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Development of waqf assets: Potentials and challenges in the implementation of Cash Waqf-Linked Sukuk in Malaysia

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ABSTRACT

Purpose – This study explores the viability of Cash *Waqf*-Linked *Sukuk* (CWLS) as an alternative financing instrument for *waqf* asset development in Malaysia while analysing the constraints that impede its implementation. Although Islamic social finance instruments are gaining increasing prominence, the integration between *waqf* institutions and capital market mechanisms remains relatively limited in Malaysia.
Design/Methodologies/Approach – This study employs a qualitative approach using semi-structured in-depth interviews with key stakeholders from *waqf* institutions, regulatory authorities, and the Islamic finance industry.
Findings – The findings reveal that CWLS has yet to be operationalised in Malaysia due to several challenges, including fragmented legal frameworks across state jurisdictions, limited institutional capacity, low market awareness, inadequate technical expertise, and governance-related issues. These challenges restrict innovation within Malaysia's *waqf* ecosystem. In response, this study proposes a collaborative implementation framework that enhances coordination among Yayasan Waqaf Malaysia (YWM), State Islamic Religious Councils (MAIN), and financial institutions, supported by improved policy coordination at both the federal and state levels.
Originality/Value – The study contributes to the literature by providing empirical evidence on the feasibility of CWLS in Malaysia and proposing a governance-oriented framework integrating Islamic social finance with capital market instruments.
Research Limitations/Implication – This study is limited by its qualitative design, which relies on semi-structured interviews with a relatively small number of key stakeholders. While this approach provides in-depth insights into the feasibility and implementation challenges of Cash Waqf-Linked Sukuk (CWLS) in Malaysia, the findings cannot be generalised to the broader waqf and Islamic finance sector. Future research could employ quantitative methods involving a larger sample of stakeholders to validate and extend the findings, thereby providing more generalisable evidence to support CWLS implementation.
Practical Implications – The findings provide practical implications for policymakers and practitioners aiming to unlock the potential of waqf assets through innovative and sustainable financing solutions.
Keywords – Cash waqf-linked sukuk (CWLS), waqf governance, Islamic social finance, cash waqf, sukuk.
Article Classifications – Research paper

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INTRODUCTION

Background of the study

Waqf represents a key Islamic financial instrument that has historically contributed to both economic development and social welfare (Daud et al., 2022). Since the era of Prophet Muhammad (peace be upon him), *waqf* has been utilised to provide public goods such as mosques, educational institutions, healthcare facilities, and support for disadvantaged communities. Historically, *waqf* has functioned as a catalyst for socio-economic development, enhancing societal welfare while preserving Islamic values. However, without effective development and management, waqf assets may not fully realise their intended socio-economic benefits. Therefore, ensuring efficient, transparent, and professional management of waqf assets has become increasingly critical.

Innovation plays a crucial role in the sustainable development and maintenance of *waqf* assets. *Waqf* institutions and trustees may leverage Islamic capital market instruments as alternative sources of funding for waqf-related projects (Khaled et al., 2020). For example, *sukuk* has the capability to mobilise substantial capital through structured financing in the capital market. Malaysia has exhibited considerable advancement in utilising *sukuk* for financing property and infrastructure development and is recognised as a leading global *sukuk* issuer. According to the Securities Commission Malaysia (2024), the Malaysian capital market reached a record RM4.2 trillion in 2024, representing a 9.7% year-on-year increase from RM3.8 trillion in 2023. This growth was driven by higher equity market capitalisation and an expansion in the bonds and *sukuk* market. Total funds raised in the capital market increased to RM138.9 billion, supported by robust corporate fundraising and renewed investor confidence. Malaysia also maintained its position as one of the world's leading *sukuk* markets, with *sukuk* accounting for 62.56% of total bond and *sukuk* issuances and 63.12% of total bonds and *sukuk* outstanding in 2024, reaffirming the country's leadership in the global Islamic capital market.(Securities Commision , 2025)

In addition to sukuk, cash *waqf* represents another viable alternative for financing the management of *waqf* assets in Malaysia. Cash waqf is a modern adaptation of the traditional waqf concept, involving monetary contributions designated for specific purposes. These funds are invested in Shariah-compliant financial instruments, and the returns generated are utilised for designated charitable objectives (Rusydiana & Ali, 2023). Cash *waqf* offers greater flexibility and enables broader participation, allowing individuals to contribute without the need for substantial physical assets. It holds significant potential for widespread adoption among Muslims, whereby pooled cash contributions can be transformed into perpetual assets or used to finance *waqf*-related activities (Kamaruddin & Hanifah, 2021).

In Malaysia, the administration of *waqf* falls under the jurisdiction of the State Islamic Religious Councils (MAIN), which act as trustees of waqf assets. MAIN is responsible for managing, investing, and distributing waqf proceeds in accordance with the intentions of the waqif (donor). At the national level, Yayasan Waqaf Malaysia (YWM), Zakat and Hajj (JAWHAR), under the Prime Minister’s Department, coordinates policies and initiatives related to *waqf*. The Yayasan Waqaf Malaysia (YWM), established under JAWHAR, plays a significant role in promoting and developing the waqf institution nationwide. YWM functions as a coordinator and facilitator for large-scale waqf projects, while also enhancing public awareness and education on waqf. Meanwhile, the Securities Commission Malaysia is responsible for regulating and developing the Malaysian capital market.

Accordingly, this study aims to examine the implementation of Cash Waqf-Linked Sukuk (CWLS) in Malaysia and to identify the challenges encountered in its execution. These challenges include constitutional and legal complexities, issues related to *waqf* governance and administration, the level of awareness and readiness among relevant authorities, as well as the shortage of expertise in the management of *waqf* assets in Malaysia.

