



The Waqf (Ḥubus): a Millennial Institution between Canonical Inalienability, Governance Crisis and FinTech Revival for Sustainable Development

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Abstract

The waqf (or ḥubus) is a juridical-religious institution of Islam founded on the irrevocable and perpetual destination of a good (aṣl) for pious purposes, through the immobilisation of capital and the devolution of the fruits (manfaʿa). It embodies the highest form of permanent charity (ṣadaqah jāriyah), with normative roots in the act performed by ʿUmar ibn al-Khaṭṭāb at Khaybar (628 CE). Historically, the waqf has fulfilled a dual function, acting as a decentralised welfare provider that financed universities (Al-Azhar), hospitals (the Bīmāristān of Qalāwūn), and urban complexes (Sūleymaniye), while also serving as an instrument of patrimonial engineering (waqf ahlī), which allowed elites to circumvent Qurʿanic inheritance rules (farāʿid) and preserve dynastic wealth. Its main strength, namely its canonical inalienability, which historically protected endowed assets from confiscation, also imposed macroeconomic constraints associated with illiquidity and allocative inefficiencies (the "Long Divergence": Kuran, 2011). Added to this is the structural weakness of governance: the information asymmetry and the chronic agency problem of the mutawallī (administrator). The reforms of the twentieth century responded with abolition (Tunisia, 1957) or centralisation (Egypt, Turkey). Today, the revival of the waqf takes place through innovation. Modern jurisprudence has expanded the institution of istibdāl (substitution) and legitimised corporate waqf. At the same time, FinTech technologies (blockchain, smart contracts, tokenisation of manfaʿa) offer solutions to reconcile perpetuity and liquidity, reduce information asymmetry and transform the waqf into a dynamic ethical fund, in line with at least seven Sustainable Development Goals. The digital waqf may therefore be interpreted as a potential institutional catalyst for Islamic economic adaptation in the twenty-first century.

Keywords: Waqf (Ḥubus); Islamic Economic History; Governance and Agency Theory; Cash Waqf; Digital Waqf; Blockchain and Smart Contracts; Islamic Social Finance; Sustainable Development Goals (SDGs)



1. Introduction

This article revisits the waqf (ḥubus) as a long-standing institution at the intersection of canonical constraints, governance practice, and contemporary innovation. It advances an integrated framework linking: (i) juristic debates on ownership, perpetuity, and inalienability; (ii) recurrent governance failures and principal–agent dynamics centred on the mutawallī/nāzīr; and (iii) recent FinTech-enabled revival pathways, such as traceability architectures, smart-contract rule-setting, tokenisation of manfa‘a, and AI-enabled asset analytics, within an SDG-oriented sustainable development agenda.

The analysis is anchored in authoritative doctrinal and standard-setting materials, scholarship grounded in the Islamic legal tradition, and official documents issued by waqf authorities. “Decline/constraint” accounts are treated as analytical hypotheses rather than normative baselines.

While waqf has been extensively studied in Islamic economic history, jurisprudence, and development scholarship (e.g., Çizakça, 1995; Kahf, 2003; Kuran, 2011; ISRA monographs and institutional reports), the literature remains bifurcated. On the one hand, descriptive historiography and doctrinal treatments often under-specify the institutional mechanisms through which canonical constraints translate into operational outcomes. On the other hand, technology-forward proposals can overstate the capacity of digital tools to remedy underperformance without explicit attention to incentives, oversight, and enforceability. This article responds to that gap by adopting an institutional design perspective in which the relevant unit of analysis is not the “digital waqf” per se, but rather the interaction among legal constraints, governance controls, and instrument architecture.

The manuscript makes three contributions. First, it treats inalienability not merely as a doctrinal postulate but as a binding design constraint shaping incentives, monitoring capacity, asset substitution, and allocative efficiency. Second, it positions governance and agency as the central mechanism behind many “decline/constraint” accounts, contesting interpretations that reduce underperformance to an intrinsic religious–legal attribute and instead locating persistent failures in misaligned incentives, weak accountability, and institutional capture. Third, it proposes a design-oriented FinTech and policy typology, including Cash Waqf 2.0 configurations, CWLS models, corporate waqf structures, and green/impact-linked waqf tokens, intended to translate conceptual arguments into implementable governance features.

This manuscript’s contribution lies in treating waqf performance not as a purely historical or doctrinal issue, but as an institutional design problem generated by the interaction of canonical constraints, governance incentives, and instrument architecture. By integrating these dimensions within a single analytical framework, the study offers an explanatory bridge between “decline/constraint” accounts and contemporary fintech-enabled revival models.

To enhance actionability, the typology is complemented by an operational mapping that links (i) Shariah constraints, (ii) governance controls, and (iii) instrument architecture to observable accountability and performance-reporting practices.

Consistent with scholarship framing waqf as a versatile ethical-finance device and, increasingly, as a “global financial instrument” (Bisi & Zreg, 2025), the article draws on comparative-law insights, particularly the functional parallels and limits between waqf and the common law trust, to clarify asset segregation, fiduciary accountability, and cross-border mobility. It also foregrounds a key political-economy tension: digitalisation is not governance-neutral. Similar technological stacks may strengthen transparency under pluralist arrangements or reinforce discretion under centralising regimes. The core claim advanced here is therefore governance-first: technology can enable accountability only when embedded in enforceable oversight, disclosure, and incentive-compatible arrangements.

The remainder of the article is structured as follows. The next section outlines the approach and methodology. The subsequent sections provide (i) a doctrinal foundation, (ii) a comparative regulatory analysis, and (iii) a discussion of fintech-enabled waqf instruments and their governance implications. The final section concludes with operational implications for research, practice, and regulation.



2. Approach and Methodology

The methodological objective is explanatory rather than descriptive, focusing on institutional mechanisms and design trade-offs, rather than producing an exhaustive inventory of initiatives. This study is a structured narrative review and conceptual synthesis. It combines: (i) doctrinal analysis of classical fiqh and authoritative contemporary standard-setting outputs (including AAOIFI materials and resolutions of the OIC Fiqh Academy); (ii) a historical–institutional review of waqf governance arrangements and their transformation under modern reforms; and (iii) comparative policy analysis of selected jurisdictions and institutional models.

Source hierarchy and interpretive positioning: To reduce epistemic bias and strengthen interpretive discipline, the analysis follows an explicit source hierarchy: (1) classical juristic doctrine and recognized interpretive traditions on waqf; (2) contemporary juristic councils and standard-setting bodies; (3) peer-reviewed scholarship produced across both Western and non-Western academic communities; and (4) official policy documents, legislative texts, and reports issued by waqf authorities and public institutions. Non-verifiable online commentary and promotional materials are excluded. “Decline/constraint” accounts are treated as analytical hypotheses regarding institutional performance (transaction costs, rigidity, agency problems), not as normative judgments on Islamic institutions.

Search and selection protocol: The evidence base is illustrative rather than exhaustive, aiming to identify mechanisms and design trade-offs rather than produce a comprehensive census of all initiatives. Sources were identified through targeted searches in major academic databases and publisher catalogues using keyword combinations (e.g., waqf/awqaf, cash waqf, mutawallī/nāzīr, governance, accountability, agency, digital waqf, fintech, blockchain, smart contracts, tokenisation, SDGs). These searches were complemented by purposive inclusion of doctrinal materials, standard-setting outputs, and official policy and institutional documents. Inclusion prioritised sources that: (a) specify governance roles, oversight functions, or incentive structures; (b) document regulatory models or implementation architectures; or (c) provide verifiable descriptions of cash/digital waqf instruments and institutional arrangements. Exclusion applied to sources lacking verifiability or institutional provenance.

Case selection logic: Country and institutional cases (e.g., Tunisia, Egypt, Malaysia, Turkey, India, Singapore, Indonesia, and Saudi Arabia) were selected purposively to maximise three dimensions of variation:

Legal diversity: capturing differences in juristic traditions and regulatory genealogies.

