefold. First, it reframes waqf from being primarily a charitable institution to a governance-driven system of ethical wealth management. Second, it provides comparative insights from diverse contexts, including Saudi Arabia, Malaysia, Indonesia, Bangladesh, India, and Pakistan, highlighting both challenges and success stories. Third, it offers practical and policy-oriented recommendations for strengthening waqf governance, improving accountability, and promoting innovation in line with the Sustainable Development Goals.

In sum, waqf remains one of the most significant institutions for ethical wealth preservation in Muslim societies. Yet its potential is often undermined by a reliance on narrow charitable practices and weak governance structures. By adopting a strategic approach to asset governance, waqf can be revitalized as a dynamic institution that not only preserves wealth but also redistributes it equitably and sustainably. The following sections elaborate on the problems facing traditional waqf institutions, review the existing literature, propose a conceptual framework, and discuss the implications of this paradigm shift.

**Problem Statement**

The waqaf institution has historically been rooted in the principle of perpetual charity, functioning as a means of financing religious obligations and social welfare projects. While this model provided significant benefits in earlier centuries, it faces substantial limitations in contemporary contexts marked by rapid economic change, growing wealth inequality, and increasing demands for transparency. The continued perception of waqf primarily as a charitable mechanism has created a gap between its historical functions and its potential as a strategic system of asset governance. This gap poses serious challenges for ethical wealth preservation and equitable distribution in Muslim-majority societies and beyond.

A major problem is the persistence of weak governance structures within waqf institutions. In many countries, waqf properties are encumbered by bureaucratic inefficiency, lack of professional expertise, and political interference. India offers one of the clearest examples of these governance failures. Although the Sachar Committee (2006) reported that India has over 870,000 registered waqf properties, the majority remain underutilized or encroached upon, contributing minimally to socio-economic development. The Waqf (Amendment) Act of 2025 sought to address these problems through digitized registries and inclusive board structures, but reports indicate that thousands of properties continue to be occupied illegally or generate negligible revenue (Government of India, 2025). Without effective governance, waqf assets fail to fulfill their potential as instruments of wealth preservation.

Similar challenges persist in Pakistan, where the Punjab Auqaf and Religious Affairs Department oversees extensive waqf landholdings. Despite this significant resource base, recurring problems of encroachment, underutilization, and mismanagement result in millions of dollars in lost revenue annually (Government of Punjab, 2024). This revenue, if managed strategically, could fund education, healthcare, and poverty alleviation programs. Instead, inefficiency and corruption undermine the ethical mandate of waqf, reducing it to a symbolic institution rather than a driver of social transformation.

Bangladesh also reflects the gap between charitable intentions and governance realities. Uddin and Chowdhury (2021) found that many waqf institutions lacked transparency in financial reporting, leading to community distrust and reduced donor participation. Inadequate accountability mechanisms prevent waqf institutions from delivering equitable outcomes. Although some organizations have introduced reforms such as public reporting and stakeholder engagement, these remain exceptions rather than the norm. This suggests that accountability is not merely a supplementary concern but a structural necessity for aligning waqf with modern governance standards.

Even in contexts where reforms have been introduced, significant challenges remain. Malaysia and Indonesia have pioneered productive waqf models, transforming assets into income-generating ventures such as real estate, agriculture, and small enterprises (Apriantoro, 2024). However, fragmentation between federal and state authorities in Malaysia and between religious and government bodies in Indonesia creates overlapping jurisdictions that slow implementation (Mohd Hadli Shah et al., 2024). As a result, while productive waqf has shown promise, scaling these initiatives to a national level has proven difficult.

The central problem is that waqf remains narrowly associated with charity rather than strategic asset management. This limits its ability to address contemporary challenges such as global inequality, resource scarcity, and intergenerational justice. The World Inequality Report (2022) highlighted that the top 10 percent of the global population owns 76 percent of total wealth, while the bottom 50 percent owns just 2 percent. In such a context, waqf could serve as an ethical instrument for redistributing wealth and preserving assets across generations. Yet, without the shift from charity to governance, waqf institutions risk perpetuating inequality rather than alleviating it.

