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MODELLING REMEDIES TO *WAQF* LIQUIDITY CONSTRAINTS: THE CASE OF *WAQF* UNIT TRUST MODEL (WUTM)

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ABSTRACT

The history of *the waqf* institution is rich with impressive achievements that cover each phase of socio-economic life and human development. However, recent initiatives among local *waqf* institutions indicate that the liquidity limitation contributes as the core concern to cultivating further development undertakings. This research aims to offer a sustainable source of financing through the application of the *waqf* unit trust model (WUTM) for local *waqf* institutions in mitigating their liquidity constraint to cultivate *waqf* undertakings such as land rejuvenation, health sector improvement, educational sector enhancement and other critical necessities. Specifically, this study aims to discover the liquidity constraints needed in *waqf* institutions in Malaysia, to propose an alternate WUTM in fostering liquidity of *waqf* assets, and to explore the pertinent stakeholders' stance on the feasibility of the model proposed. This research employs in-depth interview methods for data collection with the *waqf* practitioners such as authorities from the State Islamic Religious Council (SIRC), financial consultants linked to capital market development, academicians engaged with *waqf*-related projects, and regulators of Islamic capital market stationed in Klang Valley (the State of Selangor and Federal Territory of Kuala Lumpur), Penang and Johor state of Malaysia. Findings propose the craft of the WUTM framework could potentially assist in liquidity pooling, cash flow solutions and generate continuous income and wealth. This study contributes to the body of knowledge by offering a potential remedy for the liquidity constraint faced by *waqf* institutions.

KEYWORDS: WAQF, LIQUIDITY, WAQF UNIT TRUST MODEL (WUTM), ISLAMIC CAPITAL MARKET

ABSTRAK

Sejarah institusi wakaf kaya dengan pencapaian yang mengagumkan yang merangkumi setiap fasa kehidupan sosio-ekonomi dan pembangunan manusia. Walau bagaimanapun, inisiatif terkini dalam

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kalangan institusi wakaf tempatan menunjukkan bahawa kekangan kecairan merupakan isu utama yang menghalang perkembangan selanjutnya. Penyelidikan ini bertujuan untuk menawarkan sumber pembiayaan yang mampan melalui aplikasi Model Wakaf Unit Amanah (WUTM) bagi institusi wakaf tempatan dalam mengatasi kekangan kecairan untuk melaksanakan projek wakaf seperti pemulihan tanah, penambahbaikan sektor kesihatan, peningkatan sektor pendidikan dan keperluan kritikal lain. Secara khusus, kajian ini bertujuan untuk mengenal pasti kekangan kecairan yang dihadapi oleh institusi wakaf di Malaysia, mencadangkan WUTM sebagai alternatif bagi meningkatkan kecairan aset wakaf, serta meneroka pandangan pihak berkepentingan terhadap kebolehlaksanaan model yang dicadangkan. Penyelidikan ini menggunakan kaedah temu bual mendalam untuk pengumpulan data dengan pengamal wakaf seperti pihak berkuasa Majlis Agama Islam Negeri (MAIN), perunding kewangan yang terlibat dalam pembangunan pasaran modal, ahli akademik yang menjalankan kajian berkaitan wakaf, serta pengawal selia pasaran modal Islam di Lembah Klang (Negeri Selangor dan Wilayah Persekutuan Kuala Lumpur), Pulau Pinang dan negeri Johor. Dapatan kajian mencadangkan bahawa rangka kerja WUTM berpotensi membantu dalam pengumpulan kecairan, penyelesaian aliran tunai serta menjana pendapatan dan kekayaan secara berterusan. Kajian ini menyumbang kepada perkembangan ilmu dengan menawarkan penyelesaian berpotensi bagi mengatasi isu kekangan kecairan yang dihadapi oleh institusi wakaf.

KATA KUNCI: WAKAF, KECAIRAN, MODEL WAKAF UNIT AMANAH (WUTM), PASARAN MODAL ISLAM

1. BACKGROUND

The history of *waqf* (Islamic endowment) institutions is indeed filled with remarkable achievements that have contributed significantly to socio-economic development and human well-being across centuries (Thaker, 2023). From the early days of Islamic civilisation, *Wa waqf qf* has served as a robust social welfare system, financing essential services such as education, healthcare, infrastructure, and community development. Its scope has extended across many phases of human development, adapting to the socio-economic needs of societies, with notable examples illustrating its impact on different areas of life. *Waqf* in the education sector has as an instrumental role in the development of educational institutions throughout Islamic history. One of the most notable examples is the founding of Al-Qarawiyyin University in Fez, Morocco, in 859 A.D. (Hoque & Abdullah, 2021), which is recognised by UNESCO and the Guinness World Records as the oldest continuously operating degree-granting institution in the world. This university was funded through *Waqf* endowments, providing free education to students and sustaining itself through the revenue generated from endowed properties.

Similarly, the Al-Azhar University in Cairo, established in the 10th century, was funded and sustained by *waqf* (Hasan *et al.*, 2019). The institution became a global centre of Islamic learning, with its scholars making significant contributions to various fields, from theology to science. The funding from *waqf* ensured that students, including those from economically disadvantaged backgrounds, could access education. The income from *waqf* properties allowed these institutions to offer scholarships, maintain facilities, and attract scholars from around the world. Modern example in Malaysia, *waqf* has been used to establish Islamic schools (madrasahs) and assist educational development in universities such as the International Islamic University Malaysia (IIUM), which has been supported by *waqf* funds (e.g.: IIUM Endowment Fund) (IIUM Endowment Fund, 2024). This reflects the ongoing relevance of *waqf* in financing education and ensuring accessibility for future generations.

Uniformly, in the lens of healthcare, *waqf* also has a long history of contributing to the healthcare sector. During the medieval Islamic period, hospitals, known as *bimaristans* (Islamic hospitals), were often established through *waqf* endowments (Sulistyowati *et al.*, 2022). One of the earliest and most famous examples is the Al-Nuri Hospital in Damascus, founded in the 12th century by Sultan Nur al-Din Zangi, and claimed to be the first of its kind to give relevant education to doctors and record patient details. The bimaristans provided free medical services to the public, irrespective of religion or social status, and were funded entirely by *waqf*. Physicians, nurses, and medical supplies were all sustained by the income generated from *waqf* properties (Sulistyowati *et. al*., 2022; Al Ansari, 2013). The Mansuri Hospital in Cairo, established in 1284 by Sultan Qalawun, was another notable *waqf*-funded institution. This hospital was one of the largest in the medieval world and treated thousands of patients annually. *Waqf* not only covered the operating costs of the hospital but also ensured that it could offer free medical care to all patients. In contemporary times, the *waqf* model continues to contribute to healthcare. For instance, in Malaysia, the *Waqf* An-Nur Corporation, a subsidiary of Johor Corporation, has established *waqf* around 24 clinics, dialysis centres and hospitals offering affordable healthcare services to the underprivileged. The revenue generated from *waqf* properties helps subsidise medical treatments for low-income patients, making healthcare accessible and reducing the burden on government resources.

