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INTEGRATING WAQF MU'AQQAT AND EQUITY CROWDFUNDING FOR THE SUSTAINABLE DEVELOPMENT OF IDLE WAQF LAND

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Abstract

In Malaysia, it was reported that an estimated 17% of waqf lands remains undeveloped in 2024 due to financial and managerial constraints. Agricultural use of idle waqf land could generate up to RM18,000 per hectare annually, reflecting significant unrealised economic value. Hence, it results in substantial opportunity costs, including lost financial sustainability and socio-developmental capacity of waqf institutions. In this context, developing idle waqf land for sustainable agriculture strengthens food security and socio-economic outcomes. It also can support local economic development by creating employment across the agricultural value chain. Overall, productive waqf land utilisation promotes income generation, rural livelihoods, and inclusive development. Therefore, this study aims to develop a sustainable financing model using equity crowdfunding to support the development of idle waqf land through sustainable agricultural initiatives. To achieve these objectives, this study adopts a qualitative research approach through a comprehensive analysis of relevant literature and semi-structured interviews with selected experts and practitioners from State Islamic Religious Councils (SIRCs), agricultural agencies, and land-related authorities. It was found that an alternative financing is crucially needed for waqf land development. Thus, equity crowdfunding can be proposed as a means of sustainable financing. However, to adapt into waqf land, it is suggested equity crowdfunding is integrated with waqf *muaqqat* (temporary waqf). This study contributes to the country economy agenda by developing idle land and providing venture capital for the agriculture sector business. At the same time, it aligns with Financial Sector Blueprint 2022-2026 in terms of advancing digitalisation of the financial sector and value-based finance through Islamic finance leadership Islamic finance. Finally, this model support Capital Market Masterplan 2026-2030 by encouraging development of innovative Islamic social finance products and frameworks, including waqf-linked investment for social and climate objectives.

Keywords: Waqf land; Equity Crowdfunding; Islamic Finance, Urban development.

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INTRODUCTION

The potential of waqf land as a sustainable social and economic resource remains largely untapped. In Malaysia, a large percentage of waqf land is currently idle or underutilized, contributing little to social welfare or community development. Many of these lands are underutilized due to budgetary restrictions, unsuitable locations, administrative obstacles, a lack of professional knowledge, a lack of public awareness and trust, and the complexities of waqf administration (Abd. Jalil, 2020; Ali Azizan et al., 2021). Limited funding sources and reliance on traditional donations frequently limit the ability of waqf institutions to perform large-scale development projects, particularly in industries such as agriculture that need significant upfront investment. According to data from the Department of Waqf, Zakat and Haj (JAWHAR) states that as of July 2024, about 4,198 waqf land lots out of 23,364 total lots (about 18%) were vacant, meaning that 4,265 hectares out of 20,782 (almost 17%) are still unused. This circumstance indicates not only an economic inefficiency, but also a neglected opportunity to achieve waqf's original goals of promoting social development, community welfare, and sustainable economic activities.

The biggest barrier to developing idle waqf land is a lack of adequate investment capital (Abd. Jalil, 2020; Ali Azizan et al., 2021; Alam et al., 2024). Traditional waqf management is mainly reliant on donations or institutional money, which can often be insufficient to support large-scale agricultural or development projects. Furthermore, the regulations regarding permanent waqf make it administratively difficult to launch and administer projects effectively. As a result, idle waqf land remains to deliver little benefit to both the organizations overseeing the waqf and the community as a whole. The implications of failing to solve this issue are far-reaching. Economically, idle waqf lands do not provide returns sufficient to support future development or social activities (Ishak et al., 2024, Ab Rahman & Thaidi, 2026). Socially, the community is denied possible welfare benefits, such as job possibilities and access to locally produced food (Ishak et al., 2024). Abandoned lands may become degraded, reducing their long-term worth and potential for sustainable agriculture. Failure to develop these lands not only causes economic inefficiencies but also prohibits waqf institutions from achieving their broader socioeconomic goals. Productive agricultural development on waqf land has the potential to improve food security, create employment opportunities, and improve the community well-being (Ishak et al., 2024). As a result, the present situation underutilization of waqf land is a squandered chance to maximize the socioeconomic benefits of waqf assets. Collectively, these missed opportunities represent a significant loss of resources that could have been used to support national and community development, as well as the achievement of the United

Nations Sustainable Development Goals (SDGs), particularly in areas such as zero hunger and sustainable communities.

To address these challenges, this study proposes the integration of equity crowdfunding as a financing mechanism for the development of idle waqf land, complemented by the adoption of waqf *muaqqat* (temporary waqf). Equity crowdfunding permits multiple investors to provide funds to development projects while distributing profits according to Shariah-compliant guidelines. This technique decreases reliance on individual donors or institutional money, allowing for the mobilization of larger resources for agricultural projects. Waqf *muaqqat*, on the other hand, provides more flexibility in land management by permitting temporary endowment for specific projects while simplifying operational monitoring. Once the prescribed period has expired or the stated situation has been met, waqf *muaqqat* stipulates that the waqf asset should be returned to the waqif or his faraid recipients (Al-Ansori, 1993; Al-Gharyani, 2002; Tahir, 2009; KAPF, 2014; AAOIFI, 2022; Mahmud et al., 2023). Together, these processes provide a practical and ethical foundation for converting idle waqf land into productive usage.