The lack of innovation further compounds these problems. While green waqf initiatives in Indonesia and waqf investment funds in Saudi Arabia have demonstrated how endowments can support sustainability and long-term development (Elmahgop et al., 2025; UNDP, 2023), many waqf institutions remain confined to traditional charitable functions such as mosque maintenance and small-scale donations. These activities, though valuable, do not leverage the full economic and social potential of waqf assets. The absence of innovation not only limits financial returns but also reduces the relevance of waqf in addressing modern development agendas such as the Sustainable Development Goals.

In summary, the problem facing waqf today lies in the disjunction between its traditional charitable orientation and the modern need for structured, governance-driven asset management. Weak governance structures, inadequate accountability mechanisms, and limited innovation have led to underutilization, mismanagement, and community distrust. As a result, waqf institutions have often failed to serve as effective custodians of wealth or as engines of social equity. Addressing these challenges requires a paradigm shift that repositions waqf from a charity-based institution to a system of strategic asset governance. This paper responds to this gap by developing a conceptual framework that emphasizes governance, accountability, and innovation as the pillars of ethical wealth preservation in waqf institutions.

### **Literature Review**

The literature on waqf (waqaf) spans history, law, economics, governance, and social development. For this paper, the review is organized into five major themes: waqf in historical and charitable traditions, the paradigm of governance in waqf institutions, ethical wealth preservation and Islamic finance, strategic asset management in waqf, and emerging innovations. Together, these strands of scholarship provide the foundation for understanding the transition from charity to governance-driven wealth preservation.

#### *Waqf in Historical and Charitable Traditions*

Historically, waqf has been understood primarily as an institution of charity. Its foundations can be traced back to the earliest period of Islam, where the Prophet Muhammad encouraged the establishment of endowments to provide lasting benefits for communities. Early waqf properties were typically dedicated to religious institutions such as mosques, or to public services like schools, hospitals, and water facilities. Hoexter (1998) documents how Ottoman Algeria developed extensive waqf endowments that financed religious and communal institutions, embedding waqf into the governance of urban society.

Kuran (2019) highlights that by the sixteenth century, over one-third of arable land in the Ottoman Empire was held as waqf, funding schools, caravanserais, and health services. In South Asia, Mughal emperors and nobles endowed waqf lands to support Islamic learning and public works, creating long-standing charitable infrastructure. These examples illustrate that waqf's identity was historically rooted in perpetual charity and community service.

Scholars emphasize that this traditional model of waqf provided stability but also carried inherent limitations. While waqf assets were preserved through perpetuity, they were often tied to static purposes that limited flexibility in adapting to changing socio-economic conditions (Gaudiosi, 1988). Furthermore, waqf management structures tended to be informal, relying heavily on trustees (mutawalli) whose accountability was limited, leaving room for mismanagement and elite capture. These historical legacies shape contemporary perceptions of waqf as a charitable rather than strategic institution.

#### *The Paradigm of Governance in Waqf Institutions*

In contemporary contexts, governance has emerged as a central theme in the literature on waqf. Governance refers to the systems, processes, and structures that ensure assets are managed effectively, transparently, and in line with their intended purposes. Weak governance has been repeatedly identified as a barrier to realizing waqf's potential.

Ikhyanuddin et al. (2022) reviewed waqf accountability practices globally and found significant inconsistencies. While some countries such as Malaysia and Turkey have introduced standardized accounting frameworks, others lack even basic reporting mechanisms. In Bangladesh, Uddin and Chowdhury (2021) documented how limited transparency undermined community trust and reduced donor engagement.

India presents a striking case of governance deficits. Despite holding over 870,000 waqf properties, many remain underutilized due to bureaucratic inefficiencies, legal disputes, and encroachments (Sachar Committee, 2006; Government of India, 2025). Although the Waqf (Amendment) Act 2025 introduced digitized registries and inclusive board structures, its effectiveness has been hampered by weak enforcement. Similarly, in Pakistan, the Punjab Auqaf Department manages vast tracts of waqf land but recurrently fails to maximize their value due to encroachment and corruption (Government of Punjab, 2024).