Regulatory variation: comparing state-centralised systems, pluralist-innovative regimes, and historically abolitionist or heavily reformed models.

Innovation relevance: capturing jurisdictions with documented experimentation, including CWLS structures and traceability or transparency pilots.

The objective is not country ranking but comparative identification of governance patterns, design choices, and recurrent failure modes under different institutional regimes.

Conceptual synthesis strategy: The manuscript integrates “decline/constraint” literature (rigidity, transaction costs, limited asset substitutability, and governance failure) with “revivalist/innovation” literature (adaptive governance, impact orientation, and instrument engineering). It situates its argument within the tension between the welfare-provision logic of decentralized endowments and the market-integrated logic of modern Islamic finance, and specifies the institutional conditions under which technological integration strengthens—rather than dilutes—maqāṣid al-sharīʿa through enforceable accountability and beneficiary-oriented performance proxies.



This review moves beyond a purely bibliographic listing to provide a critical synthesis of the main schools of thought—specifically, bridging the gap between the 'institutionalist' school (focused on historical limitations and the 'Long Divergence') and the 'financial revivalist' school (focused on social finance potential and sustainable development goals). By doing so, the paper identifies FinTech not as a mere technological addition, but as the governance bridge necessary to overcome the structural inefficiencies identified by institutional economics without compromising the ethical and religious mission of the waqf.

Integrity statement on digital tools: The manuscript is the author's original work. Digital tools were used, where applicable, solely for language editing and formatting. All substantive claims, legal interpretations, analytical judgments, and the selection of sources remain the authors' responsibility. All citations were verified against primary sources (where available), official documents, and peer-reviewed scholarship.

3. Canonical Foundations and the Juridical and Theological Nature of the Waqf (Ḥubus)

3.1 *The waqf as ṣadaqah jāriyah: irrevocability and perpetuity*

The waqf (or ḥubus, in the Maghreb tradition) is one of the most important juridical-religious institutions of Islamic law, whose etymology derives from the verb waqafa, "to stop" or "to immobilise". On a legal level, it represents the irrevocable and perpetual act by which the founder (wāqif) separates an asset (mawqūf) from his own patrimony, removing it from circulation and allocating its fruits (manfaʿa or thamara) to religious or social purposes (Powers, 1999).

This institutional structure embodies the highest form of permanent charity (ṣadaqah jāriyah), capable of generating spiritual benefits (ajr) for the founder even after death, thereby achieving a form of "eternalization of charity" consistent with the Qur'anic teleology of liberality.

The normative basis of the waqf can be found in the Sunnah, particularly in the well-known episode involving ʿUmar ibn al-Khaṭṭāb during the conquest of Khaybar (628 CE). According to the narratives recorded in Ṣaḥīḥ al-Bukhārī (2737) and Ṣaḥīḥ Muslim (1632a), ʿUmar acquired a particularly fertile plot of land called Thamgh and sought the Prophet Muḥammad's counsel on how to dispose of it. The Prophet suggested that he "make property inalienable (aṣl) and donate its fruits to charity (thamara)". This act established the juridical matrix of the waqf: on the one hand, the perpetual immobilisation of capital (aṣl or raqaba), on the other, the perpetual devolution of income (thamara or manfaʿa) to social purposes.

This distinction has profound legal consequences: fixed capital can neither be sold, nor donated, nor inherited; income, on the other hand, must be redistributed according to the conditions set out in the charter (waqfiyyah). It is an archaic yet sophisticated form of asset segregation that partly anticipates institutions of Western law, such as the trust. Table 1 summarises the core legal concepts underpinning this axiom.

3.2 *Qur'anic references and legal axiom*

The theology of the waqf is based on numerous Qur'anic verses that encourage liberality, the redistribution of wealth and social solidarity. Among the most cited are:

- Sūra Āl ʿImrān (3:92): "You will not attain true piety (al-birr) until you give alms what you love most." This verse is traditionally linked to the episode of ʿUmar in Khaybar as a paradigmatic example of the donation of a valuable good.
- Sura al-Baqara (2:261): "Those who spend their goods for the cause of Allah are like a seed that produces seven ears of corn, each of a hundred grains." The image of the exponential growth of the fruits of the waqf makes the waqf an ideal model of lasting, productive charity.

From a legal point of view, the Khaybar episode and the Qur'anic verses constitute the foundation of the "Waqfian axiom": immobility of capital (aṣl/raqaba) and perpetual redistribution of fruits (thamara/manfaʿa). This axiom has marked the



development of Islamic patrimonial law in a lasting way, generating a model that has combined stability (perpetuity) with redistributive functionality (welfare).

Table 1. Legal axiom

LEGAL CONCEPT	ARABIC TERM	ECONOMIC FUNCTION
Fixed capital	<i>Asl</i> (الأصل) / <i>Raqaba</i> (الرقبة)	Absolute inalienability, guarantee of perpetuity
Income Stream	<i>Thamara</i> (الثمرة) / <i>Manfa'a</i> (المنفعة)	Perpetual redistribution for social and religious purposes

Source: Authors' elaboration

3.3 Doctrinal divergences on property and inalienability

The legal interpretation of the nature of the good (*mawqūf*) has given rise to significant divergences among the Islamic schools (*madhāhib*), with practical consequences at both the patrimonial and political levels.

- Hanafis and Hanbalites hold that the good object of *waqf* is "transferred entirely to God" (*waqf li-llāh*). In this model, the founder loses all rights to the property, which becomes sacralized and therefore untouchable by political and judicial authorities. This conception provided a strong shield against state confiscations and made the *waqf* a privileged tool for elites who wanted to protect their wealth.
- Maliki and Shafi'ites, on the other hand, believe that the founder retains the *raqaba* (bare property), transferring only the perpetual usufruct to the pious cause. This position makes the asset closer to a patrimonial constraint than to a real sacral alienation.

These doctrinal differences have had concrete consequences in historical practice. For example, the Hanafi position favoured the massive use of the family *waqf* (*waqf ahlī* or *dhurrī*) in the Ottoman Empire, with which aristocratic families immobilised assets for the benefit of male descendants, circumventing the Qur'anic rules of succession (*farā'id*). On the contrary, in predominantly Maliki regions, such as the Maghreb, this use was more limited, precisely because the *waqf* was conceived as a transfer of usufruct rather than of full ownership (Hoexter, 1998).

3.4 Comparative legal comparison: *waqf*, trust and surety

The *waqf* differs from similar legal institutions of comparative law by its theological roots and by the absolute inalienability of fixed capital. However, it has functional analogies with various institutions of Western law:

- The Anglo-Saxon trust, which carries out the segregation of an asset from the settlor's assets to ensure its administration for the benefit of third parties. Structural proximity has led some authors to hypothesise a direct influence of the *waqf* on the genesis of medieval European trust (Gaudiosi, 1988).
- The Roman *fidecommissum*, which linked the transmission of goods to certain hereditary lines, and the Spanish *mayorazgo*, which had similar purposes of preserving the family patrimony.
- The medieval ecclesiastical dead hand, through which vast real estate assets were immobilised in the Church's favour. As in the *waqf*, the "economy of immobilisation" problem arose here too, subtracting goods from the free market.

Despite these similarities, the *waqf* retains a unique character: it is at the same time a legal institution, an economic device and an act of worship (*'ibādah*). This threefold nature has ensured its survival for over a millennium, but it has also made reform more complex, since any attempt at modernisation has had to address not only patrimonial interests but also religious sensibilities.



4. Historical Evolution and the Dual Institutional Function

4.1 *The historical apogee: waqf khayrī as a welfare state ante litteram*

For over ten centuries, the khayrī waqf has been the main instrument of social redistribution in the Islamic world, performing functions that in modern welfare states are now assumed by ministries and public agencies. Throughout the medieval period, universities, hospitals, bridges, roads and caravanserais were financed through pious foundations. Singer (2002) defines the waqf as "the backbone of Islamic welfare", highlighting how its diffusion allowed the formation of an organised civil society well before the emergence of the modern state.