Many factors contribute to the effectiveness of this strategy. Financially, equity crowdfunding provides access to a variety of financial sources, allowing development projects to be completed even with modest individual contributions. Waqf *muaqqat* simplifies project implementation by eliminating administrative complexity and offering a planned but adaptable approach to land management. Socially and ethically, the integration of these systems is consistent with Shariah values, encouraging profit-sharing rather than interest-based financing while providing actual advantages to the community (Bakar, R., & Rosli, M. F. (2026). Furthermore, this technique is scalable, allowing for replication on other vacant waqf sites across the country or area, and it has the potential to attract young Muslim investors interested in ethical and socially responsible investments. This study resolves existing financial and operational restrictions by mobilizing idle waqf land for sustainable agriculture, while also contributing to community development, environmental sustainability, and the broader goals of Islamic social financing. Existing studies discuss waqf land development, Islamic crowdfunding, or sustainable agriculture separately. However, there is limited research that integrates these elements into a comprehensive framework that facilitates the development of idle waqf land for sustainable agriculture through equity crowdfunding mechanisms.

LITERATURE REVIEW

Utilisation of Waqf Land for Socio-Economic Development

Waqf land is an Islamic endowment of property or land for charitable, educational, or religious reasons. The asset itself cannot be sold and is no longer

private (Johari, 2022). However, the ownership permanently belongs to the people. It is administered by Islamic law, and the earnings or usages are intended for the benefits of society. Based on beneficiaries, waqf can be classified into two types: waqf am (public endowment), which benefits the general public, and waqf *khas* (specific endowment), which benefits specific individuals or groups. These kinds of waqf are determined on the purpose of the donor when he donated a certain asset. Similarly, these two waqf groups share comparable concerns such as financial constraints to plan and perform additional economic activity on waqf properties (Ali Azizan et al., 2021; Alam et al., 2024), waqf land is not strategically located or too remote, the land size is small that made them less desirable for residential or commercial projects and in Malaysia, the management of waqf lands is overseen by numerous state religious councils (Ali Azizan et al., 2021). Abd. Jalil (2020) also stated several issues and challenges of waqf practice including legal conflict, lack of understanding about waqf governance among Muslims, idle assets and land, management inefficiencies, incomplete data and illegal invasion of waqf properties (Abd. Jalil, 2020).

Thus, it can be concluded that the need for effective fund management strategies, a supportive regulatory framework, and increased public awareness, all of which require coordinated efforts from government agencies, financial institutions, and stakeholders to ensure the development and sustainability of waqf projects (WB & IsDB, 2025). Mat Hassan et al. (2021) highlight the need for continuous campaigns and promotional initiatives to enhance public awareness and participation in waqf. They further emphasise the importance of strengthening internal governance within State Islamic Religious Councils (SIRCs), particularly through improvements in management systems such as updated databases, ICT infrastructure upgrades, recruitment of professional expertise, and the enhancement of organisational structures.

In general, these waqf lands can be divided into five primary purposes, which are mosque, Islamic religious school, cemetery and general (Ali Azizan et al., 2021; Alam et al., 2024). Waqf land plays a significant economic and social role in communities. Economically, it generates income through leasing, agriculture, and commercial operations, which helps to alleviate poverty and promote local development. Land is required for agricultural activities. Farmers, particularly landless farmers, will have greater accessibility to additional agricultural land, allowing them to boost their production capacity, promote food security, promote farmer livelihoods, and economic stability (Ishak et al., 2024). Food security is defined as a condition in which all individuals have physical and economic access to sufficient, safe, and nutritious food that meets their dietary needs and preferences for an active and healthy life (Asli & Rahman, 2023). In contrast, the government's approach to food security is described as a strategy of complete reliance on domestic production without dependence on external food

sources (Asli & Rahman, 2023). Socially, waqf land promotes education, healthcare, and community services, while boosting social solidarity and sustained flow of income for waqf institutions, allowing them to fund numerous charitable and social welfare programs (Ishak et al., 2024). Despite Malaysia's well-established waqf management policies, many waqf lands are still vacant or underutilized, which results in lost potential for socioeconomic growth. As of July 2024, around 18% of waqf land lots were idle, and 17% of hectares remained underutilized (JAWHAR, 2024).