At the same time, *waqf* institutions have historically played a pivotal role in building and maintaining public infrastructure, including mosques, roads, bridges, and water supply systems. These infrastructural developments not only facilitated religious and social life but also contributed to the overall economic development of communities. An example is the development of public fountains and wells throughout the Ottoman Empire, funded by *waqf*. In arid regions, access to clean water was critical, and *waqf*-funded water systems ensured that the public had free access to drinking water. In many cities, entire neighbourhoods, including homes, markets, and public baths, were financed by *waqf* endowments, benefiting all sections of society (Çelik, 2015). In Malaysia, the *waqf* land development scheme has been used to build affordable housing projects and commercial developments. These projects provide housing for low-income families and generate income for the *waqf* institution. In Penang, for example, a joint venture between SIRC of Pulau Pinang and UDA Holdings as a developer has developed about 76 units of double-storey terrace houses and 21 units of commercial units at Seberang Jaya. In addition, many developed mixed-use properties, such as Project Seetee Aisah, include residential units, shops, and community centres. This not only helps meet the housing needs of the community but also generates sustainable income for the *waqf* institution, which can be reinvested in other social welfare projects.

Moreover, one of the primary goals of *waqf* is to support the poor and needy, and many *waqf* initiatives have been aimed at poverty alleviation. In medieval times, *waqf* institutions would establish soup kitchens and orphanages to provide food, shelter, and education for the underprivileged. These services were often provided free of charge, sustained by the income from *waqf* properties, ensuring the social and economic well-being of the most vulnerable segments of society (Teller, 2022). Modern-day examples can be seen in Türkiye, where the Turkish *Waqf* Foundation continues this tradition by managing large-scale social welfare programs that provide food, clothing, and educational support to the poor. The foundation uses the revenue generated from its *waqf* properties to fund programs that aim to alleviate poverty and support marginalised communities. With the Law on Foundations No. 5737, the General Directorate is given the duty to open and operate soup kitchens where necessary. Food aid services are carried out in the form of delivery of dry food packages consisting of 15 kinds of food products delivered to the address throughout the country. Dry food packages are distributed every month in Türkiye as well as in Kosovo, Bosnia Herzegovina, Macedonia, Turkish Republic of Northern Cyprus, and every year during Ramadan month (Directorate General of Foundations, Republic of Turkey, 2024).

Cisakca (1998) affirmed that the *waqf* institutions were shown to fulfil the community's needs without reliance on the government. The *waqf* endeavours in Malaysia have been the main source of contribution for the societal welfare inclusive for education, health care, national security, transportation facilities and basic infrastructure (Asuhaimi *et al.*, 2015). Moreover, the *waqf* institutions also contributed towards the preservation of the environment, religion and cultural heritage (Mohsin *et al*., 2016).

Hence it verified that the *waqf* institution has demonstrated its remarkable versatility in addressing the socio-economic needs of communities across different historical periods. Whether through the financing of education, healthcare, infrastructure, social welfare, or religious institutions, *waqf* has been an essential tool for promoting human development and ensuring the well-being of society. At present, *waqf* continues to play a vital role in modern Islamic economies, with innovative applications such as *waqf*-based microfinance, real estate development, and healthcare services, demonstrating its ongoing relevance. These examples reflect the *waqf* institution's rich legacy and its profound impact on various phases of human development throughout history.

This research aims to propose remedies to financial liquidity constraints faced by *waqf* institutions in Malaysia. The research further makes evident the feasibility of *waqf* unit trust model (WUTM) in mitigating the liquidity limitations. Specifically, this study targets to achieve the outline objectives as to discover the liquidity constraints need in *waqf* institutions in Malaysia, to propose an alternate WUTM in fostering liquidity of *waqf* assets and to explore the pertinent stakeholders' stance on the feasibility of the model proposed.

2. *WAQF* LIQUIDITY CONSTRAINTS

Despite the significant achievements of *waqf* institutions, their efforts have been fraught with numerous challenges. The stagnation of *waqf* assets can be attributed to several factors. Among these are the inconsistencies in laws and enactments governing *waqf* assets across different states (Kader, 2016), the non-strategic location of *waqf* lands (Othman, 2015), and a low level of public awareness regarding *waqf* (Adeyemi *et al*., 2016). Additionally, the deteriorating physical condition of *waqf* assets, poor record-keeping practices (Ihsan & Hameed, 2011), unauthorised encroachments by individuals seeking personal gain, inadequate database management, and a lack of both human capital and financial resources (Pitchay & Jalil, 2016) remain persistent challenges. These factors have been identified as key reasons for the underdevelopment of *waqf* assets (Yusof, 1999; Hamid, 1999; Sabit *et al.*, 2005; Amuda & Embi, 2013; Siraj & Karbhari, 2014; Pitchay & Jalil, 2016), leading to the mismanagement and unproductive utilisation of *waqf* assets in many countries (Harun *et al.*, 2012).

The SULTAN OF PERAK, HRH SULTAN NAZRIN MUIZZUDDIN SHAH, who envisioned the country becoming a global leader in the Islamic finance industry, has moved the Malaysian *waqf* institutions toward a global orientation (Sultan Nazrin Muizzuddin Shah, 2018). HRH further asserts the crucial need for *waqf* institutions to gain the trust for social-economic expansion and sustainability and act as an exemplary to other countries to emulate and pave the means for internationally essential development. The *waqf* endeavours in Malaysia were mainly sourced by the federal government funding through the RMK9-10 to each SIRCs. Bernama reported that under RMK-9 RM256.89 million was allocated for the development of 16 projects and RM72.76 million in RMK-10 for 10 selected projects (BERNAMA, 2012). Nevertheless, recent statistics depict that only 12% of 31,000 hectares of *waqf* land has been developed (Aziz, 2019). Further, Amarudin (2017) reported that millions of ringgits worth of *waqf* land are still idle as the SIRC has no adequate funding and liquid funds and expertise available to develop it.

