

# A Comprehensive Analysis Measurement of Waqf Assets in Malaysia

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## Abstract

Waqf is pivotal in socio-economic development and community empowerment. Accurately measuring Waqf assets is crucial for effective resource allocation, strategic planning, and sustainable development. However, the existing literature on this subject needs to be more extensive, and the lack of standardized measurement frameworks poses challenges for stakeholders involved in Waqf management. This paper employs a multidisciplinary approach, integrating insights from Islamic finance, accounting, and legal studies. The study reviews the current practices of Waqf asset measurement in Malaysia and proposes a comprehensive framework that aligns with Islamic principles and contemporary financial reporting standards. Furthermore, the paper examines the legal and regulatory landscape surrounding Waqf in Malaysia, exploring how these factors impact the measurement and management of Waqf assets. The paper aims to provide a holistic understanding of the challenges and opportunities of Waqf asset measurement in Malaysia. The paper employs a qualitative approach and aims to contribute to the existing body of knowledge by offering a comprehensive and contextually relevant framework for measuring Waqf assets in Malaysia. It provides valuable insights for policymakers, regulators, and practitioners involved in Waqf management, offering a foundation for developing standardized practices that align with Islamic principles and international standards.

**Keywords:** Waqf, Waqf Reporting, Asset Measurement, Islamic Management, Islamic Finance

## Introduction

The practice of Waqf stands as a testament to the integration of religious principles with socio-economic development. Rooted in perpetual charity, Waqf has historically played a pivotal role in fostering community welfare, educational advancement, and healthcare provisions across the Islamic world. In the Malaysian context, the significance of Waqf is underscored by its potential to contribute to the nation's socio-economic progress while upholding Islamic principles. Despite the longstanding tradition of Waqf in Malaysia, the effective management and measurement of Waqf assets present challenges owing to the need for standardized frameworks. The multifaceted nature of Waqf assets, characterized by their perpetual nature, religious significance, and diverse financial structures, necessitates a

nanced and comprehensive measurement framework. Such a framework must not only align with Islamic principles but also adhere to contemporary financial reporting standards, ensuring transparency, accountability, and the efficient allocation of resources. In addition to the challenges posed by the unique characteristics of Waqf assets, the legal and regulatory landscape surrounding Waqf in Malaysia adds another layer of complexity. The study explores how existing legal frameworks impact the measurement and management of Waqf assets, providing a deeper understanding of stakeholders' contextual challenges in the Waqf ecosystem. This paper seeks to facilitate the effective utilization of Waqf assets for socio-economic development in line with Islamic principles and international standards.

### **Literature Review**

Waqf, as an integral component of Islamic economic and social systems, has deep historical roots that date back to the early days of Islam. The concept of Waqf involves the permanent dedication of assets for charitable and religious purposes, serving as a means to address social inequalities, promote education, and provide for the less fortunate. While the practice has endured through centuries, the contemporary management and measurement of Waqf assets in Malaysia present challenges that necessitate a thorough examination of existing literature.

### **Historical Evolution of Waqf**

The historical evolution of Waqf, deeply rooted in Islamic socio-economic traditions, traces its origins to the time of Prophet Muhammad, where acts of charity and communal welfare were encouraged. During the early Caliphate period, individuals began dedicating property and wealth to support mosques, schools, and charitable causes, marking the informal beginnings of Waqf as a mechanism for perpetual charitable giving (Abid & Miakhil, 2024). The Islamic Golden Age (8th to 14th century) witnessed significant advancements in science, education, and culture, with Waqf institutions playing a crucial role in fostering these developments by building libraries, hospitals, and centers of learning (Ali & Oseni, 2021). As Islamic civilizations expanded, the diversity of Waqf grew, encompassing agricultural land, commercial properties, and financial instruments, reflecting its adaptability to varying economic structures (Salleh et al., 2022).

However, the decline of Islamic empires and colonial influences in the 19th and early 20th centuries led to a weakening of Waqf institutions. In the post-colonial era, there has been a revival of interest in Waqf, with various countries, including Malaysia, seeking to rejuvenate and modernize these institutions (Ridwan, 2021). The contemporary era poses new challenges for Waqf, including changing legal frameworks, economic structures, and global financial systems. Despite these challenges, ongoing efforts to modernize Waqf management, align it with contemporary finance principles, and integrate it into sustainable development agendas reflect its historical resilience and adaptability (Jannah et al., 2021).