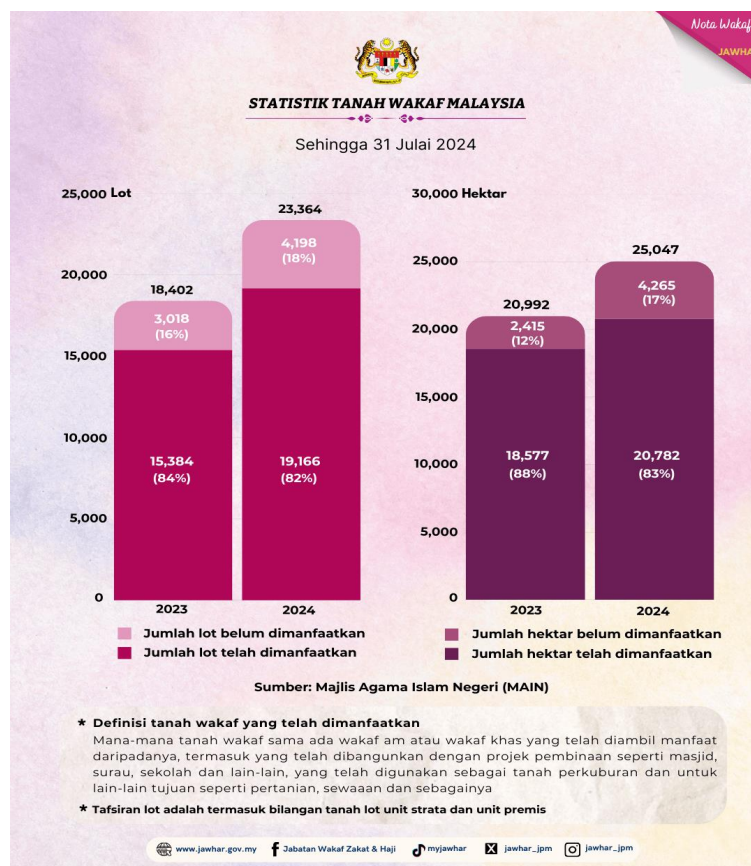


Figure 1: The Statistic of Waqf Land in Malaysia
 Source: JAWHAR 2024

Based on previous studies, a typology of idle waqf land can be developed to categorise abandoned or underutilised waqf land according to several characteristics. These include land size, geographical location,

development suitability, accessibility, and legal or other development-related constraints. The typology can be summarised as follows:

Table 1: Typology and development of characteristics of Idle Waqf Land

Characteristics	Literature-derived observation	Sources
Land size	Land varies considerably in size. Individual size may less attractive for commercial or residential projects. While, oversized size can cost a lot.	Ali Azizan et al. (2021); Abd. Jalil (2020)
Location	Idle waqf land exists in urban, peri-urban and rural locations, resulting in different development opportunities and constraints.	Ali Azizan et al. (2021); Abd. Jalil (2020)
Development sustainability	The area with a favourable climate, suitable soil conditions, and topography can support agricultural development.	Buang (2001)
Access	Improved road access and better land consolidation can support the development of small and scattered fields for crop production.	Anem (2009)
Waqf constraints	The purpose and endorsement of waqf <i>am</i> and waqf <i>khas</i> are different.	Mahamood (2025); Mat Hassan et al. (2021)

Table 1 indicates that idle waqf land is not a homogenous resource. Its potential differs depending on land size, location, development sustainability, access and its constraints. Existing agricultural programmes show that waqf land of different size can be productively utilised when appropriate development arrangements are implemented. For example, MAIDAM (2025) has facilitated the cultivation of okra and eggplant on 0.4 hectares of waqf land in Kampung Gelugur Kayu Tinggi, Terengganu, generating an estimated gross income of approximately RM5,000 per month for the farmer. The annual rental fee for the land is RM 400. This project shows how waqf can strengthen the ummah's economy by producing cash crops.

Similarly, Perbadan Wakaf Selangor (2024) demonstrated that Saudagar Nanas Agrofarm, through Barakah Agribiz Enterprise, has leased 6.3 acres of waqf land managed by PWS in Dengkil, Sepang, for pineapple cultivation targeting high-income generation and market demand in the Klang Valley. These cases illustrate the utilisation of waqf land through different land scales and development arrangements. Therefore, the proposed typology provides an important initial basis for assessing the characteristics and development potential of idle waqf land before determining the most suitable land use, development model and financing mechanism.

Financing Mechanisms for Waqf Land and Agricultural Development

Maulida and Rusydiana (2024) proposed the Integrated Waqf Environment Model (IWEM) as a sustainable, Shariah-compliant financial tool for developing agricultural innovation in the age of Smart Agriculture 5.0. IWEM integrates Islamic social finance and environmental goals, offering a structured approach to support farmers and research institutes using a waqf-based system. A combined effort of waqf and smart agriculture solves several critical issues, including difficult access to financial resources, poor technological adoption among small-scale farmers, and lack of policy support. The study demonstrated that waqf instruments can provide robust, debt-free funding for sustainable agricultural systems when they are appropriately regulated and supported by permitting laws, particularly when paired with risk-sharing agreements and digital tools.

Majid (2021), in his paper, introduced Salam-Muzara'ah Linked Waqf (SMW) which is a Sharia-compliant financial model that combines social finance and commercial into a single financing scheme designed to help Baitul Maal wat Tamwil (BMT) solving the agriculture sector's problems. The commercial agreement employed in SMW is *salam* (advanced payment) financing, which provides advance payment to small farmers to overcome their limited accessibility, and *muzara'ah* (agriculture venture) contract, which allows the cultivation of idle waqf land to deal with insufficient agricultural land caused by land conversion. The Islamic social finance tool applied to this model is the implementation of return of cash waqf and waqf land provided to farmers as a subsidy and *hibah* (gift) to offset risk during the planting season. To minimize the risks that accompany *salam* financing, SMW is meant to address the problem by utilizing profits from the cash waqf fund.