Even though throughout the year some of the issues have been gradually rectified, the inadequate capital reserves especially in the form of mobilising liquid *waqf* funds under each State Islamic Religious Council (SIRC) remain an issue that has to be rectified now for better *waqf* institution locus in the future. Addressing these constraints requires innovative strategies, such as crowdfunding cash *waqf* models, which not only alleviate monetary limitations but also enhance transparency, wealth circulation, and financial inclusion (Al-Daihani *et al.*, 2024). Furthermore, *waqf* capacity to support sustainable development goals highlights its critical role in achieving social welfare and economic sustainability (Hashmi, 2022). Thus, efficient cash *waqf* structures and supportive legal frameworks are imperative for maximising *waqf* impact on socio-economic progress. Thus, the sustainability of effort is essential for the *waqf* institutions to maintain adequate liquidity used to support the development and flourishising the socio-economic well-being and stability of ummah at large.

Liquidity assessment is vital to cultivate robust economic operations. While the pool of *waqf* assets endowed is important, at the same time, the liquidity criteria of the endowed *waqf* assets are equally essential to further escalate the capacity of *waqf* assets distribution to its beneficiaries and further development of *waqf* institutions. Table 1 illustrates the comparison with other *waqf* models in terms of liquidity, investment mechanisms, sustainability and governance;

TABLE 1: COMPARISON WITH OTHER *WAQF* MODELS

Model	Liquidity	Investment Mechanism	Sustainability	Governance
Traditional Fixed-Asset *Waqf*	Low	Primarily real estate and endowments	Limited	Managed by SIRCs or *waqf* trustees
Cash *Waqf*	Moderate	Deposited in *waqf* banks or financial institutions	Dependent on donors' contributions	Requires financial institution involvement
Waqf Crowdfunding Model	Moderate to High	Digital fundraising platforms with micro-investments	Sustainable if donor engagement is maintained	Requires FinTech platforms for transparency
Waqf Unit Trust Model (WUTM)	High	Invested in *Shariah*-compliant unit trusts	Self-sustaining with reinvestment	Regulated by Islamic financial institutions and SIRCs

Source: Table by Authors

Liquidity and financial constraints are highly correlated with each other (Hovakimian & Titman, 2002). The investigation by Hovakimian and Titman (2006) asserts that financially constrained firms are likely to have higher liquidity risk than unconstrained firms, and illiquid firms are expected to have more financial constraints than liquid firms. This reflects the same need of SIRCs in managing *waqf* collection whereby the *waqf* asset in the form of liquid is an essential element to efficiently manage and develop the existing *waqf* assets (Thaker & Pitchay, 2018).

Hasan and Abdullah (2008) in discovering the investment of *waqf* land as an instrument of Muslim economics in Malaysia highlighted that the issue of financial resources is found as the major factor that limits the growth of *waqf* lands in Malaysia. On that note, Sabit (2009) asserted that the *waqf* institution needs to be independent and self-reliant to overcome liquidity problems. This is because the SIRCs in Malaysia commonly depend on government grant allocation. Studies have shown that special grants and resources amounting to RM 329.2 million were allocated to JAWHAR in the 9th Malaysian Plan (RMK-9) and 10th Malaysia Plan (RMK-10) to develop *waqf* projects including hotel development, dialysis centre, and shop houses (Mokhtar, 2014, 2014; Thaker & Pitchay, 2018). BERNAMA (2012) reported that in (RMK-10), unfortunately, the government has reduced the allocation of the budget to RM72.76 million because of unwanted economic reasons. Utilising the total allocation of budget in RMK-9 and RMK-10, it was known that only 0.16 per cent of total existing *waqf* land was managed to develop. This depicts that the major constraint to empowering and nurturing *waqf* assets in Malaysia lies in liquidity availability.

That, investigation by Yeh *et al.* (2022), Moghaddam and Mohammadi (2016) and Chang *et al.* (2007) found that financial constraints can significantly impact the liquidity and investment decisions of *waqf* institutions. These constraints often lead to higher liquidity risks and can affect the ability to raise capital. Chowdhury *et al*. (2012) distinguished that there are certain issues about the administration of *waqf* assets, specifically related to financial and liquidity constraints. Chowdhury *et al*. (2012) claimed there was an occasion where the *waqf* funds were found insufficient to even bear the operational cost of existing *waqf* properties. It is also found that several existing *waqf* properties are known as not capable of self-generating income. Receiving the earning of compensation for the acquisition of *waqf* properties also experiences unbearable delays. Thus, these issues could further impede the liquidity resources within *waqf* institutions.

Several studies conducted to examine the present development of *waqf* in many countries. Most of the researchers focused on how to revive the role of *waqf* in the present environment which becomes ineffective because of capital or financial constraints, in particular. According to the earlier study until recent studies (Ahmad, 2007; Puad *et al.*, 2014; Jalil, 2020; Kamaruddin, 2024) on *waqf* challenges in Malaysia, it is commonly found that there was a lack of capital for developing existing *waqf* assets. It is further asserted that the income generated from *waqf* assets is too low due to a few factors such; as the rental of the *waqf* assets being lower than the market value; the rental payments for *waqf* assets being long overdue; and lack of manpower for collecting rentals.

As an implication, the disbursement of SIRCs exceeds the revenue generated. In a similar vein, Habshi and Othman (1998) noted that Muslim countries like Malaysia are struggling to use the existing *Waqf* lands because of internal constraints. According to their findings, financial constraints are among the main factors that hindered the growth of *waqf* assets in Malaysia. Their findings are relatively consistent with the recent study conducted by Pitchay *et al.* (2015) and Mahomed (2019) who found that the lack of capital faced by *waqf* institutions is among the main reasons why *waqf* lands and immovable *waqf* assets could not continuously benefit the society at large. Stressing the issue, Mahomed (2019) asserted that 13, 400 hectares of underdeveloped or idle *waqf* property in Malaysia will become a burden to future generations as significant portions are untouchable once designated as *waqf*.

Studies to date have inclined to emphasise merely on the financial constraints in developing *waqf* assets by SIRCs (Sabit *et al.*, 2005; Mohsin *et al.*, 2016; Osman *et al.*, 2016; Pitchay & Jalil, 2016; Thaker 2018; Jalil, 2020; Kamaruddin, 2024). Almost none of the earlier studies attempted to discuss or conceptualise a *waqf* institution's expansion through strengthening the liquidity requirement.

