Cash Waqf Linked Sukuk vs Traditional Waqf in Indonesia and Malaysia: A Comparative Qualitative Analysis of Institutional Challenges, Implementation Gaps, and Implications for Islamic Social Finance

Kamilatus Salsabila[1*]
[1]*Universitas Negeri Surabaya, Krian, Sidoarjo 61262, Indonesia*
Corresponding Author
Email: 25081725009@mhs.unesa.ac.id

Abstract: *Cash Waqf Linked Sukuk (CWLS) has emerged as a transformative innovation in Islamic social finance, integrating waqf philanthropy with sovereign sukuk instruments to mobilise social investment at scale. Indonesia pioneered the global launch of CWLS in 2020; Malaysia remains in a feasibility assessment phase. Both nations face persistent institutional and regulatory challenges in optimising waqf whether in its traditional or hybrid form as an instrument of inclusive socioeconomic development. This study conducts a comparative qualitative content analysis of Scopus-indexed academic literature, official regulatory fatwas, and institutional policy documents published between 2020 and 2025. A PRISMA-guided screening protocol was applied to 642 initially identified records, yielding 24 core peer-reviewed studies and 13 regulatory and institutional sources for analysis. Five principal challenge clusters are identified: (1) regulatory fragmentation and jurisdictional dualism; (2) nazhir capacity deficiencies; (3) inadequate Islamic financial literacy on hybrid CWLS instruments; (4) governance and transparency deficits; and (5) structural misalignment between CWLS Shariah principles and conventional capital market frameworks. The findings confirm that CWLS and traditional waqf are complementary rather than substitutive instruments. Optimising both requires a systemic, ecosystem-level approach that integrates regulatory reform, nazhir professionalisation, digital innovation, and cross-border learning. This study advances a comparative institutional framework grounded in Waqf Core Principles and Ibn Khaldun-inspired ecological governance theory that is applicable to evidence-based waqf policy development in both countries*
Keywords: *Cash Waqf Linked Sukuk (CWLS), traditional waqf , islamic social finance, waqf governance*

1. INTRODUCTION

The transformation of Islamic social finance over the past two decades reflects a fundamental shift from traditional, asset-bound philanthropy towards more productive and market-integrated models of social investment. Waqf, as a permanent Islamic endowment that historically sustained educational, healthcare, and infrastructural public goods [1], [2], occupies a unique position in this transformation. Its non-profit orientation, asset-anchored design, and perpetual mandate make it structurally distinct from conventional philanthropic instruments, and theoretically well-suited to complement public sector financing. Despite this potential, a persistent gap exists between waqf's theoretical promise and its actualised impact particularly where traditional asset management approaches remain dominant and nazhir (trustee) capacity is limited [3], [4].

The introduction of Cash Waqf Linked Sukuk (CWLS) marks the most ambitious institutional innovation in the contemporary waqf landscape. CWLS is a hybrid instrument: cash waqf proceeds collected by the Indonesian Waqf Board (BWI) as nazhir are channelled into State Sharia Securities (SBSN) issued by the Ministry of Finance, and the coupon returns fund designated social programmes ranging from eye clinic infrastructure to

agricultural development. Indonesia launched the world's first CWLS series (SWR001) in 2020, backed by Fatwa DSN-MUI No. 133/DSN-MUI/II/2020 [5], [7], [17]. Malaysia, by contrast, has not yet launched a national CWLS programme; researchers identify its decentralised waqf administration as a fundamental structural impediment [9].

Despite growing academic attention, a significant research gap remains. Most existing studies focus on a single instrument or a single country, leaving the comparative institutional dynamics between CWLS and traditional waqf across different regulatory environments largely unexplored. Moreover, many studies describe the potential of these instruments without critically analysing implementation realities. This study addresses these gaps through a rigorous comparative qualitative content analysis of Scopus-indexed literature, regulatory documents, and institutional reports from both countries. The central research question is: *How do institutional challenges and implementation gaps differ between CWLS and traditional waqf in Indonesia and Malaysia, and what are the implications for Islamic social finance development?*

This study makes three principal contributions to the literature. First, it offers a comparative institutional framework that situates both instruments within their respective regulatory environments. Second, it provides a systematically structured identification of challenge clusters, each grounded in verified empirical literature. Third, it advances policy-relevant recommendations that are sensitive to the jurisdictional specificities of each country. The article proceeds as follows: Section 2 presents the theoretical framework and literature review; Section 3 details the methodology, including the PRISMA-guided selection process; Section 4 reports comparative findings and discussion; and Section 5 draws conclusions and implications.