Problem Statement

The development of *waqf* assets holds substantial potential to generate meaningful socio-economic benefits, including income creation and improved welfare for beneficiaries. The scope of *waqf* asset development should be conceptualised more broadly, extending beyond traditional religious infrastructure to initiatives that address wider societal needs and public interest. Financial capacity constitutes a fundamental factor in development activities, particularly within the property sector where inadequate funding often leads to project delays and implementation constraints. The limitation of financial resources continues to represent a significant obstacle for *waqf* institutions in Malaysia in advancing asset development initiatives. These institutions predominantly rely on public contributions due to limited government financial support. Accordingly, more efficient and sustainable financing mechanisms are necessary to ensure continuous waqf development.

Considering Malaysia's progress in Islamic capital market instruments for real estate and infrastructure financing, similar mechanisms can be strategically applied to waqf asset development (Zain & Muhamad Sori 2020). Malaysia provides a diverse range of Islamic capital market instruments with strong potential to support waqf development and management, including *sukuk* issuances such as Sustainable and Responsible Investment (SRI) sukuk (Kunhibava et al., 2023). *Sukuk* refers to Shariah-compliant financial certificates that represent proportional ownership or investment in underlying assets. Malaysia has consistently maintained its global leadership in *sukuk* issuance, with sustained expansion across sectors such as infrastructure, finance, and corporate activities (Hasan et al, 2022).

In addition to *sukuk*, cash *waqf* has emerged as an alternative financing mechanism adopted by various State Islamic Religious Councils (MAIN), *waqf* institutions, and financial entities. For instance, the Majlis Agama Islam Selangor (MAIS) has implemented a *waqf* share scheme as a form of cash *waqf*. Although these schemes align with the concept of cash *waqf*, they are often confined to specific projects and do not fully utilise modern financial instruments for fund expansion. This limitation may stem from insufficient expertise or limited accumulated capital. Nevertheless, corporate entities generally encounter fewer constraints in contributing to *waqf* initiatives, particularly when there is strong stakeholder commitment toward social welfare. A notable example is Johor Corporation Berhad (JCorp), which endowed shares in its three listed subsidiaries Kulim (Malaysia) Berhad, KPJ Healthcare Berhad, and Johor Land Berhad with a net asset value of RM200 million under the management of Waqaf Annur Corporation Berhad. Dividends generated from these shares are reinvested, distributed to State Islamic Religious Councils, and channeled into charitable and socio-economic activities benefiting the Muslim community nationwide.

Furthermore, the widespread acceptance of cash *waqf* among the public is expected to help address the issue of insufficient financing for the development of idle waqf lands across the country. In light of these challenges, Cash Waqf-Linked Sukuk (CWLS) is proposed as an alternative financing mechanism for the development of waqf assets aimed at achieving long-term social welfare, as has been implemented in Indonesia. WTS is an innovative Islamic social finance instrument specifically designed to mobilise cash *waqf* by integrating the features of *sukuk* with the concept of cash *waqf*. This integration creates a unique financial product with significant potential to contribute to economic development and social well-being (Fauzi & Tanjung, 2021). Previous studies have extensively examined issues related to *waqf* and *sukuk*. Much of the existing literature focuses on challenges and management aspects of *waqf* land in Malaysia (Khaled et al., 2020, Kamaruddin & Hanifah, 2021, Ab Rahman et al., 2023) while Mohamad (2022) explored risk management in waqf land administration. Other studies have investigated innovative *sukuk* frameworks linked to *waqf* for financing idle *waqf* land (Hafandi, & Handayati, 2021), as well as the feasibility of cash waqf-linked sukuk in Malaysia (Kunhibava et al., 2023). However, a significant gap remains in the literature regarding the role of Cash Waqf-Linked Sukuk as a dedicated financing mechanism for *waqf* asset development in Malaysia.

Accordingly, this study aims to To examine the implementation of Cash *Waqf*-Linked *Sukuk* (CWLS) as an alternative financing mechanism for *waqf* asset development in Malaysia. And to identify the challenges that impede the implementation of Cash *Waqf*-Linked *Sukuk* in Malaysia.This study aims to contribute to the existing body of knowledge on *waqf* and *sukuk* management while providing practical insights for policymakers and administrators within waqf and sukuk institutions in Malaysia. The findings are expected to enhance the capacity of *waqf* institutions to mobilise funds through Cash Waqf-Linked Sukuk (CWLS) for the financing of *waqf* asset development.

This paper is structured as follows: the first section presents the introduction, the second section reviews the background of cash waqf-linked sukuk and waqf asset management in Malaysia, the third section outlines the research methodology, the fourth section discusses the findings on implementation practices and challenges of CWLS, and the final section concludes with recommendations to improve the management and implementation of Cash Waqf-Linked Sukuk in the future.

LITERATURE REVIEW

The Concept of Cash Waqf-Linked Sukuk

In the Malaysian context, *waqf* refers to assets for which ownership rights are permanently relinquished by the donor, rendering them inalienable while preserving their physical substance for designated charitable purposes (Abd Khalim et al., 2025). Waqf constitutes a perpetual charitable endowment in Islam, whereby assets such as land, buildings, or financial resources are dedicated to public benefit. Such assets are non-transferable and cannot be inherited, with their benefits continuously allocated to specified charitable objectives. In Malaysia, waqf plays a significant role in the socio-economic development of the Muslim community, supported by institutions such as the Yayasan Waqaf Malaysia (YWM), Department of Waqf, Zakat and Hajj (JAWHAR) and the State Islamic Religious Councils (MAIN), which are responsible for its administration and oversight.

