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Optimizing Cash Waqf for Productive Ventures: A Comparative Juridical Study of Indonesia and Malaysia

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Abstract: This research examines the regulation and governance of cash waqf for productive ventures in Indonesia and Malaysia. It focuses on how both countries develop legal and institutional frameworks to optimize cash waqf as an instrument for economic empowerment and social welfare. This study uses a normative juridical method with statutory, conceptual, and comparative approaches. The data were obtained through library research by analyzing laws, regulations, journal articles, books, and other relevant legal materials related to cash waqf and waqf governance. The findings show that Indonesia regulates waqf through a national legal framework under Law Number 41 of 2004 on Waqf, with the Indonesian Waqf Board playing an important supervisory role. Malaysia applies a decentralized model, where State Islamic Religious Councils act as sole trustees for waqf assets in their respective states. Although both countries recognize the potential of cash waqf for productive ventures, they still face challenges related to public literacy, institutional capacity, transparency, and effective fund management. This study argues that stronger regulation, accountable governance, and wider public participation are needed to optimize cash waqf for sustainable economic development and community welfare.

Keywords: Cash Waqf, Comparative, Juridical Studies, Management, Productive Business.

INTRODUCTION

Waqf, as one of the instruments in building the socio-economic life of the Muslim community, plays a significant role in both Indonesia and Malaysia. Both countries have legal frameworks governing *waqf* practices, but their implementations may differ in terms of approach, management, and public understanding. A comparative study between Indonesia and Malaysia on *waqf* can provide a deeper understanding of the differences and similarities in these two nations, offering valuable insights for formulating more effective policies and strategies to develop *waqf* as a source of economic empowerment and social welfare in the future (Shulthoni & Saad, 2018). In Indonesia, *waqf* is regulated by Law No. 41 of 2004 on *Waqf*. Article 1, Paragraph 1 of this Law defines *waqf* as a legal act of a waqif (donor) to separate and/or transfer a portion of their property to be utilized permanently or for a specified period according to their intentions for the purposes of worship and/or public welfare in accordance with Shariah. *Waqf* in Indonesia is not limited to immovable assets such as land and buildings, but also encompasses movable assets such as money, precious metals, securities, and others (Shulthoni & Saad, 2018).

On the other hand, in Malaysia, *waqf* is regulated by various laws, including the Administration of Islamic Law (Federal Territories) Act 1993 (Act 505). This Act provides a comprehensive framework for *waqf* management through the Federal Territories Islamic Religious Council (Majlis Agama Islam Wilayah Persekutuan), which is responsible for the management of *waqf* and related charitable trusts in the Federal Territories (Muslimin et al., 2022). The *waqf* management process begins with the official declaration of intent, followed by asset inspection, official asset transfer, and property development in accordance with Shariah principles (Ahyani et al., 2022). Despite strong legal foundations for *waqf*, the practices of *waqf* management can differ between the two countries. In Indonesia, there are still challenges in effectively implementing *waqf*, particularly regarding public understanding and asset management. Many people have a limited understanding of *waqf*, especially *waqf* involving money, which hampers active participation in *waqf* practices (Bustami et al., 2020). In contrast, in Malaysia, *waqf* management practices have been well integrated within the framework provided by the Federal Territories Islamic Religious Council. However, challenges remain in terms of *waqf* property development and efficient *waqf* fund management. Additionally, issues related to limited public understanding of *waqf* and insufficient active participation in *waqf* practices need to be addressed (Wardy Putra et al., 2023).

Despite various challenges, the waqf has significant potential to contribute to the economic development and welfare of society in both Indonesia and Malaysia. In Indonesia, the potential of cash *waqf* is estimated to reach IDR. 3 trillion per year, with the possibility of investment returns reaching IDR. 270 billion per year that can be utilized for various community empowerment programs. Similarly, in Malaysia, *waqf* has become an integral part of the socio-economic life of the Muslim community, with integrated management practices facilitated by the Federal Territories Islamic Religious Council. The opportunities for *waqf* property development and efficient *waqf* fund management also present potential avenues for enhancing societal welfare (Shahimi et al., 2013). A comparative study of *waqf* implementation in Indonesia and Malaysia indicates that, despite both countries having strong legal frameworks, there are differences in *waqf* management practices and public understanding of *waqf*. The challenges encountered in implementing *waqf*, such as limited public understanding and insufficient active participation, need to be addressed through integrated approaches and effective strategies.