In contrast, Saudi Arabia demonstrates the potential of governance-driven waqf reforms. The establishment of waqf investment funds under the Capital Market Authority enabled more professional management of assets. Between 2019 and 2020, these funds doubled their value to over SAR 1 billion, with returns reinvested into healthcare, education, and poverty alleviation (Elmahgop et al., 2025). This suggests that strong governance structures, combining legal frameworks, regulatory oversight, and professional expertise, can significantly enhance waqf outcomes.

#### *Ethical Wealth Preservation and Islamic Finance*

The literature increasingly situates waqf within broader debates on ethical wealth preservation and Islamic finance. Waqf is aligned with the maqasid al-shariah, or objectives of Islamic law, particularly the principles of justice, equity, and the protection of wealth (al-

mal). Scholars argue that waqf represents a unique mechanism for ensuring that private wealth is preserved and channeled toward communal benefits in perpetuity (Sadeq, 2002). Ethical wealth preservation has been linked to theories of intergenerational justice. Rawls (1971) argued that fairness requires institutions to preserve resources for future generations while ensuring equitable access for the present. Gosseries (2009) similarly highlighted the importance of intergenerational contracts that balance preservation and distribution. Waqf reflects these principles through perpetuity, ensuring that endowed assets remain intact while their usufruct benefits current and future communities.

Within Islamic finance, waqf has been discussed as a complementary institution to zakat and Islamic banking. Latif (2018) emphasizes that effective waqf governance contributes to sustainable development by aligning ethical wealth management with long-term social outcomes. However, the gap between theory and practice remains wide, as many waqf institutions continue to operate with limited accountability and weak strategic orientation.

#### *Strategic Asset Management in Waqf*

A key theme in the literature is the transition of waqf from a passive charitable institution to a proactive model of strategic asset management. Strategic management involves professional planning, investment, and monitoring to maximize the returns of waqf assets while safeguarding their ethical purposes.

Malaysia and Indonesia provide examples of this paradigm shift. Malaysia has developed productive waqf models, converting idle land into commercial and agricultural projects that generate revenue for education and healthcare (Mohd Hadli Shah et al., 2024). Indonesia's cash waqf programs have been directed into microfinance initiatives, empowering women and small enterprises (Sadeq, 2002). These models demonstrate how waqf can evolve into income-generating institutions without compromising the principle of perpetuity.

Apriantoro (2024) conducted a bibliometric analysis of productive waqf and found that research interest in strategic asset management within waqf has expanded rapidly, reflecting growing recognition of its potential. Yet, the literature also highlights challenges in scaling these initiatives. Fragmentation of authority in Malaysia and Indonesia leads to jurisdictional overlaps, slowing implementation (Mohd Hadli Shah et al., 2024). This suggests that governance reforms must accompany strategic initiatives to ensure effectiveness.

Strategic waqf management also requires new skill sets. Mutawallis must be supported by professionals with expertise in finance, law, and community development. Institutional partnerships with governments, private sectors, and international organizations are increasingly necessary to expand waqf's scope and impact.

#### **Emerging Innovations in Waqf**

The final theme in the literature focuses on emerging innovations that redefine waqf's role in modern contexts. Innovations include cash waqf, digital waqf platforms, green waqf, and social impact investments. These models aim to integrate waqf into contemporary development frameworks while retaining its ethical foundations.

Cash waqf allows individuals to donate money rather than physical assets, enabling flexibility in asset allocation. In Bangladesh, cash waqf certificates have been used to mobilize funds for community development projects (Uddin & Chowdhury, 2021). Digital waqf platforms have also emerged, enabling online contributions and enhancing transparency through blockchain-based systems.

Green waqf represents another significant innovation. The United Nations Development Programme (2023) has supported green waqf projects in Indonesia, directing resources toward renewable energy, reforestation, and climate adaptation. These initiatives align waqf with global sustainability agendas and highlight its potential for addressing ecological as well as socio-economic challenges.

Saudi Arabia's waqf investment funds further illustrate innovation in asset governance. By integrating waqf into regulated financial markets, these funds not only preserve assets but also generate substantial returns for reinvestment in social services (Elmahgop et al., 2025). Such models demonstrate how waqf can transition from charity to strategic governance through innovation and institutional integration.