Sukuk, derived from the Arabic term sakk, denotes Shariah-compliant financial certificates representing ownership or investment in underlying assets. Literally meaning “certificates,” *sukuk* are technically defined as equal-value certificates representing proportionate or undivided ownership, or investment, in underlying assets in accordance with Shariah principles (Khamim et al.,2023). While *sukuk* shares certain functional similarities with conventional bonds, it fundamentally differs due to its strict adherence to Islamic principles prohibiting interest, excessive uncertainty, and speculative activities (Cahyono & Hidayat, 2022). In Malaysia, *sukuk* has evolved into a key instrument for financing infrastructure and business development, with the Securities Commission Malaysia (SC) and Bank Negara Malaysia (BNM) serving as the primary regulators. Malaysia is widely recognised as a leading global hub for sukuk issuance, reinforcing its position at the forefront of the Islamic capital market.

Cash Waqf-Linked Sukuk (CWLS) represents an innovative convergence of two distinct Islamic financial mechanisms with differing objectives (Aimatul Yumna et al., 2024); Rusydiana & Ali, 2023). It integrates *sukuk*, which is investment-driven, with cash waqf, which is inherently philanthropic and socially oriented. This combination results in a hybrid Islamic social finance instrument designed to mobilise financial resources for societal development (Ismail, 2022). The integration of *sukuk* and *waqf* within the CWLS framework reflects a strategic alignment of financial mechanisms to address broader socio-economic needs. Sukuk attracts investment by offering financial returns, whereas waqf emphasises charitable contributions and community support. By combining these two approaches, CWLS not only facilitates efficient fund mobilisation but also ensures that the generated resources are channelled towards socially beneficial purposes, including corporate social responsibility initiatives and public welfare projects. Consequently, CWLS bridges the gap between profit-oriented investment and philanthropic financing, creating a powerful instrument for advancing Islamic social finance within a Shariah-compliant framework.

In this regard, key regulatory and institutional bodies including the State Islamic Religious Councils (MAIN), the Department of Waqf, Zakat and Hajj (JAWHAR), Yayasan Waqaf Malaysia (YWM), and the Securities Commission Malaysia play a crucial role in facilitating and advancing the implementation of Cash Waqf Linked Sukuk in Malaysia. The State Islamic Religious Councils (MAIN) are the primary institutions responsible for administering Islamic affairs in each state in Malaysia, including matters related to *waqf*. Established under respective state laws, MAIN holds full authority over the management of *waqf* assets, including the formulation of policies and strategic directions for *waqf* administration at the state level. The fundamental objective of MAIN is to ensure that waqf assets are managed effectively and in accordance with Islamic principles, thereby guaranteeing continuous benefits for the Muslim community and society at large. In addition, MAIN plays a significant role in issuing *fatwa* and providing guidelines to ensure that *waqf* assets are utilised in a manner that is both legally and Shariah-compliant.

The Department of Waqf, Zakat and Hajj (JAWHAR), established in 2004 under the Prime Minister's Department, was created to coordinate the management of *waqf,* zakat, and hajj across Malaysia. JAWHAR plays a vital role in planning, coordinating, and monitoring waqf-related activities at the national level, while also supporting MAIN in optimising the management of waqf assets (JAWHAR, 2023). Yayasan Waqaf Malaysia (YWM), established in 2008 under JAWHAR, serves as a dedicated entity for the development and management of *waqf* assets. YWM promotes the establishment and implementation of waqf initiatives at the national level and undertakes large-scale *waqf* development projects. Meanwhile, the Securities Commission Malaysia (SC) is responsible for regulating and developing the Islamic capital market, including sukuk. The SC ensures that *sukuk* issuances comply with Shariah principles and provides a transparent and credible regulatory framework for investors interested in Islamic financial instruments.

The Importance of Waqf Asset Development in Malaysia

The development of *waqf* assets in Malaysia is crucial in strengthening the economic position of the Muslim community and supporting broader social development (Cahyono & Hidayat, 2022). *Waqf* assets, including land, buildings, and other properties, can be utilised to finance a wide range of projects that benefit society, such as the construction of educational institutions, hospitals, and housing for the underprivileged. This not only enhances public infrastructure but also improves access to essential services for underserved segments of society (Fauziah et al., 2021). By leveraging waqf assets effectively, the nation can reduce its dependence on alternative funding sources such as government allocations and individual donations, thereby expanding the reach of assistance to a larger population (Laallam et al., 2020).

Furthermore, the development of *waqf* assets plays a significant role in promoting social justice and economic well-being. Through prudent and strategic management, waqf assets can be optimised to generate sustainable income, which can then be channelled into welfare programmes and economic development initiatives (Ali Sati & Tambunan, 2025). These initiatives may include the provision of educational scholarships, microfinancing for small businesses, and skills development programmes. Consequently, *waqf* asset development not only addresses material needs but also empowers individuals and communities, strengthens local economies, and broadens access to economic opportunities. This underscores the role of waqf as a powerful instrument for sustainable and inclusive development in Malaysia (Ibrahim et al., 2025).