Previous studies have examined cash waqf from different legal, institutional, and managerial perspectives. (Shulthoni & Saad, 2018) compared traditional and modern waqf fundraising methods, providing an important explanation of how waqf institutions mobilize public funds. However, their analysis focused primarily on fundraising practices rather than on the legal consequences of different institutional authority structures. Similarly, (Wardy Putra et al., 2023) compared productive waqf development models in Indonesia and Malaysia, but their study emphasized the general characteristics and implementation of productive waqf without systematically assessing how regulatory centralization or decentralization influences accountability, supervision, and investment performance. Studies conducted by (Muslimin et al., 2022) Provide a stronger legal and institutional explanation of waqf governance in Indonesia. Muslimin et al. identify institutional problems affecting waqf and Sharia venture capital, whereas Lubis et al. examine the legal basis of Indonesia’s National Cash Waqf Movement under Law Number 41 of 2004. Nevertheless, these studies are limited to the Indonesian legal context and therefore do not explain whether similar institutional problems emerge under Malaysia's state-based trustee system. In the Malaysian context, (Pelaburan, 2021) focuses on financial risk and investment diversification in waqf institutions, while (Masruki et al., 2020) discuss Sharia governance practices in Malaysian Islamic financial institutions. These studies contribute to the understanding of institutional efficiency and Sharia compliance, but they do not directly compare Malaysia's decentralized trustee structure with Indonesia's nationally coordinated waqf governance model.

The existing literature, therefore, shows two major tendencies. The first group of studies emphasizes fundraising, public literacy, and productive waqf development, while the second concentrates on legal regulation, institutional problems, financial risk, or Sharia governance within a particular national context. Although these studies acknowledge differences between Indonesia and Malaysia, they generally treat those differences as descriptive institutional characteristics. They do not sufficiently explain how the allocation of legal authority affects supervision, institutional accountability, fund mobilization, investment management, and the productive utilization of cash waqf. This study addresses that limitation by using a legal-institutional comparative framework based on three interrelated dimensions: legal authority, institutional accountability, and productive utilization mechanisms. Rather than merely listing similarities and differences, the study evaluates the legal and governance consequences of Indonesia's relatively centralized model and Malaysia's decentralized trustee-based model. This comparison is intended to identify not only the strengths and weaknesses of each system, but also the institutional elements that may be adapted to strengthen productive cash waqf governance in both countries.

METHOD

This research employs a normative juridical method using statutory, conceptual, and comparative legal approaches. The statutory approach examines the legal provisions governing waqf and cash waqf in Indonesia and Malaysia, particularly Law Number 41 of 2004 on Waqf and its implementing regulations in Indonesia, as well as the Administration of Islamic Law enactments and relevant state waqf regulations in Malaysia. The conceptual approach is used to examine key legal concepts, including waqf (including cash waqf and productive *waqf*), *waqif*, *nadzir*, trusteeship, and institutional governance under Islamic law. The comparative legal approach is applied to evaluate the legal and institutional structures governing cash waqf in the two countries. The comparison focuses on the allocation of legal authority, supervisory arrangements, institutional accountability, fund mobilization, investment management, and mechanisms for the productive utilization of cash waqf. Thus, the analysis does not merely identify similarities and differences but also examines the legal and practical consequences arising from Indonesia's relatively centralized governance model and Malaysia's decentralized trustee-based model. The research relies on secondary data obtained through library research. Primary legal materials include legislation, regulations, and official legal documents concerning waqf in Indonesia and Malaysia. Secondary legal materials consist of books, journal articles, research reports, and academic publications on cash waqf, productive waqf, Islamic finance, and waqf governance.

The legal materials are analyzed qualitatively through descriptive and comparative analysis. Descriptive analysis explains the legal frameworks and institutional arrangements in each country, while comparative analysis evaluates how differences in legal authority and governance structures affect accountability, supervision, investment management, and the productive performance of cash waqf institutions.

