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Toward Sustainable Awqaf: An Integrative Governance Framework Aligned with Endowment Conditions

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Abstract:

Awqaf, or Islamic endowments, constitute a longstanding institution of Islamic social finance with significant potential to contribute to social welfare and sustainable development. By preserving endowed assets and directing their benefits toward designated religious, educational, social, and economic purposes, Awqaf can generate long-term value for communities. However, the realization of this potential depends not only on the availability of endowed assets but also on the effectiveness of governance, accountability, transparency, institutional capacity, and asset-management practices. This study examines how governance frameworks can be integrated with the specific conditions of Awqaf endowments to enhance institutional performance and strengthen their contribution to sustainable development. The study adopts a conceptual and analytical approach based on an inductive review of relevant literature and documented practices concerning Awqaf governance. The analysis focuses on governance structures, the distribution of managerial and supervisory responsibilities, accountability and transparency, stakeholder participation, digital transformation, and the alignment of governance mechanisms with the characteristics of endowed assets. The analysis indicates that fragmented institutional responsibilities, insufficient disclosure, weaknesses in reporting and auditing, regulatory differences, limited managerial capacity, and inadequate stakeholder engagement can constrain the effective utilization of Awqaf assets. The study argues that a sustainable governance framework should combine Shariah principles with contemporary governance mechanisms while allowing institutional flexibility according to the nature and conditions of each endowment. The proposed approach emphasizes clear institutional roles, standardized reporting and auditing, professional capacity development, stakeholder participation, digital asset-management systems, and continuous performance evaluation. The study concludes that integrating governance requirements with endowment conditions can strengthen accountability, transparency, institutional efficiency, and the developmental contribution of Awqaf.

Keywords: Awqaf; Waqf Governance; Islamic Social Finance; Sustainable Development; Accountability; Transparency; Stakeholder Engagement; Digital Transformation; Shariah Governance..

JEL Classification: G23, G28, O35, I38, Z12.

1. INTRODUCTION

Awqaf, the plural form of waqf, represent one of the longstanding institutions of Islamic social finance. The waqf is based on the dedication of an asset for a specified religious, charitable, social, educational, or public purpose while preserving the underlying asset and directing its benefits toward the purposes defined by the founder. Historically, Awqaf have played an important role in financing education, healthcare, religious institutions, social assistance, and other community services. Their institutional structure therefore extends beyond conventional charitable giving and provides a mechanism through which resources can generate benefits over an extended period.

The contemporary relevance of Awqaf has increased alongside growing interest in Islamic social finance and alternative mechanisms for supporting sustainable development. The long-term nature of endowed assets provides an institutional basis for generating continuous benefits and potentially contributing to poverty reduction, education, healthcare, social inclusion, and economic development. Abdullah (2017) argues that the objectives of waqf can be examined in relation to the Sustainable Development Goals (SDGs) and the broader objectives of Islamic law (maqasid al-Shariah). Similarly, the development experience associated with the Awqaf Properties Investment Fund demonstrates the potential of waqf investment to generate broader socio-economic effects (Awqaf Properties Investment Fund [APIF], 2019).

Nevertheless, the existence of endowed assets does not automatically result in sustainable social and economic outcomes. The effectiveness of Awqaf depends substantially on the institutional arrangements through which assets are registered, managed, invested, monitored, and reported. Weak governance structures, insufficient accountability, inadequate disclosure, unclear responsibilities, and limited managerial capacity may reduce the developmental impact of Awqaf. A critical review of waqf literature indicates that accountability, law, governance, finance, and economic development constitute major themes within the field, demonstrating the importance of institutional arrangements for the effective functioning of Awqaf (Sukmana, 2020).

Governance has consequently become a central issue in contemporary Awqaf management. Effective governance establishes responsibilities, defines decision-making procedures, strengthens monitoring, reduces conflicts of interest, and improves transparency. Empirical research on Malaysian waqf institutions has shown that governance practices can be assessed through dimensions including governance policy, governance boards, and governance processes, while greater disclosure can strengthen public confidence in the management of waqf resources (Kamaruddin & Hanefah, 2021). The relationship between managerial and supervisory functions is particularly important. The traditional distinction between the mutawalli, responsible for managing the waqf, and the nazir or supervisory function raises questions concerning the allocation of authority, oversight, and accountability. Where these responsibilities are insufficiently differentiated, institutional conflicts and weaknesses in oversight may arise. Mohsin (2025) therefore emphasizes the importance of reconsidering the relationship between executor and supervisor within contemporary waqf governance.