Afroz et al. (2019) developed Integrated Waqf Environmental Protection Model (IWEP) that seeks to directly incorporate the cash waqf to support farmers who are having difficulty adjusting to climate change. This model can assist the government in cutting costs associated with agricultural development. This study has led to the development of many viewpoints. Firstly, it advances Malaysia's agricultural development by encouraging funding to support farmers. Second, the study indicated that attitude, awareness, subjective norm, perceived difficulty, and knowledge all influence the intention to use a model. This study found that the decision of low-income farmers to adopt the IWEP model is heavily affected by family members, neighbours, and friends. Third, the study was able to create the theoretical framework by adopting and modifying pertinent literature (measured items) to address the paucity of material in the Malaysian context. Hence, cash funds are an extremely effective tool for fundraising.

In the study of Allah Pitchay et al. (2018), the proposed cooperative-waqf model intends to solve the liquidity crisis that waqf institutions are facing

and to encourage uniformity among cash waqf contributors. The suggested model improves the satisfaction of waqf institutions and donors. Donor trust will increase as a result of membership privileges. Additionally, the prestige of waqf organizations will be enhanced by steady cash waqf collection and the growth of waqf assets. Additionally, the CWM is anticipated to mitigate waqf institutions' reliance on government support and allow governments to reallocate funds to addressing society's basic needs at a relatively cheaper cost. Since the CWM promotes money circulation among all members of society rather than just the wealthy, it has the potential to make a significant contribution to society. Increasing the flow of public income can solve the issues that capitalists have caused in society.

An Overview of Equity Crowdfunding (ECF)

Equity crowdfunding (ECF) has emerged as an innovative financing mechanism that enables businesses and projects to gather capital from a large number of investors through digital platforms (Ishak, 2025). Compared to traditional financing methods that rely mainly on banks or institutional investors, equity crowdfunding permits individuals to jointly invest modest amounts of capital in exchange for equity participation (Hornuf & Schmitt, 2016; Buttice & Vismara, 2022; Mazzocchi & Lucarelli, 2023). In many countries, equity crowdfunding is becoming widely known as a viable alternative financing source for projects that cannot obtain conventional financing. Equity crowdfunding in Europe began with platforms like Crowdcube (United Kingdom) and Seedmatch (Germany), which launched their first successful campaigns in 2011 (Hornuf & Schmitt, 2016). Crowdfunding is the third most popular source of external funds for German entrepreneurs, trailing only bank and venture capital (Blaseg et al., 2021).

According to Mazzocchi & Lucarelli (2023), the purpose of equity crowdfunding is to accumulate a predefined amount of cash within a specific timeframe, which means that the project must be able to attract and convince a sufficient number of crowd-investors in order to collect the intended funds. Investors must make choices in a highly risky environment, with a significant amount of uncertainty, and possible returns (if any) will be realized only in the long run (Aderemi & Ishak, 2023). Thus, the key problem of information asymmetries between lenders and borrowers is brought into play by the signals entrepreneurs send to convince the crowd. The digitalization of Web-based equity crowdfunding platforms can increase the chances for entrepreneurs and investors to connect and share information. As a result, this approach minimizes the distance between them, fostering trust, and allowing the mitigation of information asymmetries (Buttice & Vismara, 2022; Mazzocchi & Lucarelli, 2023).

Incorporating equity crowdfunding into waqf land development projects makes it feasible to raise money from the general public to fund profitable endeavors like sustainable agriculture. The development of waqf land relies not only on government support but also on active public participation (Mat Hassan et al., 2021). Equity crowdfunding offers a flexible and scalable financing alternative by distributing risk among a large pool of small investors, making it more acceptable as the risk is less concentrated. This approach is particularly suitable for financing idle waqf lands for sustainable agricultural development. To adapt with the waqf asset, crowdfunding can be designed in the form of waqf *muaqqat* (temporary waqf).

The Concept of Waqf *Muaqqat* and Its Legal Framework in Malaysia

In general, based on the duration of the waqf, waqf can be categorized into two types: waqf *muabbad* (perpetual waqf) and waqf *muaqqat* (Ab Rahman, 2026). In the past, waqf *muabbad* has supported a number of socioeconomic areas, including public infrastructure, education, and healthcare (Mohsin & Muneeza 2020). To improve flexibility and promote wider involvement in waqf activities, modern scholars and practitioners have also researched several types of waqf frameworks. Waqf *muaqqat*, a temporary endowment in which the waqf asset is dedicated for a predetermined amount of time before being returned to the original owner (Mahmud et al., 2023), is one such type. Waqf *muaqqat*, in contrast to waqf *muabbad*, permits donors to make asset contributions for a specific amount of time while continuing producing benefits for the general welfare. The study thoroughly examines the opinions of the Maliki school, which is the primary advocate of waqf *muaqqat*.

According to Al-Ansori (1993), the waqf asset reverts to the *waqif* or his *faraid* (family) beneficiary upon his demise in the event of the waqf's termination or end of waqf period. According to the aforementioned opinion, if the waqf time limit expires, the waqf asset will be returned to waqif, if he is still living, or to his *faraid* recipient upon his passing. This opinion is also supported by other modern Maliki scholars such as Al-Gharyani (2002) and Tahir (2009), where Al-Gharyani (2002) emphasized that when someone contributes his asset to the poor for ten (10) years, after the period the waqf asset reverts to the *waqif* or his *faraid* beneficiary. KAPF (2014) further stated the waqf asset will be handed to the *waqif* if he is still alive or to his *faraid* beneficiary if he is dead if the waqf period is ended. This opinion is also backed by a few Shariah authorities, such as AAOIFI (2022).