The historical examples are numerous and illustrious:

- The Bīmāristān of Qalāwūn in Cairo (1284), equipped with specialised departments, salaried doctors and free pharmacies, guaranteed universal access to health care. At a time when hospitals in Europe were often charitable monasteries without medical professionals, Bīmāristān represented an advanced model of public hospital (Ragab, 2018).
- The Süleymaniye complex in Istanbul (1557), designed by Mimar Sinan, integrated religious, educational, and welfare spaces: a mosque, madrasas, a hospital (dârüṣṣifa), popular kitchens (imaret), and public baths. This urban complex demonstrates how the waqf can serve as a true "welfare hub" at the heart of Islamic cities.
- Al-Azhar al-Qāhira, founded in 970 as a mosque and later developed into a university through waqf funding, is a paradigmatic example of how the model has supported long-lasting educational institutions.

According to Kuran (2001), the extent of the phenomenon was such that in the sixteenth century, between 30% and 50% of the agricultural land of the Ottoman Empire was bound in waqf, while in major cities, such as Cairo, between 60% and 70% of urban properties were "locked" in pious foundations (see also Gerber, 1983). This massive immobilisation of capital created a structural tension: on the one hand, it guaranteed social stability and continuity of public services, on the other, it subtracted resources from economic circulation and state taxation.

4.2 *The waqf ahlī (dhurrī): heritage engineering and gender exclusion*

Parallel to the public function of the khayrī waqf, the practice of the family waqf (waqf ahlī or dhurrī) emerged, which followed different logics: the preservation of dynastic wealth.

The Qur'an, in the Sūra al-Nisā' (4:7 and 11), prescribes precise rules of succession (farā'id) that fragment inheritance among several heirs, including women and minors. This arrangement, innovative for the seventh century, aimed to democratize wealth within the Muslim community. However, elites found in the waqf a mechanism to circumvent hereditary fragmentation: by locking assets into a family foundation, the founder could reserve benefits only for male descendants or a narrow hereditary line (Powers, 1989).

This device produced at least three interrelated effects. First, it ensured patrimonial preservation by preventing the dispersion of wealth and securing dynastic continuity. Second, it provided political protection, shielding assets from the risk of confiscation (mūsādere) by central authorities. Third, it operated as a mechanism of gender exclusion, reducing women's access to full ownership and frequently reducing their inheritance entitlements to marginal rents.

In this sense, the waqf ahlī reveals the institution's ambivalent character: an instrument of social and religious emancipation for the poor, but also a mechanism of patrimonial conservatism for the benefit of the elites.



4.3 Historical innovation: the Ottoman cash waqf

A fundamental chapter in the evolution of the waqf is the cash waqf (waqf in money), widespread in the Ottoman Empire from the fifteenth century onward. Unlike real estate waqf, cash waqf involved the donation of liquid capital, which was then invested in loans (qirāḍ) or other economic activities. The profits generated were donated to charitable works.

This model offered two crucial advantages: economic flexibility, since it allowed investment in productive activities without violating the principle of inalienability of capital; and social accessibility, as it enabled small savers to establish a waqf, thereby democratising the institution and broadening its social base (Çizakça, 2000).

The Mandaville (1979) study of the cash waqf registers of Bursa (1555–1823) shows how they financed schools, bridges, mosques, and even microloans to families. It is here that we glimpse an anticipation of modern Islamic microfinance practices, making cash waqf a "bridge" between perpetual charity and economic development.

5. The Waqf Crisis, Tanzimat Reforms, and National Abolitions (19th–20th centuries)

5.1 The structural crisis of the model

From the seventeenth century onward, the waqf began to show its first structural weaknesses. The absolute inalienability that had constituted its greatest strength proved to be an obstacle in a world moving towards more dynamic forms of economic organisation. Tied real estate could no longer be converted back into productive capital; the impossibility of alienation rendered the maintenance and improvement of endowed assets increasingly complex; and conflicts between beneficiaries and administrators (mutawallī) became chronic.

According to Timur Kuran (2011), this rigidity contributed to what he calls The Long Divergence: the progressive economic gap between Europe, which was equipped with flexible instruments (joint-stock companies, capital markets, modern foundations), and the Islamic world, still tied to immobile and fragmented institutions.

A further factor was parallel taxation: a large part of the real estate assets was exempt from taxation, depriving the state of essential resources for modernisation. This led governments to view the waqf as an "institutional block" rather than a resource.

However, it is essential to contextualise the 'institutional stasis' thesis within the broader academic debate. Scholars such as Murat Çizakça and Monzer Kahf argue that the decline of the waqf was not an inherent failure of Islamic law, but rather a consequence of external pressures, including colonial and post-colonial state centralisation. These reforms often led to the expropriation of waqf assets and the dismantling of their managerial autonomy. From this perspective, the historical crisis of the institution is less a structural flaw than a result of state interference that disrupted the waqf's original decentralised and dynamic nature.

5.2 The Ottoman reforms of the Tanzimat (1839–1876)

The Ottoman Empire was the first to intervene decisively in the waqf, recognising its economic centrality and, at the same time, its problematic nature.

- 1826: With the suppression of the Janissaries, the Ministry of the Evkaf was established, taking away direct supervision from religious judges (qāḍī).
- 1839 (Hatt-ı Şerif of Gülhane): inauguration of the Tanzimat, which aimed to modernise the Empire also on a legal and fiscal level.
- 1856 (Hatt-ı Hümayun): reorganisation of religious assets and greater state control over foundations.
- late nineteenth century: progressive incorporation of waqf rents into the public budget.



These reforms responded to a specific objective: to recover a portion of the tax base immobilised in the awqāf and use it to support the central state, which was threatened by public debt and European pressure. However, centralisation transformed the waqf from an autonomous community institution into a state bureaucratic appendage, partially distorting its original function of perpetual charity.

5.3 *Secularisation and nationalisation in the twentieth century*

The colonial and post-colonial seasons accelerated the transformation of the waqf. The choices of individual countries reflect different political-institutional strategies.

- Turkey: With the Kemalist reforms (1924–1935), all waqf were nationalised and entrusted to the General Directorate of Foundations (Vakıflar Genel Müdürlüğü). The abolition was part of Atatürk's secularist project, aimed at eliminating any power parallel to the Republic.
- Egypt: In 1946, the family waqf (ahli) was abolished, and in 1952, Law No. 180 extended state control to the charitable waqf as well. The surviving waqf was placed under the direct supervision of the Ministry of Awqāf.
- Tunisia: with the Décret du 18 juillet 1957, President Habib Bourguiba decreed the total abolition of habous, incorporating them into the state property. The measure also had a strong ideological value: to build a secular state emancipated from clerical control.
- Algeria: Law No. 84-11 of 1984 maintained the waqf as a legal institution, but reduced it to an administrative department under strict ministerial control.

5.4 *Hybrid regulations and innovative models*

Not all countries followed the path of abolition. Some experimented with hybrid or even relaunch models:

- India: The Waqf Act (1995) established state Waqf Boards, responsible for managing over 490,000 registered waqfs. Here, the institution survives as an instrument of minority protection for Muslims in a country with a Hindu majority.
- Malaysia: The State Islamic Religious Councils (SIRC) have innovated by introducing cash waqf tools, corporate waqf and digital platforms. This model is now considered an international best practice (Kamaruddin et al., 2021).
- Indonesia: the Cash Waqf-Linked Sukuk (CWLS) links fixed capital to Islamic sovereign debt and channels returns to social projects.

5.5 *Critical interpretation*

The historical route shows three main trajectories:

1. Radical secularisation (Turkey, Tunisia): abolition and nationalisation of goods, to free up resources and affirm the secular state.
2. Soft state control (Egypt, Algeria, Morocco): regulated survival and ministerial management, which has often reduced community autonomy.
3. Political reuse and innovation (Saudi Arabia, Iran, Malaysia, Indonesia): survival and revival, with the function of religious legitimisation and financial experimentation.