The legal and institutional context also varies considerably between countries. Sano and Kassim (2021), for example, demonstrate that establishing an effective waqf governance framework requires attention to the legal framework, institutional responsibilities, regulatory mechanisms, and socio-economic context in which waqf operates. Consequently, a governance model cannot necessarily be transferred from one jurisdiction to another without adaptation.

Transparency and reporting represent another essential dimension. Effective reporting enables donors, beneficiaries, regulators, and other stakeholders to understand how waqf assets are managed and how their benefits are distributed. Research on Islamic governance and waqf reporting has highlighted the importance of appropriate governance mechanisms in strengthening the quality and adequacy of waqf reporting (Kamaruddin & Hanefah, 2021; The role of Islamic governance in the reinforcement waqf reporting, 2019).

Digital transformation introduces additional opportunities. Digital asset registers, electronic reporting systems, online disclosure mechanisms, and digital communication platforms can facilitate information management and improve access to waqf-related information. Recent research has specifically examined the relationship between waqf governance and digital transformation, highlighting the potential contribution of smart administration and digital tools to transparency and administrative efficiency (Belbachir & Dellali, 2025).

Despite the increasing literature on Awqaf governance, an important analytical gap remains concerning the integration of governance requirements with the specific conditions of endowed assets. Governance principles such as accountability, transparency, auditing, and stakeholder participation are widely recognized, but their practical application needs to account for differences in the nature of assets, the founder's conditions, institutional structures, legal environments, and beneficiary requirements.

This study therefore addresses the following research question:

How can governance frameworks be integrated with the specific conditions of Awqaf endowments to enhance institutional performance and strengthen their contribution to sustainable development?

The study has four objectives. First, it examines the conceptual foundations of Awqaf governance and its relationship with sustainable development. Second, it identifies the main institutional and managerial challenges affecting Awqaf. Third, it analyzes the role of accountability, transparency, stakeholder participation, and digital transformation. Fourth, it proposes an integrative governance approach that combines standardized governance principles with flexibility according to the specific conditions of individual endowments.

2. Methodology

2.1. Research approach

This study adopts a conceptual and analytical research approach supported by an inductive review of relevant academic literature and documented institutional practices. The choice of this approach is consistent with the objective of examining governance principles and developing an integrative conceptual framework rather than testing a statistical hypothesis through primary field data.

The study analyzes literature addressing waqf governance, accountability, transparency, reporting, institutional management, legal frameworks, sustainable development, stakeholder participation, and digital transformation. The literature includes peer-reviewed academic studies, institutional reports, and documented practices relevant to contemporary Awqaf management.

2.2. Analytical framework

The analysis is structured around five interconnected dimensions: (1) institutional governance; (2) accountability and transparency; (3) endowment-condition alignment; (4) stakeholder participation; and (5) digital transformation.

These dimensions are considered complementary rather than independent. Effective Awqaf governance requires their integration within an institutional framework that maintains Shariah compliance while responding to contemporary management requirements.

2.3. Limitations of the methodology

Because the study is conceptual and literature-based, its findings should not be interpreted as statistical evidence concerning all Awqaf institutions. The proposed framework represents an analytical model derived from the reviewed literature and documented practices. Its empirical validity should subsequently be examined through comparative case studies, surveys, interviews, or institutional performance data.

3. Conceptual Foundations of Awqaf Governance

3.1. Awqaf and sustainable development

Awqaf possess characteristics that can support long-term development. Unlike temporary charitable contributions, the waqf is designed to preserve an asset while generating continuing benefits. This feature gives Awqaf potential relevance to sustainable development because the underlying asset can continue to generate resources for beneficiaries over time.

The relationship between Awqaf and sustainable development can be examined through several dimensions. Economically, productive waqf assets can generate income and support investment. Socially, waqf resources can contribute to education, healthcare, poverty reduction, and social services. Institutionally, effective governance can improve the allocation and preservation of resources. From the perspective of maqasid al-Shariah, these functions can be connected to the broader objective of promoting human welfare.

Abdullah (2017) links waqf with the SDGs and maqasid al-Shariah, suggesting that the institution can contribute to several development objectives when its resources are managed effectively. Similarly, the APIF development report illustrates how investment in waqf properties can generate developmental effects beyond the immediate management of individual assets (APIF, 2019).