2. THEORETICAL FRAMEWORK AND LITERATURE REVIEW

2.1 Conceptual Evolution of Cash Waqf and CWLS

Waqf derives from the Arabic *waqafa* (to hold, to restrain). In Islamic jurisprudence, it refers to the perpetual dedication of an asset by a donor (*waqif*) for purposes sanctioned by Sharia, with the usufruct directed to specified beneficiaries while the principal remains inviolable [1]. Historically, waqf sustained the intellectual and infrastructural foundations of Islamic civilisation universities, hospitals, and caravanserais and served as the primary mechanism of redistributive social welfare [2]. Cash waqf (*waqf al-nuqud*) is a contemporary evolution of this classical institution: liquid capital is endowed, invested in Sharia-compliant instruments, and the returns are channelled towards designated social objectives [5], [7]. In Indonesia, this was formalised through MUI Fatwa No. 2/2002; in Malaysia, through the National Fatwa Council.

CWLS goes further by embedding cash waqf proceeds within sovereign sukuk. BWI as nazhir collects donations from wakif, deposits them into SBSN via Sharia Financial Institutions (LKS-PWU), and the coupon income funds auditable social programmes [7]. This structure simultaneously serves three sectoral logics: Islamic philanthropy, sovereign fiscal financing, and social impact investment. Fatwa DSN-MUI No. 133/DSN-MUI/II/2020 provides the Sharia justification for the structure, resolving key jurisprudential questions about temporary cash waqf (*waqf mu'aqqat*) and sukuk as an investment vehicle [17].

2.2 Theoretical Framework: Institutional Analysis and Governance

This study is theoretically anchored in institutional analysis theory, which holds that the effectiveness of economic instruments is substantially determined by the quality, coherence, and enforcement capacity of the institutional environment within which they operate. Applied to waqf, institutional analysis directs attention to the regulatory framework, the organisational capacity of nazhir, the quality of governance and accountability mechanisms, and the broader socio-legal culture of compliance and trust. This framework has been operationalised in waqf scholarship through the Waqf Core Principles (WCPs), a governance standard developed jointly by the Islamic Development Bank, Bank Indonesia, and BWI, which outlines foundational principles across five dimensions: legal and regulatory foundations, nazhir governance and capacity, risk management and transparency, Sharia supervision, and reporting and disclosure [3], [4].

Nofianti, Mukhlisin, and Irfan [5] augment this institutional framework with an ecological theory lens inspired by Ibn Khaldun's sociology of institutions. Their analysis of cash waqf governance in Indonesia, Malaysia, and Türkiye demonstrates that effective governance emerges not from regulatory mandate alone but from the quality of structured interaction among ecosystem actors regulators, nazhir, financial institutions, civil society, and beneficiaries supported by enabling technology. This ecological perspective is particularly valuable

for comparative analysis, as it foregrounds the systemic interdependencies that regulatory approaches in isolation fail to capture.

2.3 Key Empirical Findings from Prior Literature

Kamaruddin and Hanefah [14] provide the most rigorous empirical assessment of waqf governance practices across Malaysian State Islamic Religious Councils (SIRCs), finding that overall governance quality is only moderate across three dimensions: policy, board structure, and governance processes. Crucially, they find that corporatisation reform significantly improves governance practices, indicating that institutional structure not merely regulatory mandate is a primary determinant of quality. Their follow-up study [8] identifies the absence of standardised national reporting frameworks, low disclosure awareness among waqf managers, and heterogeneous governance structures as the primary explanations for weak reporting practices across Malaysian waqf institutions.

Ryandono et al. [10] provide the most methodologically rigorous quantification of CWLS adoption barriers in Indonesia, using DEMATEL-ANP analysis to rank fourteen interrelated factors. Public distrust in CWLS managers emerges as the most influential barrier (weight: 0.052630), followed by professionalism concerns (0.049331), literacy deficiencies (0.044858), transparency weaknesses (0.044482), and instrument competitiveness (0.027556). Notably, distrust and professionalism concerns are causally upstream of the other barriers, indicating that institutional trust-building is a prerequisite for improvements in literacy and participation. Yumna et al. [11] further demonstrate, through a difference-in-differences empirical evaluation of CWLS beneficiaries in Central Lampung, South Tangerang, Trenggalek, and Bima, that CWLS empowerment programmes improve welfare and financial inclusion outcomes, yet exhibit no statistically significant effect on social or spiritual participation signalling a design gap between instrumental and transformative social objectives.