3. METHODOLOGY

Seidman (2006) highlights that interviews are a valuable data collection method, enabling researchers to directly engage with respondents' narratives, and facilitating a meaning-making process. This approach seeks to elicit reliable and meaningful insights based on participants' experiences and perspectives, particularly regarding strategies to advance *waqf* development. To ensure confidentiality, participants' identities are coded to safeguard sensitive information. This study employs in-depth interviews with *Waqf* practitioners, including representatives from State Islamic Religious Councils (SIRC), financial consultants, academicians involved in *Waqf*-related initiatives, and regulators based in Klang Valley (Selangor and Kuala Lumpur), Penang, and Johor, Malaysia. The number of interview participants is determined by data saturation, ensuring comprehensive coverage of relevant themes. A judgmental sampling method is utilised to select respondents with substantial knowledge, expertise, and exposure in the *Waqf* domain, ensuring the quality and relevance of the data collected. Overall details of the respondents in the interview are shown in Table 2 below;

TABLE 2: DESCRIPTION OF RESPONDENTS

No	Gender	Experience	Age range	Position	Institutions	Code
1	Male	5-10 years	30-35	Associate Financial Adviser	EZAZ Wealth Management & Consultancy	FC1
2	Male	15-20 years	35-40	Penolong Pengurus Kanan	Unit Pengurusan *Waqf*, Bahagian Pembangunan	S1

					dan Pelaburan, MAIWP	
3	Female	10-15 years	40-45	Timbalan Pengurus	Unit Pengurusan *Waqf*, Bahagian Pembangunan dan Pelaburan, MAIWP	S2
4	Male	5-10 years	30-35	Penolong Pegawai Hal Ehwal Islam	Unit Pengurusan *Waqf*, Bahagian Pembangunan dan Pelaburan, MAIWP	S3
5	Male	25-30 years	45-50	Chief Executive Officer/ Director	I-VCAP Management Sdn Berhad	FC2
6	Male	25-30 years	45-50	Head, Business Development	I-VCAP Management Sdn Berhad	FC3
7	Male	30-35 years	50-55	Resident Expert (Business Advisory)	(IBFIM) & (JAWHAR) Islamic Banking & Finance Institute Malaysia & Jabatan Wakaf, Zakat and Haji	A1
8	Male	10-15 years	30-35	Senior Lecturer	School of Management, Universiti Sains Malaysia	A2
9	Male	25-30 years	40-45	Secretary	Department of Management, MAINPP	S4
10	Female	30-35 years	50-55	Senior Lecturer	International Centre for Education in Islamic Finance (INCEIF)	A3
11	Male	15-20 years	30-35	Halal Investment Advisor	PMB Investment Berhad	FC4
12	Female	10-15 years	30-35	Land Planner Executive	Bahagian Penyelidikan & Pelaburan, Perbadanan Wakaf Selangor	S5
13	Male	15-20 years	45-50	Director	IIUM Endowment Fund	WC1
14	Male	10-15 years	30-35	Manager	Finance Division, Perbadanan Wakaf Selangor	S6
15	Male	10-15 years	35-40	Assistant General Manager, Islamic Capital Market Development. Development & Islamic Market	Securities Commission Malaysia	R1
16	Male	30-35 years	45-50	Director	Centre for Management of *Waqf*, Zakat and Endowment (WAZAN), UPM	WC2

Source: Table by Authors

The demographic analyses of respondents listed in Table 2 above belong to participants in the Islamic finance and *waqf* management sectors. Demographics reveal a diverse range of experience, age, and institutional affiliations. The dataset comprises 16 individuals, predominantly male (12 males and 4 females), with varying years of experience ranging from 5 to over 30 years. The age distribution spans from 30 to 55 years, with a notable concentration in the 30-35 and 45-50 age brackets. Positions held by these professionals include roles such as Associate Financial Adviser, Penolong Pengurus Kanan, Timbalan Pengurus, and Chief Executive Officer, among others. Institutions represented in this dataset include EZAZ Wealth Management & Consultancy, Unit Pengurusan *Waqf* (MAIWP), I-VCAP Management Sdn Berhad, Islamic Banking & Finance Institute Malaysia (IBFIM), Universiti Sains Malaysia, and the International Centre for Education in Islamic Finance (INCEIF). The data highlights a significant presence of senior roles, such as directors and managers, indicating a high level of expertise and leadership within the field. Additionally, the inclusion of academic positions, such as senior lecturers, underscores the integration of educational and practical aspects in the professional landscape of Islamic finance and *waqf* management. This demographic profile provides a comprehensive overview of the key players in this sector, reflecting a blend of seasoned professionals and emerging leaders contributing to the development and management of Islamic financial and *waqf* institutions.

4. FINDINGS

Waqf, as a vital bridge between societal and economic needs, plays a significant role in promoting economic and social inclusion. With instruments such as cash *waqf*, its inherent liquidity and diverse fund mobilisation mechanisms. At the same time, cash *waqf* can be vital instruments, especially for investment and direct *waqf* allocations, resulting in significant contributions to economic and infrastructure development (Hamza, 2017), particularly in countries with high levels of financial exclusion and social deprivation (Nafar, 2019). Another impact of *waqf* liquidity constraints also that they hinder the effectiveness of *waqf* funds in addressing socio-economic difficulties and integrating Islamic redistributive institutions into inclusive development (Nafar, 2019).

This research aims to propose remedies to financial liquidity constraints faced by *waqf* institutions in Malaysia. The research further makes evident the feasibility of WUTM in mitigating the liquidity limitations. Specifically, this study aims to achieve the following outline objectives to discover the liquidity constraints needed in *waqf* institutions in Malaysia, to propose an alternate WUTM in fostering liquidity of *waqf* assets and to explore the pertinent stakeholders' stance on the feasibility of the model proposed. Based on the interview with respondents abovementioned in Table 1, several key findings align with the research objectives regarding liquidity constraints, the proposed WUTM, and stakeholders' perspectives.

4.1 Liquidity Constraints in Waqf Institutions

FC1 highlighted that managing *waqf* funds requires careful planning to avoid depreciation, especially given the volatility of fiat money. He emphasised the importance of diversifying investments to mitigate risks and ensure stable returns. Traditional investment platforms like fixed deposits and *sukuk* are preferred for their stability, but they often yield minimal returns, barely covering inflation rates. This underscores the need for more dynamic investment strategies to enhance liquidity while safeguarding the principal amount.

A2 highlighted that *waqf* institutions in Malaysia face significant challenges due to a shortage of human capital and financial resources. Many *waqf* assets, particularly land, remain idle because the State Islamic Religious Councils (SIRCs) lack the expertise to turn these assets into productive investments. The reliance on individuals with primarily religious backgrounds, rather than those with investment and financial expertise, exacerbates this issue. Additionally, the governance and bureaucratic hurdles within SIRCs further impede the efficient management and development of *waqf* assets.