The reviewed literature highlights several key insights. First, waqf has historically functioned as a charitable institution, but this orientation limits its effectiveness in modern contexts. Second, governance deficits remain a primary barrier, leading to mismanagement and underutilization of assets. Third, ethical wealth preservation aligns waqf with Islamic finance and intergenerational justice, but institutional practices often fail to meet these ideals. Fourth, strategic asset management represents a promising path forward, as seen in productive waqf initiatives, though scaling remains a challenge. Finally, innovations such as cash, digital, and green waqf illustrate the adaptability of waqf but require robust governance and accountability mechanisms to succeed.

This synthesis suggests that the literature increasingly supports a paradigm shift from charity to governance-driven models of waqf. However, there remains a gap in integrating governance, accountability, and innovation into a coherent conceptual framework. The following section develops such a framework, positioning waqf as a strategic system of ethical wealth preservation.

### **Conceptual Framework**

The transition from waqf as a purely charitable institution to one driven by strategic asset governance requires a reorientation of its institutional foundations. Traditional charity-based waqf has often been constrained by informality, lack of accountability, and limited innovation. To reposition waqf as a mechanism for ethical wealth preservation, this paper proposes a conceptual framework built on three interdependent pillars: governance, accountability, and innovation. These pillars interact to transform waqf institutions into structured systems of asset management capable of addressing both contemporary and intergenerational challenges.

This Venn diagram illustrates the proposed conceptual framework for repositioning waqf institutions in Illustration 1 below. Governance provides the structural foundation for asset preservation, accountability builds trust and legitimacy, and innovation drives sustainability.

The overlap of these three dimensions results in ethical wealth preservation, which represents the shift from traditional charity to strategic asset governance.

It illustrates the conceptual framework for shifting waqf institutions from a traditional charity-based model toward strategic asset governance. The three circles represent governance, accountability, and innovation as interdependent dimensions. Governance is essential for preserving assets through legal frameworks, digitized registries, professional boards, and regulatory oversight. It ensures that waqf assets are protected from mismanagement and encroachment, allowing them to retain value across generations. Accountability reinforces governance by providing transparency, auditing, and community reporting. It builds trust with donors, beneficiaries, and stakeholders, ensuring that waqf assets are not only preserved but also used ethically and equitably. Innovation drives sustainability by enabling productive waqf projects, digital platforms, green initiatives, and public-private partnerships. These innovations expand waqf's relevance to contemporary development agendas, including poverty alleviation, education, and climate resilience.

At the center, where governance, accountability, and innovation overlap, lies ethical wealth preservation. This outcome represents the transformation of waqf from a static charitable mechanism into a dynamic system of strategic asset management. Ethical wealth preservation integrates the Islamic values of justice, perpetuity, and social responsibility with modern governance practices, ensuring that waqf assets serve both current and future generations. The diagram highlights that only through the interaction of these three pillars can waqf achieve its full ethical and developmental potential.

Conceptual Framework: From Charity to Strategic Asset Governance



Illustration 1: Conceptual Framework

### Governance as the Structural Foundation

Governance forms the foundation ring of the framework. Effective governance ensures that waqf assets are preserved, utilized, and managed according to their intended purposes. This includes the establishment of clear legal frameworks, digitized asset registries, professional boards, and regulatory oversight.

Evidence from India underscores the importance of governance. Despite having over 870,000 waqf properties, many remain encroached upon or mismanaged due to bureaucratic inefficiencies and legal disputes (Government of India, 2025). Similar challenges are evident in Pakistan, where the Punjab Auqaf Department has been criticized for its inability to generate adequate returns from its vast landholdings (Government of Punjab, 2024). These cases highlight that without strong governance, waqf assets risk being reduced to symbolic rather than functional institutions.

In contrast, Saudi Arabia's regulated waqf investment funds illustrate the benefits of robust governance. By treating waqf assets as strategic investments under the supervision of the Capital Market Authority, the value of waqf funds doubled in one year, with returns reinvested into healthcare and education (Elmahgop et al., 2025). Governance structures that combine legal enforcement, professional expertise, and regulatory oversight are therefore essential for preserving assets and ensuring their long-term viability.

### *Accountability as the Legitimizing Mechanism*

Accountability represents the second ring of the framework. Governance structures alone cannot ensure legitimacy unless accompanied by mechanisms that build trust among stakeholders. Accountability requires transparency in financial management, regular auditing, stakeholder engagement, and public reporting.