In Malaysia, several successful examples of *waqf* asset development have demonstrated significant positive impacts on society. One notable example is Wakaf An-Nur, an initiative under Johor Corporation (JCorp). Wakaf An-Nur has established a network of Klinik Wakaf An-Nur, which provides quality healthcare services at minimal cost, including free services for the underprivileged. These clinics have played a crucial role in improving access to medical treatment, particularly in rural areas and among low-income communities. Another example is the development of the Bank Islam Waqf Tower in Kuala Lumpur, a commercial waqf project owned by the Federal Territory Islamic Religious Council (MAIWP) and leased to Bank Islam Malaysia Berhad. The rental income generated from this building is utilised to finance various welfare programmes, including financial assistance for underprivileged students, mosque construction, and community support initiatives. This project illustrates how *waqf* assets can be effectively leveraged for commercial purposes while ensuring that the returns are channelled towards strengthening religious institutions and supporting those in need.

Despite these successes, insufficient funding remains one of the primary challenges in the development of *waqf* assets in Malaysia, particularly in the context of underutilised waqf land. Many *waqf* properties are located in non-strategic areas or lack basic infrastructure, resulting in higher development costs and requiring substantial investment (Ab Rahman et al., 2024). Furthermore, fundraising efforts for *waqf* projects are often limited to individual donations and public contributions, which may be insufficient to meet the required capital. This financial constraint can lead to *waqf* lands remaining idle or underdeveloped, thereby limiting their potential contribution to socio-economic development. Additionally, the lack of innovative and competitive financing mechanisms within *waqf* management exacerbates this issue (Mohiddin & Kurniawan, 2022).

To address these challenges, there is an urgent need to establish innovative financing mechanisms that can unlock the full potential of sustainable waqf asset development. One such mechanism is cash *waqf,* which enables the mobilisation of monetary contributions from individuals and institutions. Unlike traditional waqf, which typically involves immovable assets, cash waqf offers greater flexibility and liquidity, allowing funds to be invested in a variety of Shariah compliant financial instruments (Setyomurni, & Nashirudin, 2023).The funds generated through cash *waqf* can be utilised for the development and maintenance of waqf assets, as well as for charitable activities. However, the success of cash *waqf* initiatives depends heavily on effective management, the ability to generate sustainable investment returns, professional financial expertise, and robust governance structures (Tanjung & Windiarto, 2021).

In addition to cash waqf, *sukuk* offers another innovative solution to the financing challenges faced by *waqf* assets. As a Shariah-compliant financial instrument, *sukuk* enables *waqf* institutions to generate sustainable income streams to finance their projects, either through the issuance of *sukuk* backed by *waqf* assets or by investing cash *waqf* funds into *sukuk* instruments. This approach not only supports the preservation and growth of waqf assets but also attracts a broader base of investors, including those interested in ethical and socially responsible investments. Therefore, the integration of cash waqf and sukuk presents a viable alternative within Islamic finance instruments for mobilising funds to benefit the ummah, while simultaneously enhancing the impact of *waqf* in Malaysia's economic and social development. The summaries of previous literature on Cash Waqf-Linked Sukuk (CWLS) are shown in Table 1.

Table 1: The Cash Waqf-Linked Sukuk (CWLS)

Author(s) & Year	**Focus Area**	**Context**	**Methodology**	**Key Findings**	**Gap Identified**
Khaled et al., (2020)	Cash *waqf* practices	Global / Malaysia	Literature review	Identifies governance and operational challenges in *waqf* management	Lacks integration with capital market instruments such as *sukuk*
Kamaruddin & Hanefah (2021)	*Waqf* governance	Malaysia	Empirical study	Highlights governance weaknesses and lack of standardisation	Does not explore innovative financing mechanisms (e.g., CWLS)
Hafandi & Handayati (2021)	CWLS model	Indonesia	Quantitative/analytical	Demonstrates the feasibility of CWLS in financing *waqf* land	Limited applicability to Malaysia due to differences in legal structure
Fauziah et al., (2021)	CWLS for sustainability	Indonesia	Conceptual	Argues that CWLS supports sustainable development and social impact	Lacks empirical validation and governance analysis
Mohamad (2022)	Risk management in waqf	Malaysia	Qualitative	Identifies key risk issues in *waqf* administration	Does not consider integration with *sukuk* instruments
Kunhibava et al., (2023)	CWLS feasibility	Malaysia	Conceptual/legal analysis	Suggests that CWLS is viable within the Malaysian legal framework	Lacks empirical evidence and practical implementation insights
Rusydiana & Ali (2023)	*Sukuk-waqf* research trends	Global	Bibliometric analysis	Indicates growing research interest in *sukuk-waqf* integration	Lacks a practical implementation framework
Aimatul Yumna et al., (2024)	CWLS impact	Indonesia	Empirical	Finds that CWLS contributes to socio-economic development	Context-specific; lacks governance and institutional comparison
Ab Rahman et Al., (2024)	*Waqf* model innovation	Malaysia	Conceptual	Proposes alternative *waqf* structures	Does not integrate *sukuk* financing mechanisms

Abdul Khalim et al., (2025)	*Waqf* and financial integration	Global	Conceptual	Suggests that integration enhances socio-economic outcomes	Lacks empirical and regulatory analysis

RESEARCH METHODOLOGY

This study employs a qualitative research design to explore the research objectives in depth. this study aims to examine t the implementation of Cash *Waqf*-Linked *Sukuk* (CWLS) as an alternative financing mechanism for *waqf* asset development in Malaysia and to identify the challenges that impede the implementation of Cash *Waqf*-Linked *Sukuk* in Malaysia.
This study utilized two data collection methods: interviews and document review. A summary of each approach is as follows:

Documentary Analysis

Data were obtained through document analysis, specifically via an extensive literature review. This involved consulting both primary and secondary sources, including academic journals, conference papers, theses, and relevant online resources, to examine issues related to Cash Waqf Linked Sukuk.