A1 highlighted that *waqf* institutions in Malaysia face significant challenges in managing liquidity due to the traditional perception of *waqf* assets being limited to physical forms like buildings and land. There is a need to shift this perception to include financial instruments such as unit trusts, which can enhance liquidity. The expert emphasised that cash *waqf*, when invested in financial instruments like unit trusts, can be considered a *waqf* asset. This shift requires creating awareness among society and stakeholders about the broader definition of *waqf* assets.

The interview with WC1 highlighted several liquidity constraints faced by *waqf* institutions. One major challenge is maintaining the principal amount of cash *waqf* to prevent depreciation. The WC1 primarily invests in short-term, low-risk instruments like fixed deposits to ensure liquidity and security. However, the volatility of the market can impact the value of cash *waqf*, making it difficult to sustain the principal amount over time. Additionally, the lack of tax exemptions for *waqf* contributions compared to Zakat reduces the incentive for public donations, further constraining liquidity.

The interview with FC2 and FC3 highlighted that *waqf* institution in Malaysia face challenges related to the scattered expertise and varying levels of human resources across different states. While some states like Perak, Johor, Wilayah, and Selangor are more advanced in terms of literacy and resources, others lag behind. This disparity affects the overall efficiency and effectiveness of *waqf* management. Additionally, the need for a common platform and standardised guidelines at the national level was emphasised to streamline *waqf* activities and ensure consistent practices across all states.

S1, S2 and S3 highlighted significant challenges related to human and financial resources in *waqf* institutions. S1, S2 and S3 claim that not all *waqf* institutions are well equipped as some of them face a shortage of staff with comprehensive knowledge in *waqf* management, which affects the efficiency of *waqf* operations. The collection of *waqf* funds is relatively low, with most contributions coming from cash *waqf* through salary deductions, direct banking, and mosque collections. The lack of awareness and promotion of *waqf* also contributes to the limited financial resources. Additionally, the preference for low-risk investments, such as fixed deposits, to avoid depreciation of the principal amount further constrains liquidity.

FC4 highlighted that the main issue in *waqf* institutions is not the generation of *waqf* funds but the effective management and utilisation of these funds. There is a need for a business-oriented approach to managing *waqf* funds, focusing on financial strategies to grow the capital. The advisor emphasised that the current practice of collecting and immediately spending *waqf* funds without a growth strategy leads to a lack of sustainability. Additionally, the shortage of human capital with expertise in financial management is a significant constraint. The FC4 suggested that business professionals, rather than solely religious scholars, should be involved in managing *waqf* funds to ensure effective financial management and growth.

A3 highlighted significant challenges related to human capital and financial resources in *waqf* institutions. There is a shortage of skilled and knowledgeable personnel capable of managing *waqf* assets efficiently and finding innovative ways to enhance their productivity. Additionally, there is a lack of initiative in redeveloping idle *waqf* properties, which leads to unproductive assets. A3 emphasised the need for a comprehensive inventory of *waqf* properties and the identification of suitable redevelopment strategies based on their locations and potential uses.

S6 highlighted several liquidity constraints faced by *waqf* institutions. One significant issue is the impact of economic factors such as the implementation of GST and SST, which have reduced public contributions to *waqf* funds. Additionally, there is a preference for low-risk investments, such as fixed deposits, which limits the potential for higher returns. The strict criteria set by the fatwa committee also restrict the diversification of investments into other financial instruments like unit trusts and equities. This conservative approach is driven by the concern of potential depreciation in the value of *waqf* funds, which hinders the growth and optimal utilisation of these funds.

S5 highlighted several challenges related to liquidity constraints in *waqf* institutions. One major issue is the difficulty in developing *waqf* lands, especially those that are small in sise or located in rural and outback areas. These lands often become idle and unproductive due to their non-strategic locations and lack of accessibility. Additionally, the financial resources available for *waqf* projects are limited, making it challenging to cover operational costs and undertake new developments. The reliance on cash *waqf* contributions alone is insufficient to support large-scale projects, and obtaining financing from banks is also difficult.

R1 highlighted that one of the main challenges in *waqf* institutions is the lack of comprehensive data and statistics on *waqf* assets. This lack of information makes it difficult to manage and develop *waqf* properties effectively. Additionally, there is a need for a centralised or at least a well-organised database at the state level to track *waqf* assets and their utilisation. R1 also pointed out the difficulty in getting buy-in from State Islamic Religious Councils (SIRCs) for new financial products and investment strategies, which limits the potential for innovative approaches to managing *waqf* funds.

S4 highlighted several challenges related to liquidity constraints in *waqf* institutions. One significant issue is the conservative definition of cash *waqf* upheld by MAINPP, which requires converting cash into tangible assets before it is considered *waqf*. This traditional approach limits the flexibility and immediate utilisation of cash *waqf* for investment purposes. Additionally, there is a lack of expertise and innovative thinking within the SIRC to explore contemporary concepts and models for *waqf* management. To complicate the issue, if there's any bureaucratic structure and reliance on traditional scholars, it further hinders the adoption of new ideas and practices.

WC2 highlighted significant challenges related to liquidity constraints in *waqf* institutions. One major issue is the inherent risk and instability associated with using cash as a *waqf* instrument due to its nature as fiat money, which is subject to inflation and market manipulation. WC2 emphasised the preference for converting cash *waqf* into tangible assets to mitigate these risks. Additionally, there is a lack of comprehensive support and understanding of *waqf* within the political and regulatory framework, which hampers the optimal utilisation and management of *waqf* assets. The perception of *waqf* as an outdated or intangible concept further complicates efforts to market and expand *waqf* initiatives.

4.2 Proposed Waqf Unit Trust Model

The WUTM model, as discussed, appears feasible and beneficial for managing *waqf* assets. FC1 noted that the model's structure, which involves trustees holding the funds and professional fund managers handling investments, is similar to existing trust management practices in banks. This structure ensures that the funds are secure and managed professionally, potentially leading to better returns. FC1 also mentioned the importance of having a diversified portfolio, including a mix of low, medium, and high-risk investments, to optimise returns while managing risks effectively.

A2 expressed support for the WUTM model, noting its potential to provide a sustainable solution for managing *waqf* assets. A2 emphasised that the model's success would depend on professional management and collaboration between SIRCs and financial institutions. The WUTM model could leverage the expertise of unit trust managers to diversify investments and optimise returns, thereby enhancing the liquidity of *waqf* assets. A2 also suggested that the model should include a reinvestment strategy to compound growth over time, ensuring the perpetuity and sustainability of *waqf* funds.