Given these benefits, incorporating waqf *muaqqat* into new financing methods like equity crowdfunding can create a possible approach to collect funds for the development of idle waqf lands. By integrating waqf *muaqqat* with collective investment platforms, it could be possible to construct long-term

development models that boost agricultural productivity while providing socioeconomic advantages to the community.

In terms of regulatory framework, Malaysia has a unique system for managing waqf property. According to federal constitution, SIRC are recognised as the sole trustees responsible for managing waqf property in their respective states. Currently, nine of 14 states have established specific waqf enactments, while the remaining five states are expected to introduce similar legislation in the future.

Table 2: Legal status of waqf *muaqqat* across the states

Jurisdiction	Section	Enactment
Federal Territories	Rule 24: Waqf <i>Muaqqat</i>	Kaedah-Kaedah Pentadbiran Undang-Undang Islam (Wilayah-Wilayah Persekutuan) (Wakaf) 2025
Terengganu	Section 18: Waqf <i>irsod</i> , waqf muabbad, waqf <i>muaqqat</i> , waqf <i>musya'</i> or waqf <i>musytarak</i> .	Enakmen Wakaf Terengganu 2016 (Enakmen 1)
Sarawak	Section 2(1)	Ordinan Majlis Islam Sarawak, 2001 (Bab 41)
Johor	Rule 17: Waqf Muabbad and waqf <i>Muaqqat</i> .	Kaedah-Kaedah Wakaf 1983 (J.P.U.51.)
Selangor	Section 2(1)	Enakmen Wakaf (Negeri Selangor) 2015 (Enakmen 15)
Pulau Pinang	Section 2(1)	Enakmen Pentadbiran Agama Islam (Negeri Pulau Pinang) 2004 (Enakmen 4/2004)
Perlis	Section 2(1)	Enakmen Pentadbiran Agama Islam 2006, Perlis (Enakmen 4)
Melaka	Section 2(1)	Enakmen Wakaf (Negeri Melaka) 2005 (Enakmen 5)
Sabah	Section 2(1)	Enakmen Wakaf (Negeri Sabah) 2018 (En. 7/2018)

Since waqf falls under state jurisdiction, the absence of a uniform legal framework has made the administration and development of waqf matters somewhat complex. As a result, the legal recognition and regulation of Waqf *muaqqat* vary across Malaysian states. Terengganu and the Federal Territories expressly recognise waqf *muaqqat*, while Johor provides an earlier example through its subsidiary legislation (Mahamood, 2025). Therefore, the implementation of waqf *muaqqat* should consider both the conditions permitted under Islamic law and the specific legal, administrative, and institutional requirements of the relevant state authorities.

METHODOLOGY

In general, this study adopts a qualitative research approach. According to Hsieh & Shannon (2005) qualitative research involves a systematic categorization technique, such as patterns, coding or themes in dealing with data interpretation. The finding and result can create a depth of understanding in which quantitative research method may not be practical due to relying on numerical approaches (Johnson et al., 2006). As this study aims to propose an integration between waqf *muaqqat* and equity-based crowdfunding, it was achieved through qualitative analyse on literature and interviewing experience of experts. As for literature, synthesis on waqf, equity-based crowdfunding and blended financing were conducted while for interview, through semi-structured on purposive sampling was applied to ensure the research objectives were achieved. Then, the data was analysed based on thematic analysis since its finding was presented in the form of themes. Nowell et al., (2017) views that this approach is practical since it emphasizes on individuals' viewpoints by compaing between parallels and discrepancies, in producing insights. The sample of interviewees can be listed as follows:

Table 3: List of interviewees

List of interviewees	Area of expertise	Area of Malaysia
IV 1	Waqf	Northern Peninsular Malaysia
IV 2	Crowdfunding	Central Peninsular Malaysia
IV 3	Crowdfunding	Central Peninsular Malaysia
IV 4	Waqf	East Malaysia
IV 5	Waqf	Northern Peninsular Malaysia
IV 6	Waqf	Central Peninsular Malaysia
IV7	Waqf	Southern Peninsular Malaysia
IV8	Waqf	East Coast Peninsular Malaysia
IV9	Crowdfunding	Central Peninsular Malaysia
IV10	Waqf	East Coast Peninsular Malaysia
IV11	Agriculture	East Coast Peninsular Malaysia
IV12	Land	East Coast Peninsular Malaysia

As shown in Table 2, the interviewees comprised 12 individuals selected from waqf, agricultural, and land-related entities across various regions in Malaysia. Following data collection, the interview data were systematically analysed using an inductive approach to develop and propose a waqf *muaqqat* model.

FINDINGS AND DISCUSSION

The Limitation of Funding

All experts agreed that funding is considered as the main challenge in developing waqf land in Malaysia. Currently, JAWHAR is among the active funders supporting waqf land development through the budget allocated by the federal government. However, according to IV6, funding from JAWHAR is limited. As waqf is considered part of the third sector, waqf institutions should also mobilise funds from the public. In response to this view, the majority of interviewees argued that donation-based crowdfunding alone would not be sufficient to address the funding challenge. Another alternative is financing from banking institutions. However, many interviewees were reluctant to accept this option, as it could burden SIRC with repayment obligations. An exception may be equity-based financing, which was viewed as a more suitable alternative.