Semi-Structured Interviews

Semi-structured interviews were conducted to capture insights on current practices and implementation challenges associated with CWLS. Interviews are a valuable method for collecting information that is not readily available in published sources (Abidah et al., 2025). Accordingly, semi-structured interviews were deemed appropriate for this study to obtain insights from selected industry experts, namely the Deputy Director of Yayasan Waqaf Malaysia, a former Shariah advisor from the Securities Commission Malaysia, and an investment expert from CIMB Bank.

Thematic Analysis

Thematic analysis was employed as the primary analytical technique to systematically examine the interview data. This approach enabled the identification, organisation, and interpretation of recurring patterns, themes, and relationships relevant to the implementation of Cash Waqf-Linked Sukuk (CWLS) in Malaysia. This study adopted a qualitative research design through semi-structured interviews, each lasting between 30 to 60 minutes. The interviews were conducted with selected industry experts possessing direct experience in *waqf* management and *sukuk* structuring. All interviews were audio-recorded with the informed consent of the participants to ensure accuracy and completeness of the data. Following data collection, the interviews were transcribed verbatim. The analysis proceeded through several iterative stages. First, open coding was conducted to identify meaningful units of data and generate initial categories. These categories were then refined and grouped into higher-order themes through axial coding, allowing relationships between concepts to emerge. Finally, selective coding was applied to integrate and synthesise the themes into coherent analytical constructs aligned with the research objectives.

To enhance the credibility and trustworthiness of the findings, data triangulation was achieved through the integration of interview data with documentary analysis. In addition, peer debriefing and iterative comparison across transcripts were employed to ensure consistency and minimise researcher bias. The process continued until thematic saturation was achieved, where no new significant themes emerged from the data. This systematic analytical approach enabled a comprehensive and in-depth understanding of the institutional, regulatory, and operational challenges associated with the implementation of Cash Waqf-Linked Sukuk in Malaysia, as well as its feasibility within the current governance and financial ecosystem.

Sample of the study

The respondents selected for this study consist of experts with extensive experience and specialised knowledge in Islamic finance, *sukuk*, Shariah advisory, and *waqf* management. Their backgrounds are summarised in Table 2:

Table 2: The respondents profile

No.	Name and position	Expertise
1.	Respondent 1 (R1)	Sukuk Specialist & Investment Banker
2.	Respondent 2(R2)	Shariah Committee Members of Takaful, Islamic Bank B, and Shariah Advisors of SCM
3.	Respondent 3 (R3)	Deputy Chief Officer Waqaf Foundation Institution

Respondents were selected based on their professional involvement and direct engagement in *sukuk* structuring, Shariah governance, and waqf administration, ensuring that the study captures informed and industry-relevant perspectives on Cash Waqf-Linked Sukuk implementation in Malaysia.

FINDINGS AND DISCUSSION

Identifying the implementation of Cash Waqf-Linked Sukuk (CWLS) in Malaysia

Based on the interviews conducted with the informants, Cash Waqf Linked Sukuk (CWLS) has not yet been formally implemented in Malaysia. The informants highlighted that existing cash *waqf* and *sukuk* mechanisms currently operate under separate institutional frameworks. Cash *waqf* activities are primarily administered by Yayasan Waqaf Malaysia (YWM) and State Islamic Religious Councils (SIRCs), which are responsible for the management and development of *waqf* assets at the national and state levels. Meanwhile, *sukuk* issuance is governed within the Islamic capital market framework involving federal authorities, regulatory bodies, and financial market participants. According to informant 1, the absence of an integrated framework connecting *waqf* institutions with *sukuk* issuance remains one of the main challenges in developing CWLS in Malaysia.

The informants further explained that Malaysia has nevertheless developed several cash *waqf*-based initiatives that demonstrate the potential integration between Islamic social finance and investment mechanisms. One such initiative is the Bank Rakyat–Yayasan Waqaf Malaysia (YWM) cash *waqf* product, which was approved by the YWM Board of Trustees on 22 October 2020. According to informant 2, this initiative aims to strengthen cash waqf accumulation by preserving the waqf principal (*ayn waqf*) while generating sustainable returns through Shariah-compliant investment activities. Under this mechanism, cash contributions from donors are maintained as *waqf* capital and invested in Shariah-compliant banking products, with the returns generated subsequently channelled to beneficiaries in need. The initiative also received support through a RM1 million matching grant provided by Bank Rakyat, whereby every ringgit contributed by donors was matched by the bank to enhance the capacity of the cash *waqf* fund.

Furthermore, the collaboration between Yayasan Waqaf Malaysia (YWM) and Bank Simpanan Nasional (BSN) as another important development in strengthening Malaysia's cash *waqf* ecosystem. According to informant 3, the initiative aims to transform cash *waqf* contributions into productive and sustainable assets that can generate long-term socio-economic benefits for society. While awaiting sufficient fund accumulation, the collected *waqf* funds are invested in BSN Shariah-compliant investment products with capital preservation features to maintain the value of the *waqf* corpus. The returns generated from these investments, referred to as the *waqf* benefit fund, are utilised to support various welfare sectors through flexible allocation mechanisms based on identified community needs. The informants also emphasized that governance arrangements involving YWM and BSN are important to ensure transparency, accountability, and effective utilisation of *waqf* returns. The distribution of *waqf* benefits focuses on four key areas, namely solar energy, education, healthcare, and economic development. To encourage wider participation, BSN provides several platforms for cash *waqf* contributions, including Bank Agent services, JomPAY, and MyBSN internet banking facilities.