Scholarly evidence shows that accountability gaps erode community trust and reduce donor participation. Uddin and Chowdhury (2021) found that many waqf institutions in Bangladesh suffered from weak reporting practices, leading to declining community confidence. Conversely, institutions that implemented transparent reporting attracted more donors and delivered more effective social outcomes. Similarly, Ikhyanuddin et al. (2022) highlighted that accountability practices vary widely across countries, with those adopting international accounting standards demonstrating higher legitimacy and impact.

Accountability also has theological significance in waqf. Donors (waqif) expect their contributions to remain intact and used ethically, while beneficiaries expect fairness in distribution. Without accountability, waqf risks losing both its spiritual and social legitimacy. Public disclosure of financial records, participatory governance, and social audits are therefore crucial mechanisms to reinforce trust and legitimacy.

### *Innovation as the Driver of Sustainability*

The third ring of the framework is innovation, which serves as the driver of sustainability. Innovation enables waqf to move beyond static charitable functions and adapt to contemporary socio-economic and environmental challenges. This includes productive waqf models, digital platforms, public-private partnerships, and green waqf initiatives.

Productive waqf has already demonstrated significant potential in Malaysia and Indonesia. By investing in real estate, agriculture, and commercial ventures, waqf institutions have generated recurring income to fund education and healthcare (Apriantoro, 2024). Digital waqf platforms enhance transparency and expand donor participation by leveraging technology for online contributions and blockchain-based asset tracking.

Green waqf initiatives further extend the relevance of waqf to environmental sustainability. The UNDP (2023) has supported waqf projects in Indonesia that finance renewable energy and reforestation, aligning waqf with global climate action goals. Innovation therefore ensures that waqf remains relevant not only in addressing poverty and inequality but also in safeguarding ecological resources for future generations.

### *Ethical Wealth Preservation*

At the core of the framework lies ethical wealth preservation. This concept integrates the Islamic principles of justice, equity, and perpetuity with modern requirements for governance, accountability, and innovation. Ethical wealth preservation ensures that assets are not only safeguarded across generations but also distributed fairly and used sustainably. The interaction of the three pillars is crucial. Governance establishes structures that prevent mismanagement, accountability ensures transparency and legitimacy, and innovation drives adaptation and sustainability. Together, these dimensions reposition waqf from a passive charity-based institution to a proactive governance-driven system of ethical wealth management.

The framework can be visualized as three interconnected ideas. Governance is positioned at the base, representing the structural foundation. Accountability is placed on one side, signifying its role in legitimizing governance practices. Innovation is placed on the other side, illustrating its function in sustaining and expanding impact. At the center of this triangular interaction lies ethical wealth preservation, symbolizing the integration of governance, accountability, and innovation into a holistic model. Arrows link each circle, emphasizing the interdependence of these elements. Governance without accountability lacks legitimacy, accountability without innovation risks stagnation, and innovation without governance can lead to inefficiency. Ethical wealth preservation is realized only when the three pillars function in harmony.

### **Discussion**

The conceptual framework presented in this paper emphasizes governance, accountability, and innovation as the pillars of ethical wealth preservation within waqf institutions. The discussion elaborates on how these dimensions interact to transform waqf from a traditional charity-based institution into a system of strategic asset governance. It also explores implications for policy, practice, and theory, supported by comparative international evidence.

### *Governance as the Structural Foundation*

Governance provides the necessary foundation for repositioning waqf. Without strong governance, waqf assets remain vulnerable to mismanagement, encroachment, and underutilization. In India, despite legislative reforms through the Waqf (Amendment) Act 2025, thousands of waqf properties remain encroached upon or tied up in disputes, limiting

their ability to generate revenue (Government of India, 2025). Pakistan faces similar challenges, with vast waqf landholdings under the Punjab Auqaf Department producing minimal returns due to corruption and inefficiency (Government of Punjab, 2024). These examples illustrate that governance reforms must move beyond symbolic measures to include enforceable legislation, digitized registries, and professionalized management.