A1 opined that the WUTM model is seen as a viable solution to foster liquidity of *waqf* assets. The expert explained that the model should involve the accumulation of cash *waqf*, which is then invested in unit trusts under the supervision of regulatory bodies like the Securities Commission Malaysia (SCM). This approach ensures the preservation of the principal amount while generating returns. The model's structure should include trustees for both the *waqf* fund and the investment fund to ensure proper administration and security of the assets. The expert also suggested that the model could incorporate various Islamic financial contracts, such as *Musharakah*, *Mudharabah*, *Tawarruq*, *Wakalah*, and *Ujrah*, to diversify investment strategies.

WC1 opines the WUTM model as a potential solution to enhance the liquidity of *waqf* assets. The WC1’s experience with cash *Waqf* and endowment funds suggests that pooling funds and investing in diversified financial instruments can generate returns while preserving the principal. The WC1 follows a reinvestment strategy where 40% of the yield is reinvested to ensure sustainability. This approach aligns with the WUTM model's objective of fostering liquidity through strategic investments. The WC1’s practice of combining funds with university investments and specifying portions for endowment purposes also supports the feasibility of the WUTM model.

FC2, FC3, S1, S2 and S3 opinions on the WUTM model are seen as a viable solution to enhance the liquidity of *waqf* assets. The interviewees suggested that the model should involve low-risk investments to secure the principal amount, with a mix of active and passive traded funds. Investments in stable companies, such as blue-chip stocks and *sukuk*, were recommended to ensure steady returns. The model could include different sets of *waqf* funds with varying investment horisons (e.g., 3, 5, 7 years) to cater to different needs and objectives. The importance of reinvesting a significant portion of the returns to sustain the fund was also highlighted.

The WUTM model is seen as a viable solution by FC4 as it has the potential to enhance the liquidity of *waqf* assets. The FC4 recommended long-term investments (5 years and above) in unit trusts to minimise risk and maximise returns. The model should involve a mix of equity investments and bonds, with a preference for bonds due to their capital protection and short-term return potential. The advisor also highlighted the importance of setting clear goals and strategies for the WUTM model, including the reinvestment of returns to sustain the fund. The use of professional fund managers and corporate trustees was suggested to ensure proper governance and management of the WUTM model.

The WUTM model is seen as a viable solution to enhance the liquidity of *waqf* assets. A3 suggested that the model should involve professional fund managers to ensure efficient management and growth of the *waqf* funds. The model should also provide flexibility for donors to choose between different types of *waqf* contributions, such as public, family, or *nushtarak* (a combination of both). This approach can cater to various donor preferences and ensure a sustainable flow of funds. Additionally, the model should allocate a significant portion of the returns for reinvestment to cover potential losses and ensure long-term sustainability.

The WUTM model is seen as a potential solution to enhance the liquidity of *waqf* assets. S6 suggested that a diversified investment portfolio could include fixed deposits, unit trusts, and equities to balance risk and return. S6 emphasised the importance of long-term investments to maximise returns and suggested a mix of 50% in fixed deposits, 30% in unit trusts, 10% in equities, and 10% in reserves. The model should also include a clear strategy for reinvestment and allocation of returns to ensure sustainability. S6 highlighted the need for flexibility and immediate decision-making in investment management to capitalise on market opportunities.

The S5 suggested that the model should involve strategic planning and optimal utilisation of *waqf* assets. This includes identifying suitable lands for development and engaging in joint ventures with developers to maximise the potential of *waqf* properties. The creation of subsidiary companies, such as Urus Maju Ehsan (M) Sdn Bhd, can help in the development and advancement of *waqf* lands. The model should also include mechanisms for *istibdal* (substitution) to replace fewer valuable lands with more strategic and beneficial properties.

The R1 is interested in leveraging the capabilities of asset management companies to manage *waqf* funds. The model could involve raising funds through *sukuk* for the development of *waqf* assets and engaging fund managers to structure and launch *waqf* funds. The idea is to create a retail market product that gives credibility to the fund and ensures that the public is comfortable contributing to it. The model should focus on maintaining the principal amount and using the returns generated for the beneficiaries. This approach ensures sustainability and allows for the reinvestment of returns to grow the fund further.

S4 suggested that the model should involve redefining the concept of cash *waqf* to include the principal amount collected as *waqf*, with the proceeds from investments distributed to beneficiaries. This approach aligns with contemporary needs and practices, allowing for quicker results and better utilisation of funds. The model should also address the structural issues within *waqf* management, such as clarifying the roles of sole trustees, *Mutawalli*, and *Nazir*, to ensure proper governance and accountability.

The WUTM model is seen as a potential solution to enhance the liquidity of *waqf* assets. WC2 suggested that the model should involve converting cash *waqf* into tangible assets and using a portion of the proceeds for reinvestment to ensure sustainability. WC2 highlighted the importance of adhering to *Shariah* principles and avoiding conventional financial systems that may involve *riba* (interest). The model should also include a clear strategy for allocating proceeds, with a significant portion dedicated to reinvestment, beneficiaries, and operational costs. This approach aligns with historical practices and ensures the long-term viability of *Waqf* funds.

4.3 Stakeholders' Stance on Feasibility

Stakeholders, including financial advisors and fund managers, generally support the WUTM model. FC1 pointed out that the model's success hinges on professional management and a clear understanding of the associated costs and charges. He suggested that the model could be enhanced by incorporating a reinvestment strategy, where a portion of the returns is reinvested to compound growth over time. This approach could significantly increase the fund sise and its impact on social causes. Stakeholders, including financial experts and SIRC representatives, generally view the WUTM model as feasible and beneficial. A2 noted that the model's implementation would require clear guidelines and transparency to build trust among stakeholders. He also highlighted the importance of educating SIRC staff and collaborating with professional fund managers to ensure effective management of *waqf* funds. The integration of Takaful (Islamic insurance) to hedge against investment risks was also recommended to safeguard the principal amount of *waqf* funds.

Concerning the stakeholders, including regulatory bodies, investors, and fund managers, generally A1 views the WUTM model as feasible and beneficial. The expert noted that the model's success would depend on gaining acceptance from governance and regulatory bodies, such as SIRCs, Bank Negara Malaysia (BNM), and SCM. Additionally, the model should adhere to *Shariah* compliance and standard operating procedures set by these bodies. The expert emphasised the importance of transparency, clear processes, and societal support to build trust and confidence in the model. Training and certification programs for *waqf* management staff were also recommended to address the shortage of human capital and enhance competency in managing *waqf* assets.