To propose equity financing, banking institutions, including Islamic banking operate within a complex risk environment, where various types of risks arising from their core activities. According to Kisman (2020), the risks faced by banks can be categorised into financing risk (Islamic banks), credit risk (conventional banks), market risk, liquidity risk, operational risk, legal risk, compliance risk, reputation risk, and strategic risk. Besides, debt-based financing modes such as *murabahah* (mark-up sale) and *tawarruq* (monetization) are more commonly practiced by Islamic banks worldwide compared to equity-based financing grounded in *musharakah* (full partnership) and *mudharabah* (partnership). While both associated with high risk, they have a significant potential to contribute to economic growth and development when effectively implemented (Maikabara, 2019; Ishak et. al, 2025). Although *musharakah* promotes equitable profit-sharing, the requirement to share losses in proportion to capital contribution exposes financial institutions to considerable risk. Consequently, *musharakah* and *mudharabah*, as equity-based financing modes, are often given lower priority due to several challenges, including high risk exposure, implicit capital protection concerns, information asymmetry, the need for specialised expertise, and limited public awareness of equity financing (Maikabara, 2019).

In this regard, waqf-based agricultural projects, which are inherently uncertain and lack collateral assets. Islamic banks rarely offer *musharakah* financing without requiring strong risk mitigation measures such as collateral or guarantees, which function to protect the bank's capital despite the theoretical risk-sharing nature of the contract (Maikabara, 2019). Financing risk in *mudharabah* contract occurs when the bank has fulfilled its obligation by delivering the asset, yet the client fails to meet the agreed payment terms (Kisman, 2020). Consequently, Islamic banks either avoid these financing structures or impose stringent risk mitigation measures, thereby constraining their

applicability in the development of idle waqf land. Since equity crowdfunding provides a more flexible and scalable alternative by spreading risk across many small investors, this makes it more acceptable as the risk becomes less concentrated, particularly suitable to finance idle waqf lands for sustainable agriculture.

Meanwhile, government grants or subsidies seem ideal but in reality, there are many issues such as limited budget allocation, extreme competition, often one-off funding, not sustainable, bureaucratic delays and political influence. To address this issue, as outlined in the Capital Market Masterplan (2026-2030) developed by Securities Commission Malaysia (SC), the government focuses on promoting market-based financing such as equity, venture capital, bond, derivatives and digital platforms like equity crowdfunding and Peer-to-Peer (P2P) lending instead of traditional bank loans. This masterplan aims to reshape the capital markets to become more inclusive, sustainable and forward-looking. In addition, Bank Negara Malaysia promotes alternative financing avenues, including non-debt-based solutions such as blended finance, equity crowdfunding, venture capital, and private equity (BNM, 2022). These mechanisms complement traditional financing by offering more diverse and potentially resilient sources of funding for the economy. Ultimately, it is crucial for the financial sector to absorb, rather than amplify, economic shocks and vulnerabilities. Reducing excessive reliance on debt is therefore essential to achieving this objective.

The Potential of Equity Crowdfunding through the Adoption of Waqf *Muaqqat*

All interviewees expressed positive views towards the proposed concept of equity crowdfunding for the development of idle waqf land, particularly due to the limited availability of funding opportunities. However, several Shariah issues were raised. For example, in the case of waqf *muaqqat*, donors should not receive an amount exceeding their original contribution, as this may raise concerns regarding an interest-based loan. To address this issue, a hybrid funding model could be proposed, whereby both donors and investors channel their funds into the project.

By incorporating equity crowdfunding into waqf land development projects makes it feasible to raise money from the general public to fund profitable endeavors like sustainable agriculture. Equity crowdfunding offers a flexible and scalable financing alternative by distributing risk among a large pool of small investors, making it more acceptable as the risk is less concentrated. This approach is particularly suitable for financing idle waqf lands for sustainable agricultural development.

In this regard, waqf *muaqqat* may serve as a practical framework for creating collaborations among waqf institutions, investors, and project developers. Waqf *muaqqat* allows land or financial resources to be utilized for productive projects such as agricultural development while maintaining the original waqf principles. According to Mahamood (2025), the concept of waqf *muaqqat* provides various benefits for contemporary waqf development. Using waqf *muaqqat* may encourage people and institutions to participate in waqf activities without permanently abandoning ownership of their assets. This flexibility could motivate increased engagement from investors, landowners, and institutions in projects that seek to provide socioeconomic advantages. Furthermore, waqf *muaqqat* can help in creating innovative financial frameworks that integrate charity goals with long-term economic operations. The proposed model can be illustrated as follows:

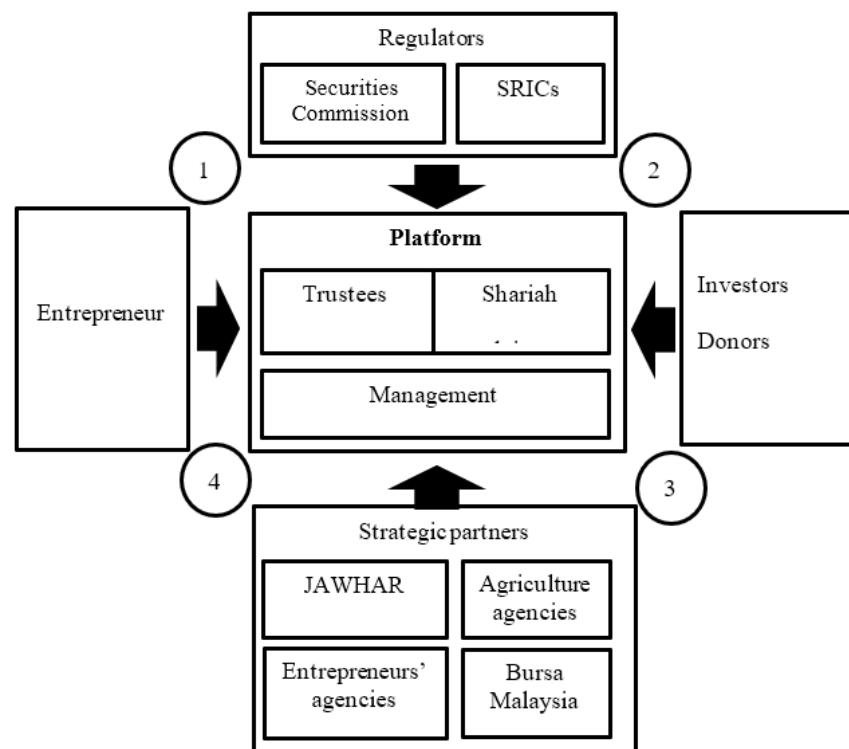


Figure 2: The proposed model

Explanations:

Funding flow

1. An entrepreneur applies to the platform to raise funds for a business project.
2. The platform evaluates the project and invites the entrepreneur to pitch the idea. If the project meets the required criteria, the platform prepares the necessary agreements and initiates the fundraising campaign. At this stage, the Shariah advisory plays a crucial role in screening the project and agreements to ensure Shariah compliance. Trustees are also vital entity to monitor the management and to protect of waqf objectives.
3. Investors and donors contribute their funds to the project.
4. If the fundraising target is achieved, the platform disburses the total amount of funds in accordance with the agreed terms. Upon completion of the project, the entrepreneur returns the fund to donors and distributes the profits to the investors.

Regulatory framework

The SC is responsible for establishing rules and enforcing regulations relating to the capital market, including equity crowdfunding. Therefore, the platform needs approval from SC for launching the project. At the same time, since the platform uses the term waqf, it has to apply from SIRC for approval, depending on where the project is located.

Strategic partners

Since this model could be risky due to the concept of equity and the sector of agriculture, it requires coloration. Although waqf fall under the state government's jurisdiction, strategic coordination and co-operation efforts are necessary to enhance the practice of these institutions. In this regard, JAHWAR can play its role in coordinating for this initiative. In addition, Bursa Malaysia is needed to support how to raise fund in systematic ways. At the same time, entrepreneur agencies like TEKUN, MARA can be involved, together with agro-agencies like Jabatan Pertanian Malaysia (DOA), MARDI, FAMA, and Pertubuhan Peladang (PPK).

Table 4: List of potential agricultural support agencies

Agency	Role
Jabatan Pertanian Malaysia (DOA)	Assess agricultural suitability, technical advice, crop selection, farming practices, training, MyGAP
MARDI	Agricultural technology, R&D, crop production techniques, technical expertise
FAMA	Market access, marketing, market information, contract farming, potential buyers
Pertubuhan Peladang (PPK)	Farmer networks, agricultural inputs, infrastructure support, training and production coordination

Advantages and challenges for model

In the context of developing idle waqf land, waqf *muaqqat* may serve as a practical framework for creating collaborations among waqf institutions, investors, and project developers. Waqf *muaqqat* allows land or financial resources to be utilized for productive projects such as agricultural development while maintaining the original waqf principles. According to Mahamood (2025), the concept of waqf *muaqqat* provides various benefits for contemporary waqf development. Using waqf *muaqqat* may encourage people and institutions to participate in waqf activities without permanently abandoning ownership of their assets. This flexibility could motivate increased engagement from investors, landowners, and institutions in projects that seek to provide socioeconomic advantages. Furthermore, waqf *muaqqat* can help in creating innovative financial frameworks that integrate charity goals with long-term economic operations.

The funding begins with investors who provide financial capital through an equity crowdfunding platform. The crowdfunding platform functions as an intermediary that mobilises funds from multiple investors for the development of idle waqf land. Under the proposed framework, the SIRC contributes idle waqf land through a waqf *muaqqat* mechanism, allowing the land to be utilised temporarily for productive agricultural activities while preserving its waqf status. Investors contribute capital through the equity crowdfunding platform, whereas the entrepreneurs manage project implementation and agricultural operations.