One constant emerges: the waqf is too deeply rooted in Islamic culture to be eliminated altogether. Even where formally abolished, it has been replaced by equivalent instruments (public foundations, religious trusts, dedicated ministries). Its destiny is therefore not disappearance, but adaptive transformation.



6. Governance and the Challenge of the Agency

6.1 *The mutawallī between custody and appropriation*

The figure of the mutawallī (administrator) was conceived as a guarantor of the founder's (wāqif) will, custodian of sacralized goods, and responsible for the distribution of revenues (manfa'a). In theory, his role is like that of a modern trustee, with an obligation of loyalty and diligence.

In practice, however, the mutawallī embodied a structural conflict of interests: he typically lacked adequate incentives for sound management, frequently operated without effective supervision, and could readily transform his position into a channel of personal enrichment.

Historical studies show that in many regions of the Ottoman Empire and the Maghreb, the office of mutawallī became hereditary, passing from father to son, until it became a true patrimonial lordship (Hoexter, 1998).

Two principal consequences followed. The first was a hidden privatisation of the public good, whereby assets nominally sacralised and intended for the community were, in practice, managed as private property. The second was a pattern of social fragmentation, in which the intended beneficiaries, widows, orphans, the poor, and schools received little or no income, while the mutawallī accumulated economic power and prestige.

Kuran (2011) interprets this dynamic as an emblematic case of principal-agent problem ante litteram: the community (the principal) had no means to monitor the agent, who had wide discretion.

6.2 *Istibdāl: flexibility in rigidity*

Istibdāl (substitution of one waqf good with another) was born as a tool to mitigate the rigidity of the system.

Legal origins

According to classical jurisprudence, istibdāl was admissible only in two circumstances: al-ḥājah (urgent need), when an asset could no longer fulfil its original function (e.g. a ruined mosque or barren land); and al-maṣlaḥa (public interest), when the substitution secured a greater benefit for the community (e.g. exchanging a small building for a larger one in a central area).

Historical applications

In practice, the qādī granted istibdāl with great caution, fearing that it could become a pretext for abusive alienations. In Ottoman Egypt, for example, many dilapidated mosques remained unused for decades, as their replacement was not authorised.

Contemporary evolution

In the twentieth and twenty-first centuries, interpretations have changed. Ibn Taymiyyah (d. 1328) had already argued that the principle of istibdāl was fully in conformity with the Shari'a, provided that it was justified by the public interest. This view has been reclaimed by modern reformists and incorporated into AAOIFI Shari'ah Standards No. 60, which sets clear criteria for transparency and traceability.

Today, istibdāl is seen as an Islamic asset management mechanism, like the concept of "portfolio requalification" in modern corporate law.



6.3 The emergence of the corporate waqf

The transition from the community waqf to the corporate waqf marks an epochal turning point.

- Malaysian model: since 2006, the Johor Corporation has established a corporate waqf its part of the profits to hospitals, schools, and universities. Here, the mutawallī is replaced by a board of directors with transparency and reporting obligations.
- Indonesian model: institutions such as Dompot Dhuafa have integrated the waqf with microfinance instruments, supporting SMEs and local cooperatives.
- Saudi model: The General Authority of Awqaf (GAA), created as part of Vision 2030, has established investment funds based on corporate waqf to finance strategic projects.

The advantages of this configuration are threefold: a managerialisation effect, through the introduction of audits, audited financial statements and internal control systems (e.g. the COSO Framework in Malaysia); scalability, achieved by attracting corporate capital alongside individual donations; and enhanced social legitimacy, as companies strengthen their CSR profile by demonstrating genuine philanthropic impact.

Limits

However, the corporate waqf risks transforming a religious institution into a mere corporate branding tool. Some critics speak of the "financialization of piety," warning against reducing the waqf to a financial product (Haneef & Pramanik, 2014).

6.4 Global governance: uniformity vs pluralism

With the internationalisation of Islamic finance, the waqf has entered the global standardisation agenda.

- The AAOIFI has published standards for governance (GS 13), accounting (FAS 37), and governance criteria (SS 60).
- The IFSB promotes guidelines for integrating the waqf into the Islamic banking sector.

The challenges of standardisation

1. Legal plurality: Islamic schools differ on the nature of waqf ownership (does it belong to God or does it remain with the founder?) and on the lawfulness of waqf cash.
2. State sovereignty: Many governments view the waqf as a strategic area of political and economic control and resist international harmonisation.
3. Religious tension: an excess of managerialization risks distorting the spiritual dimension of the waqf, reducing it to a "non-profit foundation" without theological legitimacy.

Looking ahead, the future of waqf governance will depend on the ability to combine global transparency and legal pluralism. One solution could be the adoption of "modular" standards that set common minimum principles while allowing local adaptations.

7. Contemporary Regulatory Framework and Comparative Analysis

7.1. Operational Design Blueprint: The Blockchain-Based Cash-Waqf

To operationalise the proposed framework, a 'Cash-Waqf 2.0' configuration leveraging Distributed Ledger Technology (DLT) can be conceptually outlined. Within such an arrangement, capital would be collected through donor micro-contributions denominated in fiat currency or stablecoins, executed via a transparent smart contract interface. Rather than remaining idle, the pooled capital could be allocated to Shari'a-compliant liquid instruments, such as short-term sukuk, thereby preserving the canonical integrity of the waqf's principal while enabling productive deployment.



The returns generated by these investments may be distributed through programmable smart contract mechanisms to designated beneficiaries, including healthcare or educational service providers, according to predefined performance conditions. From a governance perspective, this architecture can be interpreted as mitigating the classical agency problem by restricting unilateral managerial access to the waqf's principal capital, while simultaneously enhancing transparency through real-time auditability of financial flows and socially oriented outcomes.

7.2 Regulatory pluralism and institutional divergences

The waqf is now regulated globally in a highly uneven way. This inhomogeneity reflects not only the diversity of Islamic legal traditions (madhāhib), but above all the different state trajectories of modernisation, secularisation, and political control.

Three macro-models clearly emerge and are compared in Table 2:

1. Abolitionist model – Countries that have formally abolished the waqf and incorporated its assets into state assets (Tunisia, Turkey).
2. State-centralised model – Countries that maintain the waqf, but subject it to rigid ministerial control, limiting community autonomy (Egypt, Algeria).
3. Pluralist-innovative model – Countries experimenting with new forms (cash waqf, corporate waqf, digital waqf), trying to integrate it into Islamic finance and sustainable development (Malaysia, Indonesia, Singapore).

Table 2. Comparative table of national models

COUNTRY (AREA)	% MUSLIM POP.	LEGAL MODEL	FAMILY WAQF (AHLĪ)	TOTAL/PARTIAL ABOLITION	CASH WAQF
TUNISIA (MENA)	99%	Dedicated waqf law, then abolished	abolished	Total (1957)	limited
EGYPT (MENA)	90%	Dedicated waqf law	abolished (1946)	partial	tolerated
MALAYSIA (SEA)	61%	Dedicated state waqf law	disciplined	none	tolerated
TURKEY (OTHER)	98%	Law on Foundations (2008, VGM)	limited	Historical abolition	tolerated
INDIA (ASIA WED.)	14%	Waqf Act (1995), Waqf Boards	tolerated	none	tolerated
SINGAPORE (SEA)	15%	MUIS (trust/religious foundation)	not provided	none	tolerated

Source: Authors' elaboration

7.3 Line-by-line critical analysis

Tunisia (99% Muslim)

The abolition of 1957 (Décret du 18 juillet) is an emblematic example of secularising politics. Habib Bourguiba considered the Habous a barrier to development, comparing it to the European ecclesiastical dead hand. The state seized an immense patrimony, but civil society lost one of its main welfare infrastructures, aggravating dependence on state welfare.