Stakeholders, including university management and financial experts, generally support the WUTM model. The WC1's collaboration with internal and external auditors ensures transparency and accountability, which are crucial for gaining stakeholders' trust. The WC1 also engages directly with donors, bringing them to meet the beneficiaries, which enhances confidence and transparency. However, challenges such as the rigid regulations imposed by State Islamic Religious Councils (SIRCs) and the need for professional fund management expertise remain. The WC1's reliance on short-term investments and the need for liquidity suggest that a more diversified and professionally managed investment strategy, as proposed in the WUTM model, could be beneficial.

Stakeholders, including regulatory bodies like the Securities Commission (SC), are generally supportive of the WUTM model. FC2, FC3, S1, S2, and S3 noted that SC's involvement would ensure proper regulation and protection of both donors and beneficiaries. The need for transparency and periodic reporting to donors was emphasised to build trust and confidence in the model. Additionally, the FC2, FC3, S1, S2, and S3 suggested that Takaful operators could potentially ensure the capital for investment, providing an extra layer of security.

Stakeholders, including regulatory bodies and financial experts, generally support the WUTM model. The FC4 emphasised the need for good governance, transparency, and trust to attract and retain donors. The involvement of regulatory bodies like the Securities Commission (SC) would ensure proper regulation and protection of both donors and beneficiaries. The FC4 also suggested that Takaful operators could potentially provide coverage for the WUTM model, offering an additional layer of security for the investment. The importance of a business-oriented approach and the involvement of corporate professionals in managing *waqf* funds were reiterated to ensure the model's success.

Stakeholders, including regulatory bodies and financial experts, generally support the WUTM model. A3 emphasised the importance of good governance, transparency, and trust to attract and retain donors. The involvement of regulatory bodies like the Securities Commission (SC) would ensure proper regulation and protection of both donors and beneficiaries. The model should also include a monitoring system to oversee the management of *Waqf* properties and ensure compliance with *Shariah* principles. A3 suggested that the model could benefit from integrating knowledge from various fields, including *Shariah*, economics, finance, and management, to improve overall efficiency.

Stakeholders, including regulatory bodies and financial experts, generally support the WUTM model. S6 noted that the involvement of professional fund managers and corporate trustees would ensure efficient management and governance of the WUTM model. S6 also emphasised the importance of good governance, transparency, and trust to attract and retain donors. The model should comply with *Shariah* principles and be approved by the fatwa committee to gain acceptance. S6 mentioned that the Fatwa Committee has shown some openness to the idea of investing *Waqf* funds in financial instruments, provided that the risks are managed appropriately.

Stakeholders, including regulatory bodies and financial experts, generally support the WUTM model. S5 emphasised the importance of gaining consent from donors and beneficiaries before implementing *istibdal* processes. Transparency and clear communication with stakeholders are crucial to ensure their confidence and support. The involvement of professional fund managers and developers can enhance the efficiency and effectiveness of *waqf* land development. Additionally, the model should comply with Shariah principles and be approved by the fatwa committee to gain acceptance.

Stakeholders, including regulatory bodies and financial experts, generally support the WUTM model. R1 emphasises the importance of engaging with SIRCs and other stakeholders to create awareness and address any concerns they may have. The involvement of professional fund managers and the use of structured financial products can help gain the confidence of the public and ensure the effective management of *Waqf* funds. R1 also highlights the potential for exporting expertise in managing *waqf* funds to other countries, which could further enhance the credibility and impact of the WUTM model.

Stakeholders, including regulatory bodies and financial experts, generally support the WUTM model. S4 emphasised the importance of engaging with external entities and professionals to bring in the necessary expertise for managing *waqf* investments. S4 also highlighted the need for clear definitions and roles within the *waqf* management structure to avoid misunderstandings and ensure effective administration. The involvement of professional fund managers and the use of structured financial products can help gain the confidence of the public and ensure the effective management of *Waqf* funds.

Stakeholders, including regulatory bodies and financial experts, generally support the WUTM model. WC2 emphasised the need for collaboration between religious scholars and contemporary financial experts to effectively manage *waqf* investments. WC2 also highlighted the importance of integrating *waqf* management with modern financial practices while maintaining adherence to Islamic principles. The involvement of professional fund managers and the use of structured financial products can help gain the confidence of the public and ensure the effective management of *waqf* funds. Additionally, there is a need for a supportive regulatory framework and political will to facilitate the growth and development of *waqf* initiatives.

In summary, the interviews with FC1, A2, A1, WC1, FC2, FC3, S1, S2, S3, FC4, A3, S6, S5, R1, S4, and WC2 provide valuable insights into the concern over liquidity constraints faced by *waqf* institutions, the potential benefits of the WUTM model, and the positive stance of stakeholders towards its implementation. The findings suggest that with proper management, correct guidance from financial managers, strategic investment, and stakeholder collaboration, the WUTM model could effectively enhance the liquidity and sustainability of *waqf* assets in Malaysia.

The findings from the interviews suggest that the *Waqf* Unit Trust (WUTM) model can effectively address liquidity constraints in *waqf* institutions through several mechanisms. Firstly, liquidity pooling allows for the aggregation of *waqf* funds from various sources, creating a larger, more manageable pool of capital that can be strategically invested. This approach enhances the overall liquidity of *waqf* assets, making it easier to allocate funds where they are most needed. Secondly, cash flow solutions are integral to the WUTM model, as they ensure a steady stream of income from investments. By diversifying investments into low to moderate-risk instruments, such as fixed deposits, unit trusts, and equities, the model can generate consistent returns. These returns can then be reinvested or distributed to beneficiaries, ensuring a continuous flow of funds. Lastly, the WUTM model aims to generate continuous income and wealth by leveraging professional fund management and strategic investment practices. This not only preserves the principal amount but also grows the *waqf* fund over time, creating a sustainable financial ecosystem that supports the long-term objectives of *waqf* institutions. Through these elements, the WUTM model can significantly enhance the liquidity, sustainability, and impact of *waqf* assets in Malaysia.

Findings propose the craft of *Waqf* Unit Trust model framework could potentially assist in liquidity pooling, cash flow solutions and generate continuous income and wealth.