### **Islamic Finance and Waqf**

The symbiotic relationship between Islamic finance and Waqf forms a critical nexus where financial principles harmonize with charitable endeavors, presenting a distinctive framework for sustainable socio-economic development. Rooted in Shariah law, Islamic finance operates on principles that align seamlessly with Waqf, emphasizing ethical transactions, social responsibility, and the prohibition of usury. This compatibility, as explored by Siddiqi (2006), establishes a robust foundation for integrating Waqf into broader Islamic financial

frameworks. Furthermore, the literature delves into the synergies between Waqf and other Islamic financial instruments, such as Sukuk and Islamic banking, showcasing how these instruments can complement each other for mobilizing resources and funding impactful projects while adhering to Shariah compliance (Ahmed, 2021). Despite this alignment, challenges emerge in Waqf's governance and financial reporting aspects within Islamic finance.

Ainol-Basirah and Siti-Nabiha (2022) addresses these challenges, highlighting the need for transparency, accountability, and standardized financial reporting frameworks tailored to the unique characteristics of Waqf assets. Additionally, the literature explores Islamic finance's risk management and ethical investment dimensions and their relevance to Waqf (Khalid et al., 2019). This discussion sheds light on how risk-sharing practices and ethical investment criteria can be applied to Waqf, ensuring the preservation and growth of endowed assets. Moreover, Islamic finance principles, emphasizing financial inclusion and microfinance, find resonance in the objectives of Waqf. Elarag (2022) discuss the potential of Waqf in promoting financial inclusion and microfinance, aligning with the inclusive principles of Islamic finance. This perspective emphasizes the role of Waqf in empowering marginalized communities through the provision of resources following Islamic principles.

### **Challenges in Waqf Asset Measurement**

The measurement of Waqf assets presents a complex set of challenges rooted in the unique nature of Islamic finance. One of the primary challenges in measuring Waqf assets arises from their perpetual nature. Waqf assets are intended to exist indefinitely, and their value is often challenging to quantify over extended periods. Traditional financial valuation models may not be directly applicable, necessitating the development of specialized approaches that account for the enduring nature of this method (Kamaruddin et al., 2022). Additionally, the diverse forms in which Waqf assets manifest, including real estate, financial instruments, and tangible assets, contribute to complexity. The absence of standardized frameworks for assessing these diverse forms leads to inconsistency in measurement practices, as emphasized by (Iqbal and Mohamed, 2022).

Waqf assets' religious and cultural significance introduces another layer of complexity, challenging conventional quantitative measurement approaches. Their intangible nature complicates the assessment of non-financial benefits and social impact, requiring methodologies that extend beyond traditional financial metrics (Haron et al., 2021). Furthermore, the need for universally accepted measurement guidelines for Waqf assets hampers comparability and contributes to inconsistencies, necessitating consensus in developing standardized frameworks (Kamaruddin & Hanefah, 2021). Lastly, legal and regulatory constraints surrounding Waqf introduce challenges in asset measurement, with varying interpretations and frameworks across jurisdictions impacting valuation and management (Laluddin et al., 2021). Addressing these challenges requires interdisciplinary approaches, collaboration between scholars and practitioners, and the development of specialized measurement frameworks that align with Islamic principles and contemporary financial reporting standards.

### **Legal and Regulatory Frameworks**

The legal and regulatory frameworks surrounding Waqf assets are integral components that profoundly shape their governance and administration. These frameworks are rooted in Shariah principles, providing the ethical and legal foundations for establishing and operating

Waqf institutions. Hassan et al (2022) emphasize the significance of these principles in guiding the management and distribution of Waqf assets. Statutory frameworks and legislation further contribute to the legal landscape governing Waqf, delineating the rights, responsibilities, and limitations imposed on these institutions. Laldin and Haneef (2022) explore how these statutory frameworks influence various aspects, including asset management, distribution mechanisms, and governance structures. Legal interpretations of Shariah principles play a pivotal role in shaping the operational landscape for Waqf, impacting governance structures, distribution mechanisms, and beneficiary rights.