3.2. Governance structure and institutional responsibilities

A governance structure provides the institutional framework within which decisions are made and responsibilities are exercised. In Awqaf institutions, this includes the relationship between management, supervisory bodies, regulators, Shariah authorities, donors, and beneficiaries.

A fundamental requirement is the clear allocation of responsibilities. Managers should possess sufficient authority to conduct daily operations, while supervisory bodies should have the independence and information required to monitor management. Kamaruddin and Hanefah (2021) demonstrate that governance policy, governance boards, and governance processes represent important dimensions for assessing waqf governance practices.

The distinction between the managerial and supervisory functions is particularly relevant. Where the same actors exercise both operational and supervisory powers without adequate checks and balances, accountability may be weakened. Conversely, excessive fragmentation of authority may produce inefficiency and delays.

The governance structure should therefore achieve a balance between managerial efficiency and independent oversight.

3.3. Standards and rules for effective management

Effective Awqaf management requires clear rules governing asset administration, investment, reporting, auditing, risk management, and compliance with the founder's conditions.

Standardization is useful because it establishes minimum governance requirements. These may include standardized financial reporting, periodic independent auditing, asset registration and documentation, conflict-of-interest policies, investment-risk procedures, performance indicators, disclosure requirements, and mechanisms for complaints and stakeholder feedback.

Nevertheless, standardization should not eliminate institutional flexibility. Different waqf assets require different management approaches. A real-estate waqf, an educational waqf, a cash waqf, and an agricultural waqf may require different investment, risk, and reporting procedures.

The appropriate principle is therefore standardized governance principles combined with context-sensitive implementation.

4. Accountability, Transparency and Stakeholder Governance

4.1. Accountability and transparency

Accountability refers to the obligation of Awqaf managers and institutions to explain and justify their decisions and use of resources. Transparency enables stakeholders to access reliable information concerning the institution's activities, financial position, investments, and social outcomes.

These principles are particularly important because waqf assets are not ordinary private assets. Their management is connected to the founder's conditions and the interests of beneficiaries and society. Consequently, managers should be able to demonstrate that assets are used consistently with the purposes for which they were endowed.

The literature indicates that accountability and reporting remain important areas of concern in waqf management. The literature review conducted by Sukmana (2020) identifies accountability and law among the major themes in waqf research. Research on waqf reporting also indicates the importance of governance mechanisms for strengthening the adequacy of reporting practices.

Transparency should therefore extend beyond financial statements. It should include information on the nature and value of waqf assets, investment activities, administrative expenses, beneficiaries, project outcomes, governance structures, audit results, and compliance with the founder's conditions.

4.2. Auditing and independent oversight

Auditing provides an independent mechanism for assessing the accuracy of financial and operational information. Regular audits can help detect irregularities, improve internal controls, and strengthen stakeholder confidence.

For Awqaf institutions, auditing should ideally cover both financial and governance dimensions. Financial auditing examines the accuracy of accounts and transactions, whereas governance auditing can assess compliance with institutional policies, the founder's conditions, conflict-of-interest rules, and applicable legal requirements. Independent oversight is particularly important where institutions manage substantial assets or operate through complex investment structures.

4.3. Stakeholder participation

Awqaf governance involves multiple stakeholders, including founders, donors, beneficiaries, managers, regulators, religious authorities, employees, local communities, and potential investors.

Stakeholder participation can improve governance in two ways. First, it provides institutions with information concerning community needs. Second, it creates an additional mechanism of social accountability.

Participation may take the form of consultations with beneficiaries, public disclosure of annual reports, stakeholder meetings, digital feedback systems, beneficiary satisfaction assessments, community partnerships, and public communication concerning project outcomes.

5. Aligning Governance Frameworks with Endowment Conditions

5.1. The principle of contextual governance

A central argument of this study is that Awqaf governance should not be designed as a completely uniform model. Instead, governance should contain a common institutional core while permitting adaptation according to the specific characteristics of the endowment.

This principle can be described as contextual governance.

The common core should include Shariah compliance, accountability, transparency, independent oversight, financial reporting, auditing, conflict-of-interest management, and stakeholder protection.

The adaptive component should consider the type of waqf asset, the founder's conditions, the legal environment, the geographical context, the economic function of the asset, the beneficiaries, the level of investment risk, and the institutional capacity of the waqf manager.

5.2. The proposed two-level governance model

Level 1: Universal governance requirements

All Awqaf institutions should satisfy a minimum set of requirements concerning organizational accountability, financial reporting, independent auditing, asset registration, disclosure, conflict-of-interest management, Shariah compliance, and performance evaluation.