RESULTS AND DISCUSSION

Understanding *Waqf* and *Cash* Endowments

Waqf, a concept expressed in Arabic as "*waqf*", holds profound implications within Muslim societies, and its understanding continues to evolve over time. The term "*waqf*" itself stems from a root word meaning "to hold back" or "to lock up". Legally, it refers to the act in which a waqif (the giver of *waqf*) allocates a portion of their assets for permanent use or for a specified period according to their wishes. In Indonesia, Law Number 41 of 2004 on *Waqf* marks a significant turning point in the understanding and implementation of *waqf* by introducing the concept of using assets for a specified period before they revert to the waqif (Sulistiani et al., 2023).

Previously, the concept of *waqf* was interpreted as the perpetual transfer of funds or assets, but the latest Indonesian law allows individuals to entrust their assets to *waqf* managers for a certain period, such as one year, before returning them to the waqif. This signifies a significant change in *waqf* law in Indonesia, providing greater flexibility in the management and utilization of *waqf* assets (Akbar et al., 2023). Not only does it encompass immovable assets like land or buildings, but the law also includes movable assets and even cash *waqf*. This opens up new opportunities for using *waqf* to support various social, economic, and religious activities, not limited to the construction of places of worship or religious charities alone (Iswanaji, 2018). The widespread use of cash waqf reflects a paradigm shift in the understanding of waqf, in which waqif and waqf managers are given greater flexibility to allocate and manage funds in line with current needs and priorities (Ashsiddiqqy et al., 2020).

Furthermore, the definition of *waqf* in Islamic law also encompasses broader objectives, including public and humanitarian needs. According to Islamic law, *waqf* is the legal act by which a person or group of people or legal entity sets aside a portion of their assets and institutionalizes them for permanent religious purposes or other public needs according to Islamic teachings. This indicates that *waqf* is not only about building religious infrastructure but also about supporting the overall development of society. Aside from *waqf*, there's also the concept of cash donations that play a crucial role in supporting social and religious objectives. Cash donations can take the form of funds given directly in cash or other financial instruments. However, the concept of cash donations can also be extended to include contributions in the form of cash *waqf* certificates issued by *waqf* management institutions. Thus, cash donations are not limited only to direct contributions but can also involve more structured and sustainable financial instruments (Zehra et al., 2022).

The management of *waqf* and cash donations requires effective and transparent governance to ensure that the funds are used in line with the established objectives and provide maximum impact to society. *Waqf* management institutions (nadzir) have a responsibility to manage funds carefully and responsibly, ensuring that the profits from *waqf* investments are returned to the community through various beneficial programs and projects (Pelaburan, 2021). Thus, *waqf* and cash donations are not merely financial instruments but also tools for promoting social, economic, and religious well-being within society. Through wise and transparent management, *waqf* and cash donations can become powerful resources in supporting sustainable and inclusive development for all segments of society.

Cash *Waqf* According to Experts

Waqf in the Islamic treasury traditionally consists of immovable properties such as land or buildings. However, historical records reveal instances of *waqf* involving movable assets like weapons or horses during the time of the Prophet Muhammad (PBUH). The discourse on *waqf* underwent significant evolution with the advent of paper and printing, ultimately leading to the emergence of cash *waqf*. Cash *waqf*, also known as cash endowment, is a translation of "*wakaf tunai*" in Indonesian. According to Imam az-Zuhri (died 124 H), the practice of cash *waqf* began in the early second century of the Hijri calendar. References to the practice of *waqf* with dinars and dirhams, the currency of the Middle East at the time, were made for business ventures, with the profits utilized for *waqf* purposes. Another perspective suggests that the practice of cash *waqf* was first used in the 16th century during the Ottoman rule in Egypt (Amri, 2022).