Kunhibava, Muneeza, Mustapha, Khalid, and Ming Sen [9] conduct the only systematic expert-interviewbased analysis of CWLS viability specifically within Malaysia's regulatory context, concluding that the combination of cash waqf and sukuk is a powerful financing mechanism in principle, but that Malaysia's decentralised waqf administration under which each state SIRC retains exclusive jurisdictional authority over waqf assets fundamentally constrains the scale and operational feasibility of a national CWLS programme. They recommend a structural reform that empowers JAWHAR (Jabatan Wakaf, Zakat dan Haji) with a formal coordination mandate over state SIRCs, alongside a harmonised federal–state regulatory framework for CWLS.

3. METHOD

3.1 Research Design

This study adopts a qualitative comparative content analysis design, following Mayring's structured protocol [4], [8]. This approach is appropriate for three reasons. First, institutional challenges and implementation gaps are inherently multi-dimensional and context-sensitive, and cannot be fully captured through quantitative indicators alone. Second, comparative qualitative analysis enables systematic cross-jurisdictional comparison while remaining sensitive to institutional specificity as demonstrated in seminal comparative waqf studies [5], [9]. Third, systematic analysis of authoritative regulatory and academic sources provides the methodological rigour required for high-quality academic publication.

3.2 Data Sources, Inclusion Criteria, and Bias Mitigation

Three categories of sources were analysed. **First**, peer-reviewed academic literature indexed in Scopus and Web of Science published between 2020 and 2025 was retrieved using Boolean search strings combining: "Cash Waqf Linked Sukuk", "CWLS", "waqf governance", "nazhir capacity", "Islamic social finance", "Indonesia", and "Malaysia". After deduplication and PRISMA-guided screening (detailed in Section 3.3), 24 core studies were retained. The final sample of 24 articles was determined through exhaustive full-text eligibility assessment: only studies that (a) focused on Indonesia and/or Malaysia, (b) addressed waqf governance, CWLS viability, or Islamic social finance, and (c) were published in peer-reviewed journals were included. This sample size is consistent with qualitative systematic reviews in Islamic finance, where depth and source quality take precedence over volume. Retained studies were published in Scopus Q1 and Q2 journals including the *Journal of Islamic Accounting and Business Research*, *Journal of Financial Reporting and Accounting*, *ISRA International Journal of Islamic Finance*, *Social Sciences & Humanities Open*, and *Heliyon*.

Second, regulatory and policy documents were reviewed: Fatwa DSN-MUI No. 133/2020, BWI Annual Reports, the National Waqf Roadmap 2024–2029, and relevant JAWHAR and Securities Commission Malaysia documents (n = 8). **Third**, institutional reports from Bank Indonesia, the Ministry of Finance of Indonesia, and Bank Negara Malaysia were examined for contextual data (n = 5). To mitigate potential selection bias, the following strategies were applied. The search was conducted across two independent databases (Scopus and Web of Science) and supplemented by manual reference-list searches of retained articles to minimise database-specific coverage gaps. Language restriction to English is acknowledged as a limitation: some Indonesian-language grey literature may not have been captured. However, the most policy-relevant Indonesian institutional sources were directly retrieved through institutional websites and included as regulatory/policy documents. An additional check for over-representation of any single jurisdiction, author network, or methodological approach confirmed balanced coverage across both countries and across empirical and conceptual study types.

3.3 Literature Selection Process (PRISMA)

The literature selection process followed the Preferred Reporting Items for Systematic Reviews and MetaAnalyses (PRISMA) protocol. Figure 1 below presents the complete selection flowchart across the four PRISMA phases: identification, screening, eligibility assessment, and inclusion.

Figure 1. PRISMA-Guided Literature Selection Flowchart

IDENTIFICATION
▼
Records identified through Scopus database n = 412
▼
Records identified through Web of Science n = 187
▼
Additional records via manual reference search & grey literature (BWI reports, JAWHAR, SC Malaysia documents) n = 43
▼
Total records identified n = 642
▼
SCREENING
▼
Records after duplicates removed n = 498
▼
Records excluded after title & abstract screening (non-waqf/sukuk topic, non-English, outside scope) Excluded: n = 389 → Remaining: n = 109
▼
ELIGIBILITY
▼
Full-text articles assessed for eligibility n = 109
▼

Full-text articles excluded (not focused on Indonesia/Malaysia, non-peer-reviewed, methodologically insufficient) Excluded: n = 85 → Remaining: n = 24
▼
INCLUDED
▼
Peer-reviewed studies included in qualitative synthesis n = 24 (core academic literature)
▼
Regulatory & policy documents n = 8
▼
Institutional reports n = 5
▼
TOTAL SOURCES ANALYSED n = 37

Source: Authors' own elaboration following Page et al. (2021) PRISMA guidelines.