In addition, the informants identified the Kenanga Al-Ihsan *Waqf* Fund as another example of an innovative *waqf*-linked investment initiative in Malaysia. According to informant 2, this fund demonstrates the potential of integrating Islamic investment products with *waqf* objectives, although it does not represent a CWLS structure. The Kenanga Al-Ihsan *Waqf* Fund operates as an Islamic open-ended investment fund comprising diversified Shariah-compliant portfolios, including equities, *sukuk*, Islamic money market instruments, and Islamic deposits. Yayasan Waqaf Malaysia (YWM) has been appointed as the recipient and administrator of the *waqf* component generated from the fund. The informants explained that a portion of the income generated from the *waqf* component is allocated to social development sectors, including education, healthcare, economic empowerment, and environmental conservation.

The informants further highlighted that the Kenanga Al-Ihsan *Waqf* Fund represents an effort to expand Islamic investment offerings while promoting socially responsible and sustainable investment practices. The utilisation and distribution of *waqf* proceeds are monitored through a governance mechanism involving relevant stakeholders, including Kenanga Investors and YWM, to enhance accountability and transparency. The fund also aims to increase public awareness and participation in *waqf* by providing an accessible investment platform, with a minimum initial investment requirement of RM1,000 and subsequent investments starting from RM100.

Despite these developments, informants generally agreed that existing cash waqf-linked investment products in Malaysia remain distinct from the CWLS model. Unlike the Indonesian CWLS framework, where collected *cash* waqf funds are directly linked with government *sukuk* issuance, Malaysian initiatives currently focus on cash *waqf* collection, investment, and distribution mechanisms without establishing a direct connection with *sukuk* issuance. As highlighted by informant 3, the development of CWLS in Malaysia requires stronger institutional coordination, regulatory clarity, and a dedicated governance framework involving waqf authorities, financial institutions, and capital market regulators.

Nevertheless, similar to other cash *waqf* initiatives in Malaysia, the Kenanga Al-Ihsan Waqf Fund remains separate from the Cash Waqf- Linked Sukuk (CWLS) structure. While it demonstrates the potential integration between Islamic investment and waqf, it does not involve the issuance of sukuk backed by cash *waqf* funds, which distinguishes it from the CWLS model implemented in Indonesia.

Cash Waqf-Linked Sukuk Practices in Malaysia

The Sukuk Prihatin was introduced in response to the need to support national recovery efforts during the COVID-19 pandemic and was fully redeemed on 22 September 2022. With strong public response, the issuance was increased by RM166,417,500, bringing the total issuance to RM666,417,500, subscribed by 2,436 individual and corporate investors. The proceeds were utilised to finance various initiatives under the COVID-19 Fund, including microcredit financing, student assistance, e-commerce campaigns for SMEs and microenterprises, as well as public healthcare expenditures. *Sukuk* Prihatin is widely recognised for its innovative features that combine digital elements, retail investment participation, and philanthropic objectives. It received several awards, including Best Overall Deal of the Year 2020 and Best Digital Sukuk by Alpha Southeast Asia. Maybank acted as the lead distributing bank, enabling retail investors to participate with a minimum investment of RM500 through the digital banking platforms of 27 banks in Malaysia.

In addition to *Sukuk* Prihatin, the Sustainable and Responsible Investment (SRI) *Sukuk* was introduced by the Securities Commission Malaysia in 2014 to promote investments aligned with Environmental, Social, and Governance (ESG) principles. SRI *Sukuk* is designed to finance projects that meet sustainability criteria, including environmental conservation, social welfare, and renewable energy initiatives, with proceeds exclusively allocated to these purposes. The SRI *Sukuk* Framework comprises key components such as the use of proceeds, project evaluation and selection process, fund management, and transparent reporting, ensuring that funds are used responsibly and in line with sustainability objectives. One of the key benefits of SRI *Sukuk* is its ability to facilitate financing for projects aligned with the United Nations Sustainable Development Goals (SDGs), attract investors with SRI mandates, and broaden the investor base. Examples of funded projects include green, social, and sustainability initiatives that generate positive impacts on society and the environment.

The BSN *Sukuk* Income Fund, on the other hand, was established to provide investors with stable income streams while ensuring reasonable capital protection. This is achieved through investments in a diversified sukuk portfolio and other liquid Islamic assets. The fund also offers potential capital growth over the medium to long term. To achieve its investment objectives, it focuses on diversified *sukuk* portfolios, which generally provide higher returns compared to government sukuk and Islamic money market instruments. In ensuring Shariah compliance, the fund is fully invested in *sukuk* approved by the Securities Commission Malaysia. This approach ensures that investors benefit not only from competitive returns but also from investments that strictly adhere to Shariah principles.

Meanwhile, UDA Holdings Berhad launched its inaugural RM1 billion Sukuk Wakalah, marking a significant milestone in Malaysia’s post-pandemic economic recovery phase. This sukuk is notable as UDA became the first organisation to adopt the Sustainable and Responsible Investment (SRI) definition for *waqf* related projects. The issuance aims to ensure the continuity of UDA’s operations in property development while contributing to national economic prosperity. The proceeds are allocated to finance commercial, residential, industrial, and *waqf* development projects, in line with the government’s emphasis on sustainability driven growth.

Challenges in the Implementation of Cash Waqf Linked Sukuk (CWLS) in Malaysia

Based on the interviews conducted with the informants, it was found that Cash Waqf-Linked Sukuk (WTS) has yet to be implemented in Malaysia due to several key challenges. One of the most significant barriers is related to constitutional constraints and regulatory harmonisation.