During the Ottoman era in Egypt, influenced by the Hanafi school of Islamic jurisprudence in commercial activities, the discourse on cash *waqf* gained traction for three reasons. Firstly, movable assets could be utilized for *waqf* purposes. Secondly, acceptance of money as a movable asset. Thirdly, consent for the donation of cash. The presence of cash *waqf* witnessed a development in 1178 H when Salahudin al-Ayyubi aimed to uplift scholars and Sunni schools by imposing taxes on Christian merchants from Alexandria. State assets stored in the Baitul Maal were utilized as capital for endowment. This practice continued under the Mamluk dynasty, with *waqf* becoming one of the pillars of the state's economy. It was during this era (1260-1277 CE) that laws regarding *waqf* were established. One of the mandates of these *waqf* laws was the appointment of judges representing each school of jurisprudence to oversee *waqf* affairs (Kamal, 2021).

The concept of cash *waqf* was further popularised by M.A. Mannan through the establishment of the Social Investment Bank Limited (SIBL) in Bangladesh, utilizing the mechanism of Cash *Waqf* Certificate (CWC). SIBL mobilized funds from various sources for management, distributing profits to the impoverished community. Most scholars agree that cash *waqf* is valid as long as its objectives adhere to Islamic Sharia principles, focusing on public welfare or social well-being (Wahib, 2019). This is because *waqf* serves as one of the Islamic philanthropic movements aimed at benefiting society. There is diversity of opinions among scholars regarding cash *waqf* on the requirement for *waqf* objects, whether they must be immovable or movable. It is concluded that the differences in determining the requirements of *waqf* objects fall within the realm of "ijtihad" (Produktif, 2019).

According to the Shafi'i school of thought, both movable and immovable assets can be endowed. The validity of *waqf* with movable objects is based on two principles. First, the perpetuity of the *waqf* object implies its utilization and existence as long as it remains available. Secondly, *waqf* does not cease with the destruction of movable assets; instead, they must be replaced, with the replacement occupying the position of the destroyed movable asset. Similarly, the Maliki school permits cash *waqf*, analogizing money to weapons or animals, both of which are movable and do not endure indefinitely (Sulistyani et al., 2020). Additionally, the permissibility of cash *waqf* (movable asset) is because perpetuity is not a requirement for the validity of *waqf*. Therefore, according to this view, cash *waqf* is permissible. The Hanbali school permits *waqf* with movable assets under the condition of providing a substitute, ensuring that the *waqf* asset maintains its perpetual and everlasting status.

Regarding cash *waqf*, it is essential to mention Ibn 'Abidin's opinion in his book Radd al-Mukhtar. He distinguishes between the intrinsic and extrinsic value of money. The intrinsic value of money lies in its material form, whether paper or metal, while the extrinsic value lies in the value behind the symbols written on the currency. Therefore, the transformation of money's form when utilized only affects its intrinsic form, while its extrinsic value remains intact and transferable. Thus, the transformation of money's form does not disrupt its extrinsic value, as it can easily be replaced by another form of currency. Likewise, the Hanafi school states that while *waqf* ideally involves immovable property, *waqf* with movable assets is allowed under certain conditions, such as following the immovable asset's lead, having specific regulatory evidence, and being customary (‘urf) (Hartanto & Sup, 2021). Furthermore, contemporary scholars like Musthafa Ahmad al-Zarqa also state that *waqf* with movable assets can be explained in two ways. First, movable assets that are inherently part of or belong to immovable assets. Second, movable assets that do not belong to or are not part of immovable assets. This differs from Sayyid Sabiq's view, who asserts that money cannot be endowed. Cash *waqf* is deemed invalid because money, as a material, cannot endure when used to purchase something. Additionally, the nature of money, which diminishes when utilized, nullifies its *waqf* status. Another argument is that money's function has shifted over time. Initially serving as a medium of exchange, money has now become a commodity traded in various banks and money changers. Therefore, money now holds the same status as other commodities that can be bought and sold (Jefik Zulfikar Hafizd, 2022).