Level 2: Context-specific governance requirements

Institutions should adapt their management mechanisms to the specific characteristics of each waqf.

For example, investment procedures for a cash waqf should not necessarily be identical to those applicable to agricultural or real-estate endowments. Similarly, a large institutional waqf may require more sophisticated governance arrangements than a small community endowment.

This two-level approach combines institutional consistency with practical flexibility.

5.3. The role of the mutawalli and nazir

Clear differentiation between managerial and supervisory responsibilities is fundamental.

The mutawalli should primarily be responsible for operational management, asset utilization, implementation of investment decisions, and execution of approved programs.

The nazir or supervisory authority, depending on the legal and institutional context, should exercise monitoring, review, and accountability functions.

The precise terminology and legal authority of these positions vary between jurisdictions. Therefore, the proposed distinction should be adapted to national legislation and the specific terms of the waqf.

The essential governance principle is not the terminology itself but the existence of clear authority, independent oversight, and mechanisms for accountability.

6. Policy and Institutional Recommendations

6.1. Standardized reporting framework

Awqaf institutions should adopt standardized reporting principles that allow stakeholders to compare information across institutions and periods. Annual reports should ideally include financial statements, asset inventories, investment portfolios, administrative costs, distributions to beneficiaries, governance structures, audit findings, and social and developmental outcomes.

6.2. Professionalization of Awqaf management

Effective governance requires qualified personnel. Awqaf managers need expertise not only in Shariah and traditional waqf principles but also in financial management, investment, accounting, auditing, risk management, law, strategic planning, and digital technologies. Continuous professional development should therefore constitute an integral part of Awqaf governance reform.

6.3. Independent auditing

Awqaf institutions should establish periodic independent audits proportionate to their size and complexity. Audit results should be communicated to relevant supervisory authorities and, subject to legal requirements, disclosed to stakeholders.

6.4. Performance measurement

Traditional financial indicators alone are insufficient for assessing Awqaf performance. Institutions should also evaluate social and developmental outcomes. Potential indicators include number of beneficiaries, continuity of services, return

on waqf assets, administrative cost ratios, asset utilization rates, investment diversification, beneficiary satisfaction, and contribution to relevant SDGs. This would shift assessment from asset preservation alone toward sustainable impact.

7. Digital Transformation and Awqaf Governance

7.1. Digital asset registration

Digital transformation can improve the identification and management of waqf assets. A centralized or interconnected digital database could record asset ownership or endowment status, location, legal documentation, valuation, income, maintenance status, investment status, and beneficiary information where legally appropriate.

Such a system could reduce information gaps and facilitate institutional monitoring. Recent work on digital transformation in waqf governance highlights the potential of digital and smart-administration mechanisms to improve management and transparency (Belbachir & Dellali, 2025).

7.2. Digital reporting and transparency

Digital reporting systems can enable institutions to publish financial and operational information more efficiently. Online dashboards could provide stakeholders with information on projects, revenues, expenditures, investments, and social outcomes.

However, digitalization should not be regarded as a substitute for governance. Technology can strengthen transparency only when supported by appropriate institutional controls, data-quality standards, cybersecurity, and accountability mechanisms.

7.3. Digital participation

Digital platforms can strengthen communication between Awqaf institutions and communities. Websites, mobile applications, and social media can facilitate donations, volunteering, beneficiary feedback, project updates, public consultations, and dissemination of impact reports.

The use of digital technologies should nevertheless respect privacy, cybersecurity, data protection, and relevant legal requirements.

7.4. Blockchain and emerging technologies

Blockchain technology may potentially support the integrity and traceability of certain waqf transactions by creating records that are difficult to alter retrospectively. Nevertheless, its adoption should be based on demonstrated institutional needs and cost-benefit analysis rather than technological enthusiasm alone.

The technology should complement, rather than replace, conventional auditing and institutional accountability.

8. Discussion

The analysis indicates that the main governance challenge facing contemporary Awqaf is not simply the absence of governance principles. Rather, it concerns the integration of these principles into a coherent institutional system.

The literature demonstrates several recurring issues. First, governance structures differ between jurisdictions. Second, the quality of disclosure and reporting varies between institutions. Third, managerial and supervisory responsibilities may not always be sufficiently differentiated. Fourth, digital transformation is creating new opportunities but also new governance requirements.