Egypt (90% Muslims)

The Egyptian Compromise abolished the family waqf in 1946 and, with Law No. 180/1952, submitted the charitable waqf to the Ministry of Awqāf. This model has ensured the institution's survival but has shifted its centre of gravity from the community to the state, transforming the waqf into a parastatal instrument of welfare and political legitimacy (Singer, 2008).

Malaysia (61% Muslims)

The Malaysian case is paradigmatic of contemporary Islamic innovation. The State Islamic Religious Councils (SIRCs) not only regulate waqf but have also introduced cash waqf, corporate waqf, and digital tools. The use of the COSO Internal Control Framework (2013) for audit and transparency represents one of the most advanced integrations between Sharī'a and corporate governance.

Turkey (98% Muslims)

Turkey abolished the waqf in the Kemalist period (1924–1935), turning them into state foundations controlled by the Vakıflar Genel Müdürlüğü. Law No. 5737 (2008) also recognised the waqf of religious minorities as a sign of pluralism. Today, waqf assets are mainly used for cultural, tourism, and urban redevelopment projects, reflecting the institute's centuries-old, patrimonial use.

India (14% Muslims)

With the Waqf Act (1995), India established state Waqf Boards that administer over 490,000 waqfs. This heritage is enormous but often poorly managed: cases of corruption and embezzlement are frequent. However, the waqf remains a pillar of identity for the Muslim minority, guaranteeing mosques, schools and community hospitals in a pluralistic and competitive context.

Singapore (15% Muslims)

The Majlis Ugama Islam Singapura (MUIS) has been administering the waqf since 1968. The model combines Sharī'a and common law: public budgets, trusts, and external audits. It is considered one of the most transparent models in the world and a virtuous example of legal hybridisation, in which the traditional institution harmonises with Anglo-Saxon law standards and modern governance practices.

7.4 Legislative innovations and prospects

The legislative innovations of the last two decades reveal a clear trend toward the progressive financialization of the waqf.

Instruments such as the cash waqf have democratised access, enabling even low-income donors to participate, while the rise of the Digital Waqf, based on blockchain, smart contracts and tokenisation, has introduced unprecedented levels of transparency and liquidity, overcoming traditional operational rigidities.

Corporate waqf models now integrate Islamic CSR into business structures, making the institutions scalable and development-oriented, whereas green waqf initiatives channel revenues into environmental and renewable energy projects aligned with SDGs 7 and 13.

These evolutions indicate that the twenty-first-century waqf is increasingly interpreted as a classical charitable endowment, yet also as a dynamic ethical fund capable of attracting capital and supporting sustainable development. At the same time, the comparative regulatory landscape shows how states have often treated the waqf as a fiscal or political rival, abolishing or absorbing it, or, where it persists, reshaping it into an instrument of welfare provision or political legitimization.



Yet the most innovative models demonstrate a remarkable adaptive capacity, positioning the waqf as a pillar of ethical finance and a potential catalyst for the Sustainable Development Goals.

Ultimately, the future of the waqf will depend on its ability to reconcile two seemingly opposing imperatives: the canonical principle of perpetuity and the practical need for economic liquidity.

8. Specialised Governance Institutions and Best Practices

8.1 Why dedicated institutions?

The recent institutional evolution of the waqf indicates that persistent governance weaknesses, particularly the absence or insufficiency of effective control and accountability mechanisms, have frequently been associated with managerial opacity, risks of misappropriation by administrators (*mutawalli*), and broader patterns of allocative inefficiency. These challenges have been widely documented in both historical and contemporary analyses of waqf administration, where information asymmetries and limited monitoring capacities often constrained institutional performance.

In response to such structural concerns, numerous jurisdictions have established specialised institutional bodies designed to reorganise waqf governance. These entities typically assume regulatory and supervisory responsibilities, centralising certain strategic decisions while introducing more formalised oversight procedures. At the same time, they often promote professional management practices intended to replace or complement traditional administrative arrangements, alongside investment and development strategies aimed at enhancing the productivity and sustainability of endowed assets.

A further defining feature of these governance reforms involves the increasing emphasis on accountability and transparency mechanisms, including audited financial reporting, external verification processes, and the public disclosure of institutional activities. Collectively, these developments have contributed to the emergence of hybrid governance structures situated between religious authority and state administration, thereby positioning the waqf within a complex normative space that intersects elements of canon law and modern administrative regulation. Table 3 provides a comparative overview of three leading institutional governance models.

Table 3. Comparative table: Institutional governance

INSTITUTION / COUNTRY	FOCUS GOVERNANCE	DEVELOPMENT AND SURVEILLANCE TOOLS	BEST PRACTICES / STANDARDS	MODEL CHARACTERISTICS / LIMITATIONS
GAA (SAUDI ARABIA)	Vision 2030, state centralization	Awqaf Investment, Sharia & Audit Committees	Professionalism, transparency, accountability	Centralized-state model: high efficiency and control, but limited community autonomy
VGM (TURKEY)	Historical asset management	Long-term leasing (<i>ijara</i>), redevelopment, digitalization	Cultural enhancement, restoration, tourism	Heritage-cultural model: strong preservation of heritage, but reduced social/welfare function
SIRC (MALAYSIA)	Decentralized, corporate governance-oriented	Cash waqf, digital platforms, micro-waqf	COSO Internal Control Framework (2013)	Decentralized-innovative model: transparency, digitalization, CSR orientation, but risk of excessive financialization

Source: Authors' elaboration



8.2 GAA (Saudi Arabia): centralisation and national ethics fund

The General Authority of Awqaf (GAA), created in 2016, represents one of the most advanced tools of state governance of the waqf. Its establishment is part of Vision 2030, the Saudi strategic plan to diversify the economy and strengthen the non-profit sector.

- Organisational structure:
 - Board of Directors composed of public officials and religious experts;
 - Sharia Board to ensure legal-religious compliance;
 - Audit Committee for accounting supervision.
- Operational tools:
 - Awqaf Investment Company, the financial arm of GAA, which invests in real estate, infrastructure and ethical funds;
 - training programs for local mutawallīs;
 - partnerships with Islamic banks for microfinance projects.
- Concrete results: In 2020, the GAA conducted more than 5,900 supervisory operations and launched more than 300 waqf-funded social projects.

Criticism: total centralisation strengthens state control over the institution, reducing community autonomy. But at the same time, it transforms the waqf into a sort of ethical sovereign wealth fund, capable of attracting global capital.

8.3 VGM (Turkey): historical continuity and cultural enhancement

The Directorate General of Foundations (Vakıflar Genel Müdürlüğü, VGM), heir to the Kemalist reforms, represents a peculiar model:

- Main function: to preserve and enhance the Ottoman historical heritage (mosques, caravanserais, schools, medieval hospitals).
- Tools:
 - long-term leasing (ijara) to private companies with restoration and maintenance obligations;
 - partnerships with municipalities for the redevelopment of urban complexes;
 - Digitisation of WAQF archives for monitoring and transparency.
- Results: Thousands of Ottoman buildings have been recovered and transformed into museums, cultural centres, and tourist infrastructure.

Criticism: if, on the one hand, the Turkish model has saved a priceless heritage, on the other hand, it has transformed the waqf from a community welfare institution into an instrument of cultural and tourist patrimonialization, reducing its original social function.

8.4 SIRC (Malaysia): Innovation and Corporate Governance

The State Islamic Religious Councils (SIRC) of Malaysia constitute the most innovative model of governance at the international level.

- Federal decentralisation: each federal state manages its own waqf, under the authority of the local Sultan.
- Innovative tools:
 - certified waqf cash, which can also be purchased via mobile apps;
 - Islamic crowdfunding platforms;
 - corporate waqfs established by banks and companies (e.g., Johor Corporation).



- Best practices:
 - adoption of the COSO Internal Control Framework (2013) for internal control and the reduction of corruption risks;
 - external audits and annual public reports;
 - partnerships with universities and NGOs to manage social projects.