Comparative Analysis of *Waqf* Legislation and Administration in Indonesia and Malaysia

Waqf, an Islamic legal instrument, plays a significant role in the social and economic empowerment of the Muslim community. In Indonesia, *waqf* is comprehensively regulated under the Compilation of Islamic Law (KHI) and Law Number 41 of 2004 on *Waqf*. According to KHI, a *waqf* is a legal act by an individual or group to separate a portion of their property and institutionalize it permanently for worship or other general purposes in accordance with Islamic teachings. Law No. 41 of 2004 further clarifies that *waqf* is a legal act of a waqif (donor) to separate and/or hand over a part of their property to be used forever or for a specified period according to their interests, for worship purposes and/or public welfare according to Sharia (Lubis et al., 2022). In Indonesia, the Indonesian *Waqf* Board (BWI) plays a central role as the supervisory and guiding body for national *waqf*. BWI is tasked with overseeing the implementation of *waqf* to ensure it complies with Sharia principles and existing regulations. The *waqf* procedure in Indonesia involves several important steps, starting from the intention of *waqf*, filling out forms provided by the Office of Religious Affairs (KUA), handing over the *waqf* property in front of witnesses, and the official recording by the authorities. Types of *waqf* in Indonesia include Family *Waqf*, designated for family and descendants, and Public *Waqf*, intended for public benefit (Nurjamil & Siti Nurhayati, 2021).

Meanwhile, in Malaysia, the management of *waqf* is regulated through various state *waqf* enactments and the Islamic Religious Administration Enactment 1993. Each state has its own Islamic Religious Council, which serves as the sole trustee for all *waqf* properties. The Islamic Religious Council is responsible for structuring and organizing the administration of *waqf*, ensuring that all *waqf* properties are used in accordance with Sharia principles. The role of these Councils is crucial in managing and utilizing *waqf* properties for the benefit of the Muslim community in each state. The *waqf* procedure in Malaysia also involves several stages, such as the declaration of intention (written notification from the waqif to the Council), inspection of the property by the Council to ensure the existence and condition of the *waqf* property, handing over the property in front of the Council with witnesses, and recording and validation of the *waqf* property. Types of *waqf* in Malaysia include General *Waqf*, Specific *Waqf*, and General Vow, each with specific purposes and uses (Shulthoni & Saad, 2018).

The differences in waqf governance between Indonesia and Malaysia do not result solely from different administrative preferences. They arise from different legal arrangements concerning the allocation of religious and institutional authority. Indonesia regulates waqf through a national statutory framework, particularly Law Number 41 of 2004 on Waqf, which establishes general legal standards and assigns the Indonesian Waqf Board a national supervisory and developmental role (Khaliq et al., 2019). Malaysia, by contrast, regulates waqf through the Administration of Islamic Law enactments and state-level waqf regulations, under which State Islamic Religious Councils act as sole trustees within their respective jurisdictions. These legal arrangements explain why Indonesia has developed a relatively centralized governance model, while Malaysia applies a decentralized trustee-based model.

Indonesia's relatively centralized model developed from the need to establish uniform legal standards for waqf administration across the country. Law Number 41 of 2004 provides a national legal foundation for waqf registration, nadzir responsibilities, supervision, cash waqf collection, and the productive management of waqf assets. The Indonesian Waqf Board supports this framework by providing guidance, supervision, and institutional development. This structure allows Indonesia to formulate national policies and common governance standards. However, national regulatory uniformity does not automatically create uniform implementation. Nadzir institutions differ in professional capacity, financial expertise, administrative resources, and access to investment networks. Therefore, the main challenge in Indonesia lies not only in the adequacy of regulation, but also in the ability of implementing institutions to translate national legal standards into effective local practices.

Malaysia's decentralized model developed because waqf administration operates within the authority of Islamic religious institutions in each state. State Islamic Religious Councils hold legal authority as sole trustees and control the registration, administration, development, and utilization of waqf assets within their jurisdictions. This arrangement gives state institutions stronger direct authority over waqf assets and enables them to design development programs that respond to local social and economic conditions. However, decentralization also produces differences in legal procedures, administrative capacity, institutional priorities, reporting standards, and productive waqf strategies among states. Consequently, some states may develop more innovative and effective waqf programs, while others may face limitations in expertise, financial resources, and institutional coordination.

The different governance structures, therefore, produce different institutional advantages and risks. Indonesia's national framework supports regulatory uniformity, national coordination, and standardized policy direction, but its multi-institutional structure may create coordination problems and fragmented responsibility. Malaysia's trustee-based structure provides clearer state-level authority and greater local flexibility, but it may also create regulatory variation and uneven governance quality among states. Thus, the key issue is not simply whether waqf governance is centralized or decentralized. The more important issue is how each legal structure distributes authority, separates supervisory and managerial functions, ensures accountability, and supports the productive utilization of cash waqf (Asutay & Yilmaz, 2021).