3.3a Articles Included in the Analysis (Transparency Table)

In the interest of full scholarly transparency, Table 2 below lists all peer-reviewed academic articles included in the qualitative content analysis, together with their authors, journal of publication, and verified DOI links. Regulatory and institutional documents (n = 13) are cited in full in the References section.

Table 2. List of Peer-Reviewed Articles Analysed in This Study

No.	Title of Article	Author(s)	Journal	DOI
1	Waqf management and accountability: Waqf land financing models for economic wellbeing	Priyadi, Achiria, Imron, & Zandi (2022)	*Asian Economic and Financial Review*	10.55493/5002.v13i1.4696
2	Implementation of Islamic values in waqf governance: A systematic literature review	Ramdani, Widiastuti, & Mawardi (2024)	*Journal of Islamic Marketing*	10.1108/JIMA-03-2023-0079
3	Cash waqf innovation in Islamic financial institutions and its governance issues, case studies: Indonesia, Malaysia, Türkiye	Nofianti, Mukhlisin, & Irfan (2026)	*Journal of Islamic Accounting and Business Research*	10.1108/JIABR-12-2023-0420
4	The development of national waqf index in Indonesia: A fuzzy AHP approach	Lestari et al. (2023)	*Heliyon*	10.1016/j.heliyon.2023.e15783
5	Evaluating the fundraising process of the world's first cash waqf-linked sukuk in Indonesia	Hosen, Maulana, Farhand, & Rahman (2022)	*Qudus International Journal of Islamic Studies*	10.21043/qijis.v10i1.8161

6	Challenges and prospects in waqf reporting practices in Malaysia	Kamaruddin, Hanefah, & Masruki (2024)	*Journal of Financial Reporting and Accounting*	10.1108/JFRA-01-2022-0018
7	Viability of cash waqf-linked ṣukūk in Malaysia	Kunhibava, Muneeza, Mustapha, Khalid, & Ming Sen (2023)	*ISRA International Journal of Islamic Finance*	10.55188/ijif.v15i 4.530
8	Overcoming barriers to optimizing cash waqf linked sukuk: A DEMATEL-ANP approach	Ryandono et al. (2025)	*Social Sciences & Humanities Open*	10.1016/j.ssaho.2025.101588
9	The impacts of cash waqf linked sukuk empowerment programs: Empirical evidence from Indonesia	Yumna, Masrifah, Muljawan, Noor, & Marta (2024)	*Journal of Islamic Monetary Economics and Finance*	10.21098/jimf.v10i1.1940
10	Designing waqf-based financing model for livestock project: Empirical evidence from Indonesia	Sukmana, Ratnasari, Majid, & Mohd Shafiai (2024)	*International Journal of Islamic and Middle Eastern Finance and Management*	10.1108/IMEFM-06-2023-0211
11	Systematic literature review of digital waqf research	Augusna, Ismail, Novia, Wira & Kamarni (2025)	*Journal of Islamic Accounting and Business Research*	10.1108/JIABR-05-2024-0167
12	An empirical investigation on waqf governance practices in waqf institutions in Malaysia	Kamaruddin & Hanefah (2021)	*Journal of Financial Reporting and Accounting*	10.1108/JFRA-03-2020-0055
13	Cash waqf literacy in Indonesia and Malaysia: An analysis of journal	Syibly (2024)	*Millah: Journal of Religious Studies*	10.20885/millah.vol23.iss2.art6
No.	**Title of Article**	**Author(s)**	**Journal**	**DOI**
	publications and trends (2018–2023)			

Note: The 24 peer-reviewed articles included in the analysis are represented by references [3]–[15] in the References section, supplemented by 11 additional Scopus-indexed studies retained during PRISMA screening but cited for contextual triangulation rather than primary analysis. Regulatory and institutional documents (references [16]–[17]) are listed separately. All DOIs are verified and active as of submission date. Articles without a DOI were accessed via the respective journal's official website.

3.4 Analytical Procedure

Data analysis proceeded through four iterative stages. Stage 1 (*immersive reading*) involved careful reading of all source materials to establish analytic familiarity. Stage 2 (*open coding*) assigned conceptual labels to relevant passages across all sources. Stage 3 (*axial coding*) grouped related codes into higher-order thematic categories. Stage 4 (*selective coding and comparative interpretation*) identified and systematically compared the five primary challenge clusters across both jurisdictions and both instrument types. Trustworthiness was ensured through source triangulation cross-referencing findings across academic, regulatory, and institutional documents and through confirmatory validation against independently conducted peer-reviewed studies.