Criticism: the Malaysian model has made the waqf a true social asset class, integrated with Islamic finance instruments. However, some scholars warn of the risk of a "financialization of piety," in which the religious institution becomes too much like a financial product.

9. The Economic Frontier – Cash Waqf 2.0 and Sustainable Development

9.1 Historical origins of the Cash Waqf

The introduction of cash waqf in the Ottoman Empire between the fifteenth and sixteenth centuries represented an epochal turning point. Unlike the real estate waqf, which immobilised land and other real assets, the cash waqf consisted of allocating liquid funds for pious purposes. These were then invested through:

- productive loans (qirād, investment partnership similar to mudaraba),
- consumer financing (istirbah, a form of controlled margin loan),
- indirect real estate investments (e.g. secured mortgages).
- The innovation was at once economic and social: it rendered the waqf accessible to small donors, democratising participation, and multiplied redistributive flows in support of schools, mosques and urban hospitals.

Many jurists criticised it as a deviation (bid'a), but the Hanafis, prevalent in the Ottoman Empire, justified it on the basis of maslaha (public interest), thereby sanctioning its legitimacy.

9.2 The Cash Waqf 2.0: contemporary revival

In the twenty-first century, cash waqf arrangements have been increasingly reinterpreted through what is often described as a Cash Waqf 2.0 paradigm, characterised by their integration with Islamic finance instruments and digital infrastructures. This evolution reflects broader attempts to reconcile classical endowment structures with contemporary financial intermediation and governance requirements.

One visible dimension of this transformation concerns the emergence of digital micro-waqf platforms. Initiatives such as E-Sadaqah in Malaysia and Global Waqf Digital in Indonesia illustrate how technological interfaces may reduce participation thresholds, enabling small-scale contributions while enhancing traceability and donor visibility through application-based systems (Global Sadaqah, 2021). Parallel developments can be observed in the expansion of corporate waqf structures, in which companies allocate portions of their profits to perpetual endowment mechanisms, often framed as convergences between corporate social responsibility and Shari'a-compliant philanthropic models.

At a systemic level, contemporary cash waqf configurations are also increasingly linked to Islamic financial markets. In this setting, waqf funds may be allocated to investment vehicles, sukūk instruments, or microfinance arrangements, generating redistributive flows that extend beyond traditional static asset management. Such interactions are sometimes described as producing a "social leverage effect," insofar as endowed capital becomes embedded within broader circuits of ethical finance and development-oriented investment.

Finally, digital technologies have introduced new dynamics in governance and transparency. Blockchain-based registration and monitoring systems, for instance, are frequently discussed as mechanisms capable of reinforcing documentary integrity and



reducing informational asymmetries, particularly with respect to risks historically associated with managerial discretion and misappropriation.

9.3 Cash Waqf Linked Sukuk (CWLS)

One of the most frequently discussed contemporary innovations is the Indonesian Cash Waqf Linked Sukuk (CWLS), which establishes a structural linkage between waqf cash mechanisms and sovereign Islamic bond instruments. Within this framework, contributed capital is treated as waqf aṣl and therefore remains legally untouchable, while the funds are allocated to state-issued sukūk instruments consistent with Sharī'a-compliant public financing structures. The returns from these investments are then directed to designated social programs, including healthcare, education, and scholarship initiatives.

An illustrative case is provided by CWLS SWR006 (2019), a retail CWLS issuance whose return streams were explicitly channelled to public-benefit projects, thereby exemplifying the operational integration of waqf principles with sovereign Islamic finance instruments. Such configurations are often interpreted as mechanisms capable of mobilising private resources for welfare-oriented expenditures, reinforcing domestic Islamic capital markets, and potentially incorporating waqf-based funding streams into broader national development strategies.

At the same time, these arrangements have generated critical debate. A recurrent concern in the literature relates to the risks associated with centralisation dynamics, particularly the possibility that waqf-linked instruments embedded within state financing structures may lead to forms of institutional “fiscalization.” Under this interpretation, the waqf risks being reconfigured from a community-centred endowment mechanism into a predominantly state-mediated financing vehicle, raising questions regarding governance autonomy, accountability, and the preservation of the institution’s traditional redistributive ethos.

9.4 Green Waqf and Impact Investing

The concept of the Green Waqf has emerged as a contemporary mechanism intended to align religious endowment structures with environmental sustainability objectives. In practical terms, this orientation has been reflected in a variety of applications across different jurisdictions, including waqf-funded solar panel installations in rural mosques in countries such as Malaysia and Indonesia, initiatives supporting urban reforestation programs in Turkey, and green-oriented agricultural microcredit schemes observed in parts of South Asia, including Bangladesh and Pakistan.

From a legal and doctrinal perspective, these developments are frequently framed as extensions of classical waqf purposes through interpretive mechanisms grounded in the doctrine of maslaha mursala, which permits the recognition of public-interest considerations not explicitly specified in foundational texts. This reasoning allows contemporary juristic discourse to accommodate environmental and sustainability-oriented objectives within the normative architecture of the waqf without requiring structural departures from its canonical foundations.

The Green Waqf has also been associated with broader developments in Islamic social finance and impact investing. Certain Islamic investment initiatives have explored waqf-linked impact structures in which returns are explicitly connected to projects aligned with sustainability and development objectives, including those commonly categorised under the Sustainable Development Goals (SDGs).

9.5 Waqf and SDGs: a strategic alliance

The modern waqf framework aligns substantively with multiple Sustainable Development Goals (SDGs), particularly those related to poverty alleviation, food security, healthcare provision, educational access, renewable energy initiatives, support for productive economic activities, and environmental sustainability. These functional convergences are reflected in a variety of institutional practices, including microfinance-oriented waqf models, agricultural endowment schemes, waqf-funded healthcare



and educational infrastructures, green energy initiatives, mechanisms supporting small and medium-sized enterprises, and environmental conservation programs.

This convergence is not merely programmatic. The redistributive logic of the waqf and the normative orientation of sustainable development paradigms share a common emphasis on the production of durable social goods and the preservation of intergenerational commons (UNDP, 2021).

9.6 Academic criticism

Scholars have identified several structural dilemmas associated with contemporary transformations of the waqf. One recurrent concern relates to the financialization of religious institutions, as the increasing use of complex financial engineering mechanisms may risk attenuating the waqf's spiritual and redistributive foundations. A second tension emerges in the domain of governance and accountability, where the expansion of hybrid financial structures raises questions about whether existing regulatory and supervisory standards, such as those developed by AAOIFI and the IFSB, are sufficient to mitigate agency problems, misallocation, and managerial opacity (AAOIFI, 2019). A further dilemma involves the balance between inclusivity and concentration effects, particularly the risk that waqf-linked instruments may progressively favour institutional or high-net-worth participation at the expense of broader social accessibility.

Notwithstanding these concerns, Cash Waqf 2.0 models are increasingly discussed as potential components of a wider ethical-finance ecosystem, insofar as they seek to combine Shari'a compliance, financial innovation, and sustainable development objectives within a coherent institutional framework.

10. The Digital Waqf and the Technological Solution to Inalienability

10.1 The Historical Dilemma: Perpetuity vs Liquidity

The waqf historically emerged as a perpetual and inalienable institution characterised by the immobilisation of the *ʿaṣl* and the redistribution of its fruits (*manfaʿa*). This structural configuration helped preserve endowed assets and provided some protection against state confiscation. At the same time, however, it generated well-documented economic constraints. Among these, scholars frequently identify macroeconomic illiquidity associated with the long-term withdrawal of agricultural and urban assets from market circulation, allocative inefficiencies arising from underutilised or non-productive assets, and broader forms of institutional rigidity that limit adaptive responses to shifting economic or social conditions.

Contemporary discussions surrounding the Digital Waqf may be interpreted as attempts to address this tension between canonical perpetuity and economic flexibility. Rather than challenging the principle of inalienability, fintech-enabled architectures are typically presented as mechanisms that enhance liquidity, transparency, and coordination of governance while preserving the institution's normative foundations.