The empirical evidence from Malaysia is particularly relevant because Kamaruddin and Hanefah (2021) identified governance practices across policy, board, and process dimensions and emphasized the importance of disclosure. This supports the argument that formal institutional structures alone are insufficient unless accompanied by effective reporting and transparency.

Similarly, Sano and Kassim (2021) demonstrate the importance of the legal environment in shaping waqf governance. Their analysis supports the view that governance reform must take account of national institutional and regulatory circumstances rather than relying on a single universal model.

The literature review conducted by Sukmana (2020) further demonstrates that accountability, law, finance, and economic development are central themes in waqf scholarship. This suggests that governance should be understood as an interdisciplinary issue connecting Islamic law, institutional economics, accounting, finance, and public policy.

The findings of the present conceptual analysis therefore support an integrated governance model consisting of four mutually reinforcing components: Shariah compliance → institutional governance → accountability and transparency → sustainable impact. Digital transformation acts as a cross-cutting mechanism connecting these components by improving information collection, reporting, monitoring, and stakeholder communication.

9. Proposed Integrative Governance Framework

The proposed framework can be summarized as follows:

Input: Waqf assets; founder conditions; Shariah principles; legal and regulatory environment; stakeholder expectations.

Governance mechanisms: Clear institutional roles; mutawalli/managerial responsibilities; nazir/supervisory responsibilities; board oversight; Shariah supervision; risk management.

Accountability mechanisms: Financial reporting; independent auditing; disclosure; performance indicators; conflict-of-interest controls.

Participation mechanisms: Donors; beneficiaries; community; regulators; civil society; private-sector partners.

Digital infrastructure: Digital asset registry; electronic reporting; monitoring systems; online communication; digital feedback.

Outcomes: Better asset utilization; greater transparency; stronger accountability; improved institutional efficiency; greater stakeholder confidence; sustainable socio-economic impact.

This framework recognizes that governance is not an isolated administrative mechanism. Rather, it constitutes an integrated system linking the characteristics of the endowment with management, oversight, participation, technology, and developmental outcomes.

10. Future Research Directions

Future research should move beyond conceptual analysis and empirically test the proposed framework.

First, comparative studies could examine governance practices across different countries and identify institutional arrangements associated with stronger transparency and asset utilization.

Second, quantitative research could develop governance-performance indicators and test relationships between governance quality and waqf outcomes.

Third, qualitative research involving mutawallis, supervisory authorities, beneficiaries, donors, regulators, and investment managers could provide deeper insight into practical governance challenges.

Fourth, future studies should examine the effectiveness and risks of digital technologies in Awqaf management, particularly with regard to cybersecurity, data protection, digital identity, and blockchain applications.

Finally, further research could examine the relationship between Awqaf governance and specific SDGs using measurable indicators rather than relying solely on conceptual associations.

11. Conclusion

Awqaf possess substantial potential to contribute to sustainable social and economic development because of their capacity to preserve assets and generate continuing benefits. However, this potential cannot be realized solely through the existence of endowed assets. Effective governance is required to ensure that resources are preserved, managed efficiently, invested responsibly, and directed toward their intended purposes.

This study examined the relationship between governance frameworks and the specific conditions of Awqaf endowments. The analysis demonstrates that accountability, transparency, clear institutional responsibilities, professional management, independent oversight, stakeholder participation, and digital transformation are interconnected requirements for sustainable Awqaf governance.

The study proposes an integrative two-level governance model. The first level establishes universal minimum requirements concerning accountability, transparency, reporting, auditing, Shariah compliance, and oversight. The second allows these requirements to be adapted to the nature of individual endowments, founder conditions, legal environments, institutional capacities, and beneficiary needs.

This approach addresses the tension between standardization and flexibility. Excessive standardization may ignore the diversity of Awqaf assets and institutional environments, whereas excessive flexibility may weaken accountability and comparability. A balanced governance model can therefore provide common institutional safeguards while allowing context-sensitive implementation.

Digital transformation represents an important supporting mechanism. Digital asset registries, electronic reporting, monitoring systems, and stakeholder platforms can strengthen transparency and participation. Nevertheless, technology should be integrated within a broader governance framework rather than treated as an independent solution.

Ultimately, sustainable Awqaf governance requires a shift from a narrow focus on asset administration toward an integrated approach that connects asset preservation, institutional accountability, stakeholder participation, digital transformation, and measurable socio-economic impact. Such an approach can strengthen the capacity of Awqaf institutions to respond to contemporary development challenges while preserving their fundamental Islamic principles.

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