Saudi Arabia provides an example of successful governance transformation. By integrating waqf into regulated investment markets, the country doubled the value of waqf funds in a single year, demonstrating how governance structures can preserve and expand assets (Elmahgop et al., 2025). Governance is therefore not only about preventing losses but also about creating conditions for growth and long-term sustainability.

#### *Accountability as the Legitimizing Mechanism*

While governance secures structures, accountability legitimizes them. Accountability ensures that governance translates into transparency, trust, and ethical stewardship. In Bangladesh, Uddin and Chowdhury (2021) found that institutions with strong reporting practices attracted more donors and achieved more effective social outcomes. In contrast, weak accountability practices led to community distrust and declining contributions.

Accountability is particularly important because waqf involves sacred trust. Donors expect their contributions to be preserved and used ethically, while beneficiaries rely on fairness in distribution. Transparency in financial records, social audits, and stakeholder engagement are therefore crucial to prevent elite capture and misuse of assets. Countries that have adopted international accounting standards for waqf, such as Malaysia, demonstrate how standardized reporting enhances legitimacy and attracts wider participation (Mohd Hadli Shah et al., 2024).

#### *Innovation as the Driver of Sustainability*

Innovation ensures that waqf remains relevant in addressing contemporary development challenges. Productive waqf initiatives in Malaysia and Indonesia, such as real estate development and agricultural ventures, have demonstrated how assets can generate recurring income while maintaining the principle of perpetuity (Apriantoro, 2024). Similarly, digital waqf platforms expand access to new donor groups and enhance transparency by leveraging technology.

Green waqf models supported by the UNDP (2023) in Indonesia highlight how innovation can integrate ecological concerns, linking waqf to climate action and environmental stewardship. By diversifying investment strategies and embracing public-private partnerships, waqf institutions can become dynamic instruments for poverty alleviation, education, healthcare, and environmental sustainability. Innovation ensures that waqf is not confined to static charitable roles but evolves into a forward-looking governance system.

The framework highlights the interdependence of governance, accountability, and innovation. Governance without accountability risks inefficiency and corruption. Accountability without innovation may build trust but fails to sustain impact in changing socio-economic contexts. Innovation without governance risks inefficiency and mission drift. Ethical wealth preservation emerges only when these three dimensions function together.

For example, productive waqf projects in Malaysia succeed when governance structures ensure professional management, accountability mechanisms guarantee transparency, and innovation drives financial sustainability. Conversely, projects in Pakistan often fail due to governance and accountability gaps, regardless of the potential for innovation. This interplay demonstrates that ethical wealth preservation is a systemic outcome rather than a product of isolated reforms.

### **Conclusion**

This paper has sought to reposition waqf from its traditional role as a vehicle of perpetual charity toward a modern system of strategic asset governance. While waqf has historically delivered immense contributions to religious, educational, and social services, its contemporary effectiveness has often been limited by weak governance, inadequate accountability, and lack of innovation. The conceptual framework developed here argues that governance, accountability, and innovation form the interdependent pillars that can transform waqf into a robust institution of ethical wealth preservation, capable of addressing both current inequalities and the needs of future generations.

The evidence reviewed across countries demonstrates that governance remains the indispensable foundation for effective waqf management. Without professionalized boards, enforceable legal frameworks, and digitized asset registries, waqf properties risk being mismanaged or encroached upon, as observed in India and Pakistan (Government of India, 2025; Government of Punjab, 2024). At the same time, accountability is necessary to ensure that governance does not become hollow or symbolic. Transparent financial reporting, external audits, and community engagement strengthen trust in waqf institutions, as shown in the Bangladeshi context (Uddin & Chowdhury, 2021). Finally, innovation ensures sustainability, whether through productive waqf ventures in Malaysia, green waqf initiatives in Indonesia, or waqf investment funds in Saudi Arabia (Apriantoro, 2024; Elmahgop et al., 2025; UNDP, 2023).

The interaction of these three pillars is critical. Governance without accountability risks inefficiency and corruption. Accountability without innovation may secure legitimacy but fail to deliver long-term impact. Innovation without governance risks instability and mission drift. Ethical wealth preservation emerges only when these three pillars function together, creating a holistic system that integrates Islamic ethical principles with modern governance standards.