The integration of waqf *muaqqat* and equity enables a Shariah-compliant financing structure where profits generated from agricultural activities are distributed between SIRC and investors according to a pre-agreed ratio. At the same time, the framework contributes to community development by creating employment opportunities, improving agricultural productivity, and generating social returns for waqf beneficiaries. The proposed framework benefits the community through multiple interconnected mechanisms. The introduction of waqf *muaqqat* enables the activation of idle waqf land for productive use, ensuring that underutilised assets are transformed into economically and socially beneficial resources.

However, it remains unclear how investors would be interested in participating. In fact, if they contribute their funds through waqf *muaqqat*, some investors may allocate the entire contribution, including the profit, to waqf. Others may be driven by charitable objectives but prefer to retain a portion of the returns for personal or institutional use. Some investors may be primarily driven by financial returns while remaining supportive of socially impactful initiatives (Hasan et al., 2024).

Thus, this structure promotes ethical profit-sharing and effective risk management among investors, promoting fairness and transparency in project

returns. Through equity crowdfunding, the framework enhances financial inclusion by allowing small and retail investors to participate in waqf-based agricultural development, which was previously limited to larger institutional investors. At the operational level, farm activities contribute directly to the community by generating employment opportunities and supporting skills development, particularly in the agricultural sector. Finally, the SIRC share ensures that a portion of the returns is allocated to social programmes and broader waqf-related activities, reinforcing the cycle of social welfare and sustainable community development.

In addition, agriculture can give productive use to idle waqf land while generating economic and social value. Land that is currently unutilised can potentially be converted into productive agricultural assets. However, not every waqf land parcel is agriculturally suitable. Suitability depends on land topography, size and shape of the land, climate and crop suitability (Buang, 2001), flood risk, drought risk and more.

Larger and well-connected parcels can support more commercially viable agricultural activities and allow better use of machinery and infrastructure. Some waqf land may be small, fragmented or difficult to access. A parcel may exist on paper but still be commercially unattractive because it is too small or lacks proper road access (Anem, 2009). Individual plots may be too small to be attractive for commercial or residential development (Ali Azizan et al., 2021). However, a larger size can significantly increase the cost (Abd. Jalil, 2020). Agricultural development needs essential infrastructure such as roads, irrigation, electricity, drainage and water supply. If waqf land lack these essential infrastructures, providing them would require additional capital.

Selecting crops according to market demand and feasibility of land cultivation (Ishak et. al, 2025) are crucial in order to improve the economic viability of the project. Agriculture is exposed to price fluctuations, pests, diseases (Ishak et. al, 2025) and seasonal conditions like flood and drought. Producing a crop does not automatically mean that it will generate sufficient revenue. The project also may face yield and production risk (Ishak et. al, 2025) probably due to extreme weather, pests and diseases. To sum up, agricultural development can transform idle waqf land into productive assets and generate sustainable economic value. But it is also exposed to production, climate, market and cost-related risks. Therefore, these factors should be assessed before project implementation to ensure that the proposed financing model is both agriculturally feasible and financially sustainable.

CONCLUSION

This study proposes a blended financing framework that integrates waqf *muaqqat* with crowdfunding to support sustainable development of idle waqf land,

particularly within the agricultural sector. The framework is expected to contribute to multiple stakeholders in different dimensions. From a societal perspective, the integration of waqf-based financing and equity crowdfunding has the potential to stimulate local economic development by supporting start-ups and small social enterprises, while also creating employment opportunities across the agricultural value chain, including production, processing, and distribution activities. This study enriches the existing body of knowledge on Islamic social finance, particularly in the areas of zakat, waqf, and crowdfunding, by proposing a structured conceptual framework for blended financing mechanisms.

At the governmental level, the proposed framework may help alleviate fiscal pressure by providing an alternative Shariah-compliant financing mechanism to support small and medium enterprises and rural development initiatives. In the industrial context, the framework empowers micro-entrepreneurs by enhancing their operational autonomy, creativity, and accountability, thereby contributing to the development of agro-based supply chains and strengthening agricultural sector growth. From an environmental perspective, the framework encourages socially responsible entrepreneurship that not only seeks economic returns but also promotes positive social and environmental outcomes.

Overall, this study provides a conceptual contribution that highlights the potential of integrating Islamic social finance instruments with crowdfunding mechanisms to achieve sustainable and inclusive development outcomes, while also aligning with key national and international policy agendas such as the MADANI Economy framework, MyDIGITAL, Sustainable Development Goal 8, the National Entrepreneurship Policy, SEMy2030, and the Value-Based Intermediation principle.

Finally, the study is not without limitations, particularly due to its conceptual nature and the absence of empirical validation at this stage, which suggests avenues for future research. Firstly, the proposed framework has not yet been tested within real-world decision-making or implementation contexts related to idle waqf land development and equity crowdfunding mechanisms. As such, the components and relationships outlined in the framework remain theoretical and represent a hypothetical construct that requires further empirical validation.

Future research is encouraged to conduct case studies or practice-based investigations involving relevant stakeholders such as waqf institutions, policymakers, equity crowdfunding platform operators, investors, and agricultural planners. Such studies would be valuable in assessing the practicality, feasibility, and effectiveness of the proposed framework in real implementation settings. In particular, further work could examine how the integration of Islamic social finance and crowdfunding mechanisms functions within actual governance

and financing processes, and the extent to which it enhances decision-making, accountability, and sustainability outcomes in waqf land development.

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