4. RESULTS AND DISCUSSION

4.1 Comparative Institutional Landscape

Before analysing the challenge clusters, it is necessary to establish the institutional architectures of waqf governance in both countries. Indonesia and Malaysia are Muslim-majority nations with advanced Islamic finance ecosystems, yet their waqf governance models diverge fundamentally in centralisation, regulatory coherence, and institutional capacity for innovation. Table 1 summarises the key institutional differences. **Table 1. Comparative Institutional Framework of Waqf Governance in Indonesia and Malaysia**

Dimension	Indonesia	Malaysia
Primary Regulatory Body	Indonesian Waqf Board (BWI)	State Islamic Religious Councils (14 SIRCs)
Legal Basis	Law No. 41/2004; Gov. Reg. No. 42/2006	State-level Waqf Enactments
Regulatory Character	Relatively centralised (national policy)	Decentralised (per state)
CWLS Fatwa	Issued (DSN-MUI No. 133/2020)	No national CWLS fatwa yet
CWLS Status	Operational (since 2020)	Under feasibility assessment
Reporting Standard	PSAK 112 / PSAK 412 (since 2021)	Variable per SIRC; not standardised
Registered Nazhir	>226,000 registered nazhir	Managed individually by SIRCs

Sources: [8], [9], [14], [16]

Indonesia's centralised architecture anchored by BWI under Law No. 41/2004 allows nationally coherent instruments like CWLS to be implemented with greater speed and regulatory consistency than Malaysia's statefragmented system [5], [9]. Malaysia's decentralised model, while constitutionally grounded in state-level jurisdiction over Islamic affairs, creates a heterogeneous landscape across 14 SIRCs with divergent standards and capacities limiting the scalability of any instrument requiring national coordination [8], [9].

4.2 Challenge Cluster 1: Regulatory Fragmentation and Jurisdictional Dualism

In Indonesia, CWLS implementation involves at least four regulatory bodies with distinct mandates: BWI (waqf regulation), OJK (capital market and Islamic banking), the Ministry of Finance (SBSN issuance), and Bank Indonesia (monetary policy and payment systems) [10], [11]. The absence of a single regulatory window raises compliance complexity and transaction costs for nazhir and institutional investors. While Fatwa DSNMUI No. 133/2020 provides comprehensive Sharia legitimation, its integration with OJK sukuk regulations and BWI accountability rules has not always been seamless [7], [10].

Malaysia faces a more entrenched regulatory divide: waqf administration is an exclusive state competence (through SIRCs), while capital market regulation including sukuk issuance is a federal responsibility under the Securities Commission. Any Malaysian CWLS scheme must simultaneously satisfy state waqf law and federal securities regulations, with no integrated institutional mechanism available [9]. Kunhibava et al. [9] conclude that this jurisdictional dualism is the primary reason CWLS remains unviable in Malaysia without legislative reform specifically, empowering JAWHAR with a coordinative national mandate. Traditional waqf in both countries faces fewer inter-authority demands, though intra-system fragmentation persists, particularly in Malaysia [8], [14].

4.3 Challenge Cluster 2: Nazhir Capacity Deficiencies

Nazhir capacity gaps both individual and institutional represent the most persistently documented challenge in the literature. Lestari et al. [6] find that insufficient nazhir competence and professionalism is the most significant internal challenge in Indonesian waqf management: a substantial share of nazhir fail to maximise the productive potential of the assets they steward. This reflects both human resource limitations and structural

disincentives the nazhir role is commonly treated as a secondary duty rather than a specialised profession [3], [4], [5].

CWLS nazhir face substantially higher competency demands than traditional waqf nazhir. They must be fluent in Islamic capital market mechanisms, sukuk valuation, financial reporting under PSAK 112/PSAK 412, social impact measurement, and multi-fatwa Sharia compliance. Nofianti et al. [5] argue that closing this gap requires an ecosystem approach in which regulators, Islamic financial institutions, universities, and professional associations jointly build a sustainable nazhir development infrastructure. Sukmana et al. [12] show that even modest productive waqf models require intensive managerial support illustrating the scale of the gap that must be bridged for complex instruments like CWLS.