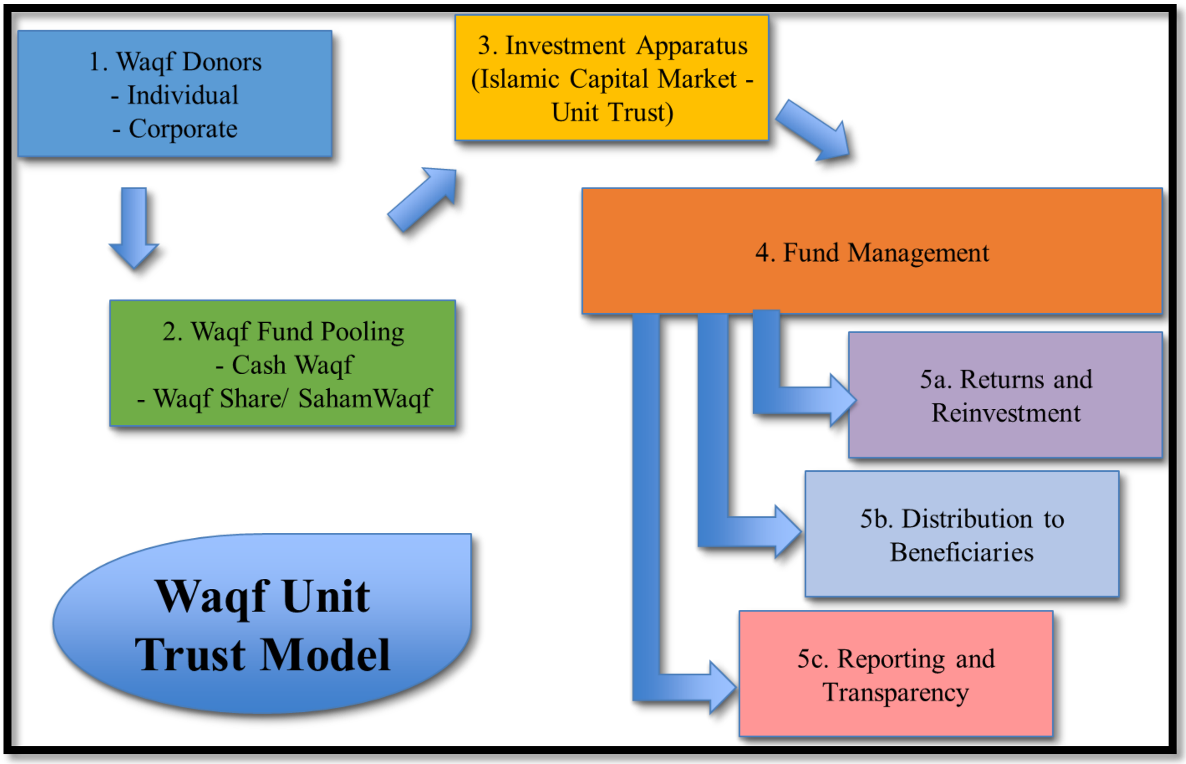

FIGURE 1: *WAQF* UNIT TRUST MODEL FRAMEWORK
Source: Figure by Authors

Based on the Figure 1 framework above, the modus operandi of WUTM model is as follows:

1. Fund Collection from *Waqf* Donors
    - Individual Donors: Contributions from individuals who wish to participate in the *Waqf* initiative.
    - Corporate Donors: Donations from businesses and corporations as part of their corporate social responsibility (CSR) programs.
    - Institutional Donors: Contributions from institutions such as universities, banks, and other organisations.
2. *Waqf* Fund Pooling
    - Aggregation of *Waqf* Funds: All collected funds are pooled together to create a larger, more manageable capital base.
    - Centralised Fund Management: A centralised system is established to manage the pooled funds efficiently.
3. Unit Trust as an apparatus for investment strategy.
    - Diversified Portfolio: The pooled funds are invested in a diversified portfolio to minimise risk and maximise returns. Instances of the portfolio can range from;
        - Fixed Deposits: Low-risk investments to ensure capital preservation.
        - Unit Trusts: Medium-risk investments to achieve steady growth.
        - Equities: Higher-risk investments for potentially higher returns.
    - Risk Management: Strategies are implemented to manage and mitigate investment risks.
4. Fund Management
    - Professional Fund Managers: Experienced fund managers are appointed to oversee the investment portfolio.

- Shariah Compliance: All investments are made by Shariah principles to ensure ethical and permissible financial practices.
- Regular Audits: Periodic audits are conducted to ensure transparency and accountability.

5a. Returns and Reinvestment

- Allocation of Returns: The returns generated from investments are allocated as follows:
    - Reinvestment (e.g., 40%): A portion of the returns is reinvested to grow the fund further.
    - Beneficiaries (e.g., 30%): Funds are distributed to various beneficiaries.
    - Operational Costs (e.g., 20%): Covering the costs of managing the *waqf* fund.
    - Reserve Fund (e.g., 10%): Setting aside funds for future contingencies.

5b. Distribution to Beneficiaries

- Education: Scholarships, school construction, and educational programs.
- Healthcare: Funding for hospitals, clinics, and medical services.
- Social Welfare: Support for the needy, orphans, and other vulnerable groups.
- Infrastructure Development: Building and maintaining public infrastructure such as roads, bridges, and community centres.

5c. Reporting and Transparency

- Regular Reports to Donors: Providing donors with periodic updates on the performance and impact of their contributions.
- Public Disclosure of Fund Performance: Making fund performance data available to the public to ensure transparency.
- Stakeholder Engagement: Engaging with stakeholders to gather feedback and improve the *Waqf* initiatives.

This framework ensures that WUTM operates efficiently, transparently, and sustainably, ultimately enhancing the liquidity and impact of *waqf* assets in Malaysia.

5. CONCLUSION

The history of *waqf* institutions is marked by significant achievements that span various phases of socio-economic life and human development. However, recent initiatives among local *waqf* institutions reveal that liquidity limitations are a primary concern hindering further development efforts. This research aims to provide a sustainable financing source through the implementation of a *waqf* Unit Trust Model (WUTM) to help local *waqf* institutions overcome their liquidity constraints and support initiatives such as land rejuvenation, health sector improvement, educational enhancement, and other critical needs.

Specifically, this study seeks to identify the liquidity constraints faced by *waqf* institutions in Malaysia, propose an alternative WUTM model to enhance the liquidity of *waqf* assets and explore stakeholders' perspectives on the feasibility of the proposed model. The research employs in-depth interviews for data collection with *waqf* practitioners, including authorities from State Islamic Religious Councils (SIRCs), financial consultants involved in capital market development, academicians engaged in *waqf*-related projects, and regulators of the Islamic capital market in Klang Valley (Selangor and Kuala Lumpur), Penang, and Johor.

The findings suggest that implementing innovative *waqf* models can help overcome liquidity constraints. The majority of respondents view that the WUTM model framework could potentially aid in liquidity pooling, provide cash flow solutions, and generate continuous income and wealth. At the same time, efficient management and optimal financial structures are crucial for the sustainability of *waqf* institutions. Moreover, proper investment strategies that consider liquidity and risk factors are essential to maintain the value and perpetuity of *waqf* funds. This study contributes to the body of knowledge by offering a potential solution to the liquidity constraints faced by *waqf* institutions.

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