Constitutional and Regulatory Harmonisation Challenges

The Federal Constitution stipulates that matters relating to waqf fall under the jurisdiction of the State Islamic Religious Councils (MAIN), which results in full state-level control over *waqf* administration. Consequently, this has led to a lack of uniformity in waqf governance across different states in Malaysia. The absence of standardised administrative frameworks poses a major challenge in harmonising regulations between the state and federal levels. This is particularly complex because *waqf* falls under state jurisdiction, whereas *sukuk* issuance is regulated at the federal level. As such, coordination between MAIN and federal regulatory bodies such as the Securities Commission Malaysia (SC) and Bank Negara Malaysia (BNM) is essential to ensure compliance and smooth implementation (Khan & Mohamad, 2022).

As highlighted by the respondents:

> *"Guidelines for waqf management are not uniform across states; when the Waqf Foundation attempts to harmonise them… they are reluctant…"* (R2-Informant 2)

> "*In Malaysia, there is still no established model for waqf sukuk. The Securities Commission has issued SRI guidelines, but they are not specifically for waqf sukuk, and there has been no implementation of SRI waqf sukuk yet."* (R2-Informant 2)

Legal challenges also arise from uncertainties in *waqf* governance across states, as each state has its own enactments, regulations, and legal provisions governing waqf administration. This has created inconsistencies and ambiguity in *waqf* management nationwide. There have been calls for the development of a comprehensive *waqf* legal framework to regulate *waqf* land administration more effectively and to resolve jurisdictional conflicts related to *waqf* matters. As further emphasised by the respondent:

> *"Legal challenges arise from uncertainties in the management and administration of waqf across states, as each state has its own enactments, regulations, and laws governing waqf. There is a strong call for the development of a comprehensive waqf law to regulate the administration of waqf land. This is important to resolve any conflicts related to waqf matters."* (R1-Informant 1)

> *"Each state has its own enactments, regulations, and laws in managing waqf. This has led to uncertainty in the management and administration of waqf across the states."* (R1-Informant 1)

> *"There is no federal law governing waqf management. This may create uncertainty in the event of disputes over waqf administration between states."* (R1-Informant 1)

Furthermore, the exclusive authority of MAIN as the sole trustee of waqf assets has also been identified as a structural limitation that may hinder the development of waqf properties.

> *"In certain aspects, the position of MAIN as the sole trustee of all waqf land is a factor that hinders the development of waqf land."* (R1-Informant 1)

Overall, these findings indicate that the absence of legal harmonisation between state and federal jurisdictions remains a fundamental obstacle to the successful implementation of Cash Waqf-Linked Sukuk in Malaysia.

Lack of Awareness and Readiness among Authorities and Investors

Despite the substantial expansion of the Islamic *sukuk* market, the level of awareness and financial literacy among potential issuers, investors, and the wider public remains relatively limited. Strengthening market education on the structure, benefits, and operational mechanisms of sukuk is therefore essential to expand investor participation and encourage greater involvement from prospective issuers (Zulkhibri, 2015).

As highlighted by the interview findings:

> *"... understanding the difference between ordinary assets and waqf assets."* (R1-Informant 1)
>
> *In addition, the low level of public awareness and understanding of cash waqf further constrains its development. Public awareness regarding waqf management remains at an early stage, and many stakeholders are still unfamiliar with waqf institutions, including relevant waqf governing bodies* (R1-Informant 1)

The results suggest that insufficient understanding and awareness among both institutional stakeholders and the general public continue to pose substantial obstacles to the successful adoption of Cash Waqf-Linked Sukuk in Malaysia.

Innovation and Product Development Challenges

To ensure sustained growth and remain competitive, the Malaysian *sukuk* market must continuously pursue innovation and develop new financial structures. Introducing sukuk instruments tailored to varying investor preferences and evolving market dynamics can strengthen market appeal and enhance overall resilience (Lamido, & Haneef (2021).

The interview findings further reveal institutional reluctance towards adopting commercially structured *waqf* based financing models:

> *"Based on my observation, for waqf-based development, they are not open except for grants. If it is state government grants, that is acceptable. However, for commercial structures that involve repayment elements… it may be due to a lack of expertise in evaluation. MAIN is reluctant to take risks because they are not professional bodies in this field. As a result, most state projects focus on*

> *social initiatives such as surau, mosques, and religious schools." (R2-Informant 2)*

> *"Muslims still appear to face challenges in Islamic investment and waqf management. The approach is still far from productive, as waqf remains limited to land, mosques, madrasahs, and other buildings." (R2-Informant 2)*

Collectively, these findings indicate that cautious decision-making among *waqf* administrators, inadequate technical capabilities in assessing commercially driven projects, and the continued dominance of a welfare-oriented mindset have limited innovation. Consequently, *waqf* initiatives remain largely focused on social infrastructure, with minimal adoption of commercially viable or hybrid financing approaches such as Cash Waqf-Linked Sukuk.

Jurisdictional Conflict between Yayasan Waqaf Malaysia and State Islamic Religious Councils (MAIN)

Yayasan Waqaf Malaysia (YWM) was established to perform several key functions, including mobilizing and developing *waqf* funds, executing investment initiatives, and facilitating issuance-related activities. Its institutional role is structured to complement, rather than override, the authority of the State Islamic Religious Councils (MAIN), given that *waqf* administration in Malaysia falls under state jurisdiction and the prerogative of the Sultan. In this context, YWM primarily manages cash *waqf*, which is subsequently transformed into assets and handed over to MAIN for continued administration. The foundation independently bears its operational expenses, while a portion of the returns generated is distributed to the respective State Islamic Religious Councils. In practice, asset management arrangements are typically formalized for a specified period commonly around 20 years after which management rights may revert to MAIN when deemed appropriate. Notably, YWM does not assume ownership of *waqf* assets but instead acts as an intermediary that facilitates the implementation of *waqf* initiatives at the state level.