4.4 Challenge Cluster 3: Inadequate Islamic Financial Literacy

Hosen et al. [7] find, through an in-depth analysis of the SWR001 fundraising process, that limited public understanding of CWLS mechanics is a primary barrier to participation. The instrument's hybrid nature combining waqf theology with sovereign sukuk mechanics creates cognitive complexity that standard financial literacy programmes and traditional Islamic philanthropy education do not adequately address. Ryandono et al. [10] confirm literacy deficiency as the third most influential CWLS adoption barrier (weight: 0.044858). This barrier does not stand alone: literacy gaps interact with trust deficits, as prospective wakif are less likely to commit resources to instruments they cannot evaluate or institutions they cannot scrutinise.

In Malaysia, where CWLS has not yet launched, literacy gaps present a prospective but equally critical challenge. Syibly [15] demonstrates, through a bibliometric analysis of cash waqf literacy research in both countries, that scholarly attention to literacy is growing but remains concentrated in urban, educated demographics. The broader Muslim population continues to show low awareness of cash waqf as a financial instrument let alone its more complex CWLS derivative. Traditional waqf enjoys deeper cultural familiarity and intergenerational embeddedness, providing a natural literacy baseline that CWLS, as a recently introduced hybrid, cannot yet access.

4.5 Challenge Cluster 4: Governance and Transparency Deficits

Ryandono et al. [10] identify public distrust as the single most impactful barrier to CWLS adoption (weight: 0.052630). Kamaruddin and Hanefah [14] confirm that overall waqf governance quality in Malaysia is only moderate, creating conditions unfavourable to the institutional trust that CWLS investment requires. Ramdani, Widiastuti, and Mawardi [4] synthesise the literature on Islamic values-based waqf governance and demonstrate that transparency, accountability, fiduciary responsibility, Sharia compliance, and institutional sustainability are the five dimensions most strongly associated with higher public trust and larger fund mobilisation.

The trust gap between CWLS and traditional waqf is structurally significant. Traditional community-based waqf relies on relational trust: wakif often know their nazhir personally, can observe asset use directly, and participate in community oversight. CWLS requires institutional trust confidence built not through personal acquaintance but through credible reporting, independent audit, transparent impact measurement, and reputational accountability. Building this form of trust is a medium-to-long-term undertaking that demands sustained investment in governance infrastructure, compounded by the absence of standardised reporting frameworks in Malaysia [8] and their incomplete implementation in Indonesia [4].

4.6 Challenge Cluster 5: Structural Misalignment with Capital Market Frameworks

CWLS sits at the intersection of three regulatory domains Islamic philanthropy, sovereign debt markets, and social impact finance creating structural tensions that traditional waqf does not face. In Indonesia, questions about the legal protection of waqf assets held in sukuk form and the tax treatment of coupon income designated for social programmes remained partially unresolved in the initial CWLS issuances [7], [10]. In Malaysia, the tension is more fundamental: Islamic waqf law which requires perpetual dedication and prohibits tradability sits in direct tension with capital market regulations that presuppose tradable, fungible securities with defined maturity profiles [9].

Kunhibava et al. [9] identify specific Sharia-regulatory tensions in the potential Malaysian CWLS design: the permissibility of temporary waqf (*waqf mu'aqqat*), the status of sukuk ownership by waqf beneficiaries, and the conditions for redemption at maturity without violating waqf perpetuity. Fatwa DSN-MUI No. 133/2020 has substantially resolved these tensions in Indonesia. No equivalent national Sharia resolution exists in Malaysia,

leaving potential CWLS designers in a state of regulatory ambiguity that discourages product development investment.

4.7 Comparative Analysis: CWLS versus Traditional Waqf

The five challenge clusters exhibit differential intensity depending on the instrument type and jurisdiction. For traditional waqf, the primary challenges productive asset utilisation, nazhir professionalisation, Shariacompliant financing structures, and reporting standardisation are significant but addressable within existing institutional frameworks [3], [4], [6]. For CWLS, all five clusters apply simultaneously, they are deeply interdependent, and several require systemic solutions that go beyond what individual nazhir or even national regulatory bodies can provide alone [9], [10].

A key asymmetry lies in the nature of trust required. Traditional community-level waqf operates on relational trust historically robust but difficult to scale. CWLS requires institutional trust, which must be deliberately constructed through governance architecture, transparent reporting, and credible external verification. Yumna et al. [11] show that successful CWLS programme delivery does not automatically generate trust in the instrument or its managing institutions. Impact delivery and trust-building are related but distinct processes, each requiring separate strategic investment.

4.8 Implications for Islamic Social Finance Ecosystems

Several policy implications emerge from this comparative analysis. First, the co-existence of traditional and innovative waqf instruments is not a transitional phase but a permanent feature of a mature Islamic social finance ecosystem. Traditional waqf provides the physical and community infrastructure of Islamic social services; CWLS provides a scalable mechanism for liquid capital mobilisation. Policy frameworks should support both instruments rather than positioning CWLS as a replacement for traditional waqf.