10.2 Blockchain as a legal-sacral infrastructure

Blockchain infrastructures can be interpreted as more than purely technical ledgers when examined within a waqf framework, as their functional properties intersect with the institution's core juridical and normative features. In particular, the capacity of distributed ledgers to preserve records in an immutable form presents an apparent analogy with the waqfiyyah's role as a binding and enduring legal act, whose stability is central to the doctrine of perpetuity. From this perspective, blockchain registration mechanisms may be understood as reinforcing documentary integrity rather than merely enhancing administrative efficiency.

Furthermore, the transparency and collective verification logic embedded in distributed systems introduce an additional governance dimension. By enabling publicly auditable records of transactions and allocations, blockchain architectures may



simulate a form of distributed testimonial function, in which compliance with waqf conditions is subject to continuous visibility and communal scrutiny. Such characteristics are frequently associated with the potential reduction of informational asymmetries and agency vulnerabilities historically linked to the discretionary authority of the mutawallī.

Illustrative experiments consistent with this logic have emerged in several jurisdictions. Initiatives associated with the Dubai Blockchain Strategy (2026), for example, explored the use of distributed ledgers for tracking charitable transactions, while Malaysian pilot projects have examined blockchain-based recording mechanisms for digitally collected cash waqf contributions (Mohaiyadin, 2022). These cases do not imply institutional equivalence but demonstrate the growing policy and governance interest in traceability-enhancing infrastructures.

Nevertheless, the adoption of blockchain systems within waqf administration raises substantive jurisprudential considerations. A recurrent concern among jurists is that technological immutability cannot substitute the interpretive and adjudicative functions traditionally exercised by legal authorities, particularly the qāḍī, whose role extends beyond record preservation to encompass normative judgment and dispute resolution. Consequently, blockchain mechanisms are more appropriately viewed as complementary governance tools rather than replacements for established juridical processes.

10.3 Smart contracts and moral hazard

Smart contracts introduce a governance mechanism that automates the distribution of waqf-generated revenues, thereby altering the traditional balance between managerial discretion and rule-based execution. Within a waqf framework, programmable contracts may enable automatic transfers of funds to verify beneficiaries while simultaneously encoding immutable allocation rules governing the destination and timing of disbursements. Such architectures may also reduce transaction and monitoring costs, particularly those associated with administrative oversight and judicial intervention.

In practical terms, a digital cash waqf could be structured so that investment returns are periodically distributed according to predefined ratios, for instance, allocating revenues monthly between a hospital and an educational institution, without requiring continuous managerial intervention or interpretive decision-making. The resulting system emphasises predictability and procedural integrity, characteristics often presented as solutions to historical agency problems in waqf administration.

However, this technological configuration raises important jurisprudential considerations. Classical fiqh typically attributes to the mutawallī a degree of fiduciary discretion (ijtihād idārī), allowing contextual judgment in the management and allocation of waqf resources. The substitution of discretionary authority with algorithmic execution, therefore, generates a conceptual tension: whether the waqf, as a normatively grounded institution, can be reduced to automated rule enforcement, or whether such automation risks attenuating the intentional and ethical dimensions traditionally associated with niyyah and human trusteeship. This issue illustrates a broader debate concerning the compatibility between procedural automation and the interpretive flexibility embedded in Islamic legal governance.

10.4 Tokenisation: liquidity without alienation

Tokenisation may be considered one of the most structurally significant innovations within contemporary waqf engineering, as it introduces a mechanism capable of reconciling canonical inalienability with functional liquidity. Under this configuration, the waqf's underlying assets (aṣl) remain legally and religiously inalienable, preserving the foundational requirement of perpetuity, while the economic rights associated with their usufruct (manfa'a) are represented through digitally tradable tokens. This distinction is critical, as it avoids alienating the endowed property itself and instead enables the circulation of income entitlements derived from it.

From an economic perspective, tokenisation alters the temporal and transactional characteristics of waqf-generated flows. The conversion of usufruct rights into divisible digital units may generate immediate liquidity effects, allow beneficiaries or entitled parties to exchange value without relying solely on periodic distributions. At the same time, tokenisation mechanisms



potentially expand financial inclusion by lowering entry thresholds, enabling even small-scale contributors to participate in waqf-linked structures through fractionalized exposure to revenue streams.

A further implication concerns the emergence of ethically structured secondary markets. In principle, tokens representing *manfa'a* rights can circulate within Shari'a-compliant transactional environments, where their exchange does not compromise the ontological integrity of the waqf's principal. Within such settings, tokenised claims may also serve as collateralizable instruments, supporting microfinance and risk-sharing arrangements consistent with Islamic financial norms.

These dynamics collectively suggest that tokenisation does not merely introduce a technical enhancement but reconfigures the economic behaviour of waqf structures by decoupling asset perpetuity from liquidity constraints, while simultaneously raising important jurisprudential and governance considerations.

A useful comparative illustration of the technical feasibility of tokenisation mechanisms can be found in contemporary real estate markets. The well-documented tokenisation of the St. Regis Aspen Resort (Aspen Digital Inc., 2018), for instance, demonstrates how income-generating assets may be fractionally represented through digital tokens, enabling liquidity and investor participation without requiring the direct physical subdivision of the property. By analogy, a digital waqf structure could, at least conceptually, adopt similar mechanisms by issuing tokens linked to the revenue streams (*manfa'a*) of endowed assets such as mosques, hospitals, or educational institutions, while preserving the canonical inalienability of the underlying *aşl*.

Nevertheless, this technological analogy raises significant jurisprudential questions. A recurrent concern among contemporary jurists is that tokenisation, even when formally restricted to usufruct rights, might be interpreted as a form of indirect alienation if it enables patterns of exchange perceived as incompatible with the principle of perpetuity. The core of the debate, therefore, does not lie in the technology itself, but in whether tokenised representations of *manfa'a* alter the legal or ontological status of the waqf. These issues remain the subject of ongoing deliberation within standard-setting and juristic bodies, including AAOIFI and the Fiqh Academy, reflecting broader tensions between financial innovation, governance efficiency, and classical doctrinal safeguards.

10.5 *AI and digital analytics: proactive asset management*

Istibdāl (substitution of non-productive waqf goods with more useful ones) has always been a controversial topic: traditionally, it was allowed only in cases of necessity (*ḥājah*) or public interest (*maşlaḥa*). The use of AI and big data analytics makes proactive istibdāl possible by enabling real-time monitoring of the economic performance of waqf assets (rents, agricultural yields, real-estate values), by deploying predictive models that flag assets at risk of becoming unproductive, and by running simulations of Shari'a-compliant reinvestment alternatives (e.g. from an urban property to a portfolio of green *sukūk*) (Alpay & Asutay, 2020). Potentially significant effect: AI can be seen as reconfiguring istibdāl from an extraordinary remedy to an ordinary management practice, bringing the waqf closer to a dynamic asset fund.

10.6 *Macroeconomic implications*

Digital technologies not only modify the internal governance structures of the waqf but may also generate broader systemic effects, as summarised in Table 4. One significant implication concerns the mobilisation of widespread savings, as digital micro-waqf platforms can potentially catalyse large pools of capital, comparable to ethical or long-term investment vehicles. A second effect concerns the emergence of parallel public-finance dynamics, in which states such as Indonesia and Malaysia have experimented with digital waqf-linked mechanisms to support hospitals, schools, and other welfare infrastructure, thereby complementing conventional fiscal channels (IRTI, 2019). Finally, integration into global financial markets becomes conceivable through instruments such as waqf-linked tokens and *sukūk*, which may attract participation from ethically oriented non-Muslim investors and expand the transnational capital base of waqf structures.