### **Theoretical Implications**

The framework developed in this study contributes to theoretical debates in several ways. First, it expands the literature on Islamic finance by reframing waqf not merely as a charitable institution but as a system of strategic asset governance. This repositioning integrates Islamic principles of justice, equity, and perpetuity with modern requirements for accountability and innovation.

Second, the framework contributes to institutional theory by illustrating how legitimacy depends on aligning cultural traditions with formal governance structures (Scott, 2014). Waqf institutions gain legitimacy not only by adhering to Islamic norms but also by demonstrating compliance with global standards of transparency and sustainability.

Third, the framework resonates with theories of intergenerational justice. Rawls (1971) and Gosseries (2009) emphasized that fairness must extend across time, ensuring that resources are preserved for future generations. Waqf embodies this principle through perpetuity, but its effectiveness depends on governance, accountability, and innovation to translate preservation into tangible outcomes. Thus, waqf can be seen as a practical institutionalization of intergenerational equity when managed strategically.

### **Policy Implications**

For policymakers, the findings highlight the need for comprehensive and enforceable governance reforms. Laws should mandate digitized waqf registries to prevent encroachment and enhance transparency. Professional management boards, inclusive of experts in finance, law, and social development, should be required to oversee waqf institutions. Regulatory authorities must be empowered to conduct regular audits, enforce compliance, and penalize mismanagement.

Policies should also mandate accountability mechanisms, including standardized waqf accounting practices, public reporting of financial and social outcomes, and social audits. This would ensure that waqf institutions are not only legally compliant but also socially legitimate. Furthermore, governments should integrate waqf into national development strategies, aligning them with the Sustainable Development Goals to maximize impact in areas such as poverty alleviation, education, healthcare, and climate resilience.

Innovation should be supported through enabling policies, such as tax incentives for productive waqf projects, legal frameworks for digital waqf platforms, and regulatory support for green waqf initiatives. By creating an enabling environment, governments can encourage waqf institutions to evolve beyond charity and become dynamic actors in national development.

### **Practical Implications**

For practitioners, the framework underscores the need for professionalization and diversification. Waqf boards should actively recruit individuals with expertise in finance, law, community development, and sustainability. Training programs can equip waqf managers with modern asset management skills. Practitioners should also adopt digital tools for donor engagement, financial management, and transparency.

Innovation in practice requires exploring diversified investment strategies. Productive waqf can generate recurring income through real estate, agriculture, and business ventures. Green waqf can support renewable energy, reforestation, and climate adaptation projects. Social impact investments and public-private partnerships can further expand the reach and relevance of waqf institutions.

Community engagement is also critical. Participatory governance models that involve beneficiaries in decision-making enhance legitimacy and ensure that waqf projects respond to local needs. Transparent communication with donors and beneficiaries builds long-term trust and sustains contributions.

### *Global Implications*

Comparative evidence suggests that while specific challenges differ across countries, the need for governance, accountability, and innovation is universal. In Saudi Arabia, governance-driven reforms have demonstrated financial success but must be matched with equity mechanisms to enhance social outcomes. In Malaysia and Indonesia, productive and green waqf initiatives show innovation but require stronger governance to scale effectively. In South Asia, governance and accountability deficits remain the primary barriers to progress.

These variations underscore the adaptability of the framework. Regardless of context, ethical wealth preservation requires the integration of governance, accountability, and innovation. By adopting this holistic approach, waqf institutions worldwide can reclaim their role as ethical custodians of wealth and engines of social equity.

The broader significance of this study lies in demonstrating how waqf can bridge the gap between faith-based traditions and modern governance imperatives. At a time of widening inequality and global crises such as climate change, waqf provides a culturally rooted yet globally relevant mechanism for ethical wealth preservation. The shift from charity to strategic asset governance ensures that waqf assets are preserved, distributed equitably, and adapted to the needs of future generations.

In conclusion, waqf must evolve from a passive charitable institution into a proactive governance-driven system. The framework presented in this paper offers a roadmap for this transformation, emphasizing governance, accountability, and innovation as the interdependent pillars of ethical wealth preservation. Policymakers, practitioners, and scholars must work collaboratively to implement these reforms, thereby revitalizing waqf as a dynamic institution capable of addressing both spiritual and socio-economic responsibilities.

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