With respect to *sukuk*, all issuances are subject to approval and regulatory oversight by the Securities Commission Malaysia (SC), supported by Shariah advisory governance. Nevertheless, the prevailing regulatory framework is largely tailored to Sustainable and Responsible Investment (SRI) sukuk and does not specifically address the structural requirements of Cash Waqf-Linked Sukuk. This limitation constrains the development of integrated waqf–sukuk instruments within the existing regulatory environment. Furthermore, MAIN institutions are generally perceived to have limited expertise in structuring and issuing sukuk, while the Department of *Waqf*, Zakat and Hajj (JAWHAR) has yet to fully function as a centralized regulatory authority comparable to institutions such as Bank Negara Malaysia or the Securities Commission.

As highlighted by the respondent:

> *"... sukuk must go through the Securities Commission and Shariah advisers… currently, the existing framework only covers Sustainable and Responsible Investment (SRI) sukuk…"* (R3-Informant 3)

> *"MAIN lacks the capacity… developers who issue sukuk need to understand the associated costs… expertise is required in this area…"* (R3-Informant 3)

Overall, the findings highlight that overlapping jurisdictions between federal-level financial regulation and state-level *waqf* governance create a fragmented institutional environment that complicates the development of integrated financing mechanisms. This structural fragmentation, when coupled with the limited technical capacity of *waqf* administrators in areas such as *sukuk* structuring and financial evaluation, significantly constrains the operationalization of Cash Waqf-Linked Sukuk in Malaysia. More critically, these challenges reflect deeper systemic issues, including weak inter-agency coordination and the absence of a unified regulatory framework capable of bridging the divide between *waqf* administration and capital market governance. Consequently, the current institutional configuration not only impedes innovation but also limits the scalability and sustainability of hybrid Islamic financial instruments such as Cash Waqf-Linked Sukuk.

CONCLUSION

The main challenges in *waqf* management in Malaysia lies in the constitutional arrangements that grant full authority to the State Islamic Religious Councils (MAIN), resulting in inconsistencies in *waqf* administration across different states. These variations further complicate the harmonisation of regulations between state and federal jurisdictions, particularly in relation to *sukuk* issuance, which falls under the regulatory oversight of the Securities Commission Malaysia and Bank Negara Malaysia. Effective coordination between MAIN and federal regulatory bodies is therefore essential to ensure smooth governance and compliance; however, legal complexities and the absence of a standardised model remain key obstacles. In addition, there is a notable lack of awareness and understanding of *waqf sukuk* and *waqf* management among both authorities and investors. Although the *sukuk* market presents significant potential, limited education, insufficient product innovation, and jurisdictional conflicts between Yayasan Waqaf Malaysia (YWM) and MAIN continue to restrict the development and utilisation of *waqf sukuk*. Enhancing awareness, developing innovative financial products, and strengthening coordination among relevant stakeholders are essential to overcoming these challenges and promoting wider adoption of waqf based financial instruments in Malaysia.

To strengthen *waqf* management in Malaysia, it is recommended that closer collaboration between Yayasan Waqaf Malaysia (YWM) and state authorities be enhanced in the issuance of Cash Waqf-Linked Sukuk (CWLS), with YWM acting as a facilitator linking *waqf* institutions with financial institutions to streamline financing and investment processes. Such collaboration would ensure more efficient management of *waqf* assets and maximise their socio-economic impact for the benefit of the ummah. Furthermore, legal harmonisation between federal and state levels is crucial to address administrative disparities and promote consistency and smoother implementation. Future research may evaluate the impact of such collaboration on *waqf* governance effectiveness and examine how harmonised legal frameworks can enhance the competitiveness of the *sukuk* market. This study contributes by proposing a more effective collaborative model and providing legal insights to improve *waqf* management and *sukuk* development in Malaysia.

Further improvements should include the introduction of a comprehensive federal legal framework to harmonise *waqf* administration across states, as well as the expansion of the *sukuk* framework with specific guidelines for cash waqf linked sukuk structures. Future studies may focus on assessing the effectiveness of such legal reforms and harmonisation strategies in reducing jurisdictional conflicts, as well as examining the impact of *sukuk* innovation on market expansion. This study contributes practical guidance for policymakers and waqf administrators, offering a model that enhances awareness and broader utilisation of Cash Waqf-

Linked Sukuk (CWLS), ultimately strengthening the *waqf* management system in Malaysia and unlocking the full potential of *waqf* assets.

In conclusion, the analysis underscores that while Cash Waqf-Linked Sukuk (CWLS) presents considerable potential as an innovative Islamic financing mechanism in Malaysia, its effective implementation remains constrained by existing institutional and regulatory limitations. The findings of this study are expected to provide useful guidance for regulators and policymakers in formulating strategic initiatives to facilitate the adoption of CWLS, thereby contributing to sustainable socio-economic development at the national level.

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Credit Authorship Contribution Statement

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Nur Suriana Awaludin,methodology, findings and review of the paper.

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The authors declare that they have no known competing financial interest or personal relationships that could have influenced the research work.

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The authors declare that they understand the Publication Ethics and Malpractice Statement and have adhered to all the statements. They also confirm that this paper is original and has not been published in any other journal nor is under consideration by another publication.

Data Availability

Not Applicable

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