Table 4. Comparative table: Digital tools and added value

TECHNOLOGY	HISTORICAL PROBLEM SOLVED	SHARĪ'A-COMPLIANT FUNCTION	MACRO IMPACT
BLOCKCHAIN	Opacity, falsification of deeds	Immutable register (<i>waqfiyyah</i>)	+ Trust, community accountability
SMART CONTRACTS	Mutawalli abuses, inefficiency	Redistribution automation	+ Efficiency, - Agency costs
TOKENIZATION	Waqf illiquidity	Transforming flows into tokens	+ Liquidity, global ethical markets
AI / ANALYTICS	Asset immobility	<i>Predictive and dynamic</i> istibdāl	+ Resilience, + Productivity

Source: Authors' elaboration

10.7 Critical Discussion

The emerging model of the Digital Waqf raises both opportunities and substantial academic concerns. From a legal perspective, the relationship between fiqh and technological innovation remains unresolved: although the OIC Fiqh Academy (2021) cautiously endorsed the tokenisation of usufructs, it did not extend this approval to the tokenisation of the aṣl, leaving a significant interpretive gap. Alongside these doctrinal issues, digital infrastructures introduce new vulnerabilities. Cyber-risk threatens the reliability of blockchain- and AI-based platforms, potentially undermining community trust, while the persistent digital divide risks excluding rural or underserved groups from participation.

A further concern relates to the risk of financialization: the Digital Waqf, if excessively shaped by fintech logic, may deteriorate into a mere investment vehicle stripped of its spiritual and perpetual dimension of ṣadaqah jāriyah. This connects to broader structural tensions that define the contemporary debate. On one side, digitalisation offers unprecedented advantages—overcoming the historical rigidity of inalienability, integrating the waqf into global impact-investment markets, and enhancing donor confidence through transparent mechanisms. On the other hand, it carries the danger of excessive technicalisation, reducing the waqf to a standardised financial product, and the possibility of concealed state centralisation, in which digital waqf structures become indirect tools of fiscal or administrative control.

The central challenge for the twenty-first century is therefore to balance canonical sacredness with digital efficiency and social justice, ensuring that innovation strengthens, rather than displaces, the ethical and communal foundations of the waqf.

11 Implications for research, practice and policy

11.1 Implications for Islamic economics and finance research (agenda)

(a) Metrics and reporting standards for digital waqf. Develop and test a KPI framework that distinguishes: (i) Sharī'a-compliance integrity (immutability of waqfiyyah; adherence to donor stipulations), (ii) governance quality (auditability; board independence; conflict-of-interest controls), and (iii) social impact (SDG-linked outputs and outcomes).

(b) Comparative empirical studies. Where data permit, implement comparative econometric or quasi-experimental designs contrasting waqf-intensive versus non-waqf-intensive welfare provision (health, education, poverty reduction), controlling for public expenditure and institutional quality.

(c) Political economy of state–community governance. Formalise and empirically test the conditions under which centralisation improves performance (scale, professionalisation, coordination) versus undermines legitimacy (politicisation, risk of minority autonomy), including the role of digital platforms as de facto governance layers.



11.2 Implications for practitioners (two design blueprints)

Blueprint A – Digital cash waqf for health (SDG 3). (1) Micro-donations collected via a regulated platform; (2) principal ring-fenced as waqf aṣl; (3) investment via Sharīʿa-compliant, low-risk instruments (e.g., sovereign sukūk) with smart-contract distribution rules; (4) periodic disbursements to pre-approved hospital service packages (e.g., maternal care vouchers), with on-chain proof-of-transfer and off-chain verification by an independent auditor. Governance: mixed Shariʿah + audit committees; grievance and redress mechanism for beneficiaries; annual public impact report.

Blueprint B – Green waqf token for rural solar (SDG 7 & SDG 13). (1) Tokenise manfaʿa (usufruct) rights—not the underlying aṣl—to finance solar micro-grids for rural mosques/schools; (2) savings and/or revenues are automatically redistributed to maintenance reserves and community welfare beneficiaries; (3) istibdāl rules allow transparent asset substitution (panel upgrades) under Shariʿah-board approval and disclosed criteria. Risk controls: investor/donor disclosures; platform resilience; inclusion mechanism (offline agents / assisted digital onboarding) to mitigate digital divides.

11.3 Implications for regulators and standard setters

Adopt “modular” governance standards that set minimum requirements (asset segregation, audited reporting, beneficiary protection, cybersecurity baseline) while allowing local fiqh adaptations; align AAOIFI/IFSB guidance with SDG reporting practices to prevent mission drift and excessive “financialization of piety”.

12 Conclusions

Across more than fourteen centuries of Islamic civilisation, the waqf has embodied a distinctive combination of spiritual intentionality, institutional endurance and socio-economic redistribution. Since its earliest formulations in the Sunnah and the Khaybar precedent, it has emerged as a decentralised welfare mechanism that funds hospitals, educational institutions, religious services, and urban infrastructure, giving practical expression to ṣadaqah jāriyah and forging what modern historians describe as a pre-modern welfare state.

Yet the very strength of the waqf, its canonical perpetuity and inalienability, also generated structural rigidities: massive immobilisation of land and urban assets, fragmentation of economic resources, and chronic agency problems surrounding the mutawallī, whose weak accountability fostered opacity and rent extraction.

By the nineteenth century, these limitations converged with the pressures of state-building and global economic competition. Tanzimat reforms, and afterwards the nationalisations and abolitions of the twentieth century, significantly reduced community autonomy, integrating waqf assets into public administration or secular bureaucratic structures. Nevertheless, the institution’s social relevance and theological legitimacy persisted beneath the surface.

The twenty-first century has reactivated this latent potential through a convergence of legal re-interpretation, Islamic finance innovation, and technological transformation. Cash Waqf 2.0, Cash Waqf Linked Sukuk (CWLS), corporate waqf structures and green waqf initiatives have partially resolved the historical tension between perpetuity and liquidity, realigning the institution with contemporary models of impact investing and sustainable finance. Digital innovations, blockchain, smart contracts, tokenisation, and AI-enabled asset analytics, have reframed trust not as a vulnerability but as a verifiable public good, expanding the possibilities of istibdāl, ensuring traceability of waqfiyyāt, and enabling dynamic asset substitution consistent with maqāṣid al-sharīʿa.

At the same time, a profound conceptual convergence has emerged between Islamic ethical goals and the Sustainable Development Goals: poverty alleviation, food security, education, clean energy, climate action and intergenerational equity all find in the waqf a doctrinally grounded and operationally viable instrument of perpetual positive externalities.



Yet this renaissance is accompanied by unresolved challenges that will shape the long-term trajectory of the waqf as a global ethical-financial infrastructure. Jurisprudential legitimacy remains contested: while the OIC Fiqh Academy (2021) has accepted the tokenisation of usufructs, the tokenisation of aṣl continues to provoke debate, requiring shared standards from bodies such as AAOIFI and IFSB.

The balance between state authority and community governance also remains delicate: excessive centralisation risks transforming the digital waqf into a fiscal instrument or a mechanism of political legitimation, rather than a community-driven endowment.

Technological risks, cybersecurity vulnerabilities, digital divides, and platform dependency could systematically exclude precisely those populations the waqf historically served, while the increasing integration with financial markets raises concerns about the “financialization of piety,” potentially reducing the waqf to a commodity stripped of its spiritual and philanthropic essence. Despite these tensions, the future of the waqf points toward three strategic horizons: the emergence of a global ethical fund—an Islamic impact-finance infrastructure open also to non-Muslim ethical capital; the consolidation of the waqf as a laboratory for Sharīʿa-compliant governance and transparent institutional design; and its reaffirmation as an intergenerational mechanism of distributive justice, connecting past legacies with future needs.

The journey from medieval sacred foundation to twenty-first-century digitalised ethical fund reveals a unique pattern of institutional adaptability. If governed with integrity, transparency, and an unwavering commitment to maqāṣid al-sharīʿa, the Digital Waqf could become a cornerstone of Islamic ethical finance and a decisive instrument for combating inequality, fostering sustainable development and supporting a more just socio-economic order in the years ahead.

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