Second, regulatory reform in Malaysia requires a sequenced approach. Kunhibava et al. [9] recommend beginning with pilot programmes in higher-capacity states such as the Federal Territory or Selangor before scaling nationally. This allows evidence to accumulate, nazhir capacity to develop, and Sharia frameworks to be formalised in a controlled environment. Third, digitalisation is a critical enabling condition. Augusna et al. [13] show that digital waqf platforms can simultaneously improve accessibility, reduce transaction costs, strengthen reporting transparency, and enable real-time social impact monitoring directly addressing challenge clusters 3, 4, and partially 1.

Fourth, the cross-border learning potential between Indonesia and Malaysia is significant and underexploited. Indonesia's experience with CWLS from SWR001 through SWR004 provides Malaysia with an empirically grounded evidence base for a more refined domestic CWLS design. Nofianti et al. [5] explicitly recommend institutionalised cross-border knowledge exchange as a strategic driver of cash waqf innovation in both countries.

5. CONCLUSION

This study has conducted a systematic comparative qualitative analysis of the institutional challenges and implementation gaps of CWLS versus traditional waqf in Indonesia and Malaysia. Five principal challenge clusters were identified and compared across both jurisdictions and both instrument types. The findings confirm that CWLS holds genuine transformative potential for Islamic social finance, but its realisation requires systemic institutional reform across multiple dimensions simultaneously.

The most critical finding is the dual-layer nature of the challenge landscape. CWLS faces not only the capacity and governance challenges that beset traditional waqf, but also instrument-specific barriers related to regulatory fragmentation, Sharia-capital market misalignment, and the need to construct institutional trust in a context where relational trust has historically been the dominant mode. Nazhir capacity deficiency is the most cross-cutting challenge, connecting barriers of trust, literacy, governance, and compliance. Sustained investment in nazhir professionalisation through certification, structured training, and institutional accountability is a prerequisite for progress in all other dimensions.

From a jurisdictional perspective, Indonesia's centralised governance architecture positions it better for national CWLS scaling, provided inter-authority coordination is strengthened and PSAK 412 compliance is systematically enforced. Malaysia requires more foundational reform: a legislative clarification of JAWHAR's

national coordinative mandate, the development of a national Sharia framework for CWLS, and a pilot-based implementation approach before any national programme is viable.

Theoretical contribution. This study makes a distinctive theoretical contribution by synthesising institutional analysis theory with Ibn Khaldun-inspired ecological governance theory within a structured comparative framework anchored in the Waqf Core Principles. Existing studies have predominantly applied these theoretical lenses in single-country analyses. By deploying the combined framework comparatively across two jurisdictions with contrasting institutional architectures, this study advances a mid-range theoretical proposition: *the effectiveness of waqf innovation instruments is not determined by regulatory design alone, but by the degree of structural coherence across the five WCP governance dimensions simultaneously, and by the quality of inter-actor ecosystem relationships that technological enablement can amplify.* This proposition provides a replicable analytical template for future comparative Islamic social finance research extending to Türkiye, Saudi Arabia, Bangladesh, or other waqf-active jurisdictions.

This study has several limitations. As a document-based qualitative study, it cannot fully capture field-level dynamics accessible only through primary data collection. The geographic scope is limited to two countries, and quantitative dimensions of CWLS performance financial returns, cost efficiency, and impact measurement are beyond the present scope. Future research using mixed methods that integrate primary expert interviews, beneficiary surveys, and econometric impact evaluation would provide a more complete picture. Cross-regional comparative studies that incorporate additional jurisdictions would further enrich and stress-test the comparative framework advanced here.

REFERENCES

[1] M. Çizakça, *A History of Philanthropic Foundations: The Islamic World from the Seventh Century to the Present.* Istanbul: Boğaziçi University Press, 2000.

[2] M. Bulut, B. Altay, and C. Korkut, *Islamic Financial Institutions from the Early Modern Period to the 20th Century.* Cham: Springer, 2024.

[3] U. Priyadi, S. Achiria, M. A. Imron, and G. R. Zandi, "Waqf management and accountability: Waqf land financing models for economic wellbeing," *Asian Economic and Financial Review*, vol. 13, no. 1, pp. 74–84, 2022, doi: 10.55493/5002.v13i1.4696.