Hassan and Yusoff (2020) provides insights into the nuanced nature of legal considerations in the Waqf administration. The governance structures and regulatory oversight mechanisms outlined within the legal framework are crucial for ensuring transparency, accountability, and ethical conduct within Waqf institutions. Hassan and Yusoff also discuss the importance of robust governance structures and regulatory oversight in maintaining effective and ethical Waqf administration. However, legal frameworks also present challenges, including ambiguities in interpretations, conflicts with modern legal systems, and gaps in statutory provisions. Lamido and Haneef (2021) addresses these challenges while identifying opportunities for legal reforms that could enhance the efficiency and adaptability of Waqf operations within the prevailing legal environment.

### **International Standards and Best Practices for Waqf Management**

International standards and best practices play a crucial role in shaping the management of Waqf assets globally, requiring a harmonious blend of Islamic principles and contemporary financial and governance standards. A vital facet of these standards involves aligning Waqf operations with fundamental Islamic principles, emphasizing the importance of Shariah-compliant financial transactions, ethical investment practices, and the fulfillment of charitable objectives (Haron et al., 2021b). Transparency and accountability stand out as foundational elements in the best practices for Waqf management, encompassing precise reporting mechanisms, financial disclosure, and robust auditing processes to build stakeholder trust. The adherence to International Financial Reporting Standards (IFRS) emerges as a crucial component, ensuring global comparability and credibility in the financial reporting of Waqf institutions [Securities Commission Malaysia, 2018].

Responsible and sustainable investment strategies, incorporating environmental, social, and governance (ESG) criteria, are integral to ethical best practices, aligning financial decisions with contemporary standards while upholding the ethical principles embedded in Waqf operations (Jawwad et al., 2023). Capacity building and professionalization within Waqf management are key considerations, as well as advocating for training programs and skilled professionals to navigate legal, financial, and governance complexities (Hassan et al., 2022). Furthermore, stakeholder engagement and community involvement are recognized as essential, ensuring inclusive decision-making and responsiveness to community needs, thereby enhancing the effectiveness and sustainability of Waqf initiatives (Malaysian Waqf Corporation Annual Report, 2019). In essence, integrating international standards and best practices provides a framework for ethical, transparent, and globally accepted governance in Waqf management, elevating the impact and credibility of these initiatives globally.

### **Conclusion**

In conclusion, the nuanced exploration of Waqf management encapsulates a dynamic interplay of historical evolution, Islamic finance principles, challenges in asset measurement,

legal and regulatory frameworks, and adherence to international standards and best practices. The historical evolution of Waqf illuminates its resilience and adaptability, serving as a testament to its enduring significance in addressing societal needs. Understanding the compatibility of Waqf with Islamic finance principles establishes a solid foundation for integrating these two facets of Islamic economics, creating synergies that contribute to sustainable socio-economic development.

The challenges associated with measuring Waqf assets underscore the complexity inherent in their perpetual nature, diverse forms, and the significance of religious and cultural dimensions. Addressing these challenges requires interdisciplinary approaches and specialized frameworks to ensure accurate valuation and effective management. The legal and regulatory frameworks surrounding Waqf assets are pivotal in shaping their governance and administration. The alignment with Shariah principles, statutory frameworks, legal interpretations, and regulatory oversight collectively forms a comprehensive backdrop for transparent, ethical, and effective Waqf management.

International standards and best practices provide a crucial lens through which Waqf institutions can navigate the global landscape. Aligning with Islamic principles and contemporary financial and governance standards ensures that Waqf operations are ethically grounded and globally credible. Transparency, accountability, adherence to International Financial Reporting Standards, responsible investment, capacity building, and stakeholder engagement emerge as crucial pillars in the best practices for Waqf management. Together, they contribute to establishing robust governance structures that enhance the credibility and impact of Waqf initiatives globally.

In essence, synthesizing these diverse dimensions underscores the significance of a holistic and adaptive approach to Waqf management. Bridging historical legacies with contemporary challenges, aligning with Islamic principles and international standards, and addressing governance and asset measurement complexities form the foundation for a resilient and impactful Waqf sector. As Waqf continues to evolve, integrating these insights into policies, frameworks, and practices is essential for ensuring its continued relevance in addressing the diverse needs of communities in an ever-changing global landscape.

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