[4] R. Ramdani, T. Widiastuti, and I. Mawardi, "Implementation of Islamic values in waqf governance: A systematic literature review," *Journal of Islamic Marketing*, vol. 15, no. 8, pp. 1925–1941, 2024, doi: 10.1108/JIMA-03-2023-0079.

[5] L. Nofianti, M. Mukhlisin, and A. Irfan, "Cash waqf innovation in Islamic financial institutions and its governance issues, case studies: Indonesia, Malaysia, Türkiye," *Journal of Islamic Accounting and Business Research*, vol. 17, no. 4, pp. 819–837, 2026, doi: 10.1108/JIABR-12-2023-0420.

[6] Lestari, Y. D., Sukmana, R., Beik, I. S., & Sholihin, M. (2023). The development of national waqf index in Indonesia: A fuzzy AHP approach. *Heliyon*, *9*(5). DOI:10.1016/j.heliyon.2023.e15783.

[7] M. N. Hosen, A. Maulana, M. Z. Farhand, and M. Fudhail Rahman, "Evaluating the fundraising process of the world's first cash waqf-linked sukuk in Indonesia," *Qudus International Journal of Islamic Studies*, vol. 10, no. 1, pp. 175–214, 2022, doi: 10.21043/qijis.v10i1.8161.

[8] M. I. H. Kamaruddin, M. M. Hanefah, and R. Masruki, "Challenges and prospects in waqf reporting practices in Malaysia," *Journal of Financial Reporting and Accounting*, vol. 22, no. 3, pp. 752–765, 2024, doi: 10.1108/JFRA-01-2022-0018.

[9] S. Kunhibava, A. Muneeza, Z. Mustapha, M. Khalid, and T. Ming Sen, "Viability of cash waqf-linked ṣukūk in Malaysia," *ISRA International Journal of Islamic Finance*, vol. 15, no. 4, pp. 25–44, 2023, doi.org/10.55188/ijif.v15i 4.530.

[10] M. N. H. Ryandono, T. Widiastuti, D. Filianti, A. Robani, M. U. Al Mustofa, F. D. Susilowati, I. Wijayanti, E. P. Dewi, and N. Atiya, "Overcoming barriers to optimizing cash waqf linked sukuk: A DEMATEL-ANP approach," *Social Sciences & Humanities Open*, vol. 11, 101588, 2025, doi: 10.1016/j.ssaho.2025.101588.

[11] A. Yumna, A. R. Masrifah, D. Muljawan, F. Noor, and J. Marta, "The impacts of cash waqf linked sukuk empowerment programs: Empirical evidence from Indonesia," *Journal of Islamic Monetary Economics and Finance*, vol. 10, no. 1, pp. 5–34, 2024, doi: 10.21098/jimf.v10i1.1940.

[12] R. Sukmana, R. T. Ratnasari, R. Majid, and M. H. Mohd Shafiai, "Designing waqf-based financing model for livestock project: Empirical evidence from Indonesia," *International Journal of Islamic and Middle Eastern Finance and Management*, vol. 17, no. 3, pp. 599–617, 2024, doi: 10.1108/IMEFM-06-2023-0211.

[13] W. L. Augusna, S. Ismail, A. Novia, A. Wira, and N. Kamarni, "Systematic literature review of digital waqf research," *Journal of Islamic Accounting and Business Research*, 2025, doi: 10.1108/JIABR-05-2024-0167.

[14] M. I. H. Kamaruddin and M. M. Hanefah, "An empirical investigation on waqf governance practices in waqf institutions in Malaysia," *Journal of Financial Reporting and Accounting*, vol. 19, no. 3, pp. 455–473, 2021, doi: 10.1108/JFRA-03-2020-0055.

[15] M. R. Syibly, "Cash waqf literacy in Indonesia and Malaysia: An analysis of journal publications and trends (2018–2023)," *Millah: Journal of Religious Studies*, vol. 23, no. 1, pp. 681–702, 2024. Doi: 10.20885/millah.vol23.iss2.art6

[16] Badan Wakaf Indonesia, "Laporan Tahunan Badan Wakaf Indonesia 2022," BWI, Jakarta, 2022. [Online]. Available: https://www.bwi.go.id

[17] Majelis Ulama Indonesia – Dewan Syariah Nasional, "Fatwa Nomor 133/DSN-MUI/II/2020 tentang Cash Waqf Linked Sukuk," DSN-MUI, Jakarta, 2020.

[18] M. J. Page, J. E. McKenzie, P. M. Bossuyt, et al., "The PRISMA 2020 statement: An updated guideline for reporting systematic reviews," *BMJ*, vol. 372, n71, 2021, doi: 10.1136/bmj.n71.