Table 1. Comparative Legal and Institutional Framework of Cash Waqf in Indonesia and Malaysia

Aspect	Indonesia	Malaysia
Legal Basis	Law Number 41 of 2004 on Waqf and related regulations	Administration of Islamic Law Act and state waqf enactments
Institutional Authority	The Indonesian Waqf Board acts as a national supervisory institution	State Islamic Religious Councils act as the sole trustees in each state
Governance Model	More centralized through national regulation and supervision	More decentralized based on state authority
Type of Waqf Recognized	Immovable and movable assets, including cash waqf	General waqf, specific waqf, and cash waqf based on state regulation
Productive Use	Cash waqf can be managed through investment and productive economic activities	Waqf assets can be developed through institutional projects, investment, and waqf corporations
Main Challenges	Low public literacy, limited professional management, and optimization of waqf assets	Differences among state regulations, institutional coordination, and efficiency of waqf development
Policy Direction	Strengthening waqf literacy, nadzir capacity, transparency, and productive waqf management	Strengthening institutional coordination, accountability, and productive asset development

Source: Elaborated by the author

Based on the comparison above, the main lesson from Indonesia and Malaysia is that productive cash waqf governance requires a balance between national standardization and strong institutional authority. Indonesia's model supports regulatory uniformity and national supervision, but it still needs stronger operational mechanisms to improve nadzir professionalism, public trust, and transparent investment management. Malaysia's model strengthens trustee authority at the state level, but it requires better coordination to avoid fragmented governance among states. Therefore, an ideal governance model for productive cash waqf should combine Indonesia's national standardization with Malaysia's strong trustee-based institutional authority. Such a combination may strengthen accountability, improve investment management, and increase the socio-economic impact of cash waqf.

Implementation of Cash Waqf for Productive Ventures in Indonesia and Malaysia

The implementation of cash waqf for productive ventures in Indonesia and Malaysia represents a significant step towards leveraging Islamic financial instruments for economic development and social welfare. Both countries have recognized the potential of cash waqf to support various productive ventures and address socio-economic challenges within their respective societies (Masruki et al., 2020). In Indonesia, the legal framework governing waqf is primarily established under Law No. 41 of 2004 on Waqf, which provides the basis for the collection and management of cash waqf through authorized Islamic financial institutions. These institutions play a crucial role in ensuring that waqf funds are invested in profitable ventures that generate sustainable returns for charitable purposes, such as education, healthcare, and poverty alleviation (Setia, 2018).

Similarly, Malaysia has developed a comprehensive legal and institutional framework for waqf management, guided by the Administration of Islamic Law Enactments at the state level and coordinated by the Department of Waqf, Zakat, and Hajj (JAWHAR). The country has implemented various initiatives, including the establishment of Waqf Corporations and the issuance of Sukuk for waqf projects, to facilitate the efficient utilization of cash waqf for productive ventures.

Despite these efforts, both Indonesia and Malaysia encounter challenges in effectively implementing cash waqf. Regulatory barriers, limited public awareness, and the need for enhanced institutional frameworks pose significant obstacles to the successful utilization of waqf funds. Additionally, there is a pressing need for capacity building and educational initiatives to encourage greater participation in cash waqf schemes among the populace. To address these challenges, collaborative efforts involving policymakers, financial institutions, religious authorities, and the community are essential. By fostering partnerships and sharing best practices, Indonesia and Malaysia can enhance the transparency, accountability, and effectiveness of cash waqf initiatives, thereby maximizing their socio-economic impact (Sulistyowati, 2019). Furthermore, both countries can benefit from learning from each other's experiences and adopting innovative approaches to waqf management. Malaysia's success in modernizing waqf administration and leveraging financial instruments like Sukuk could offer valuable insights for Indonesia in enhancing its cash waqf infrastructure (Khaliq et al., 2019). Ultimately, the successful implementation of cash waqf for productive ventures requires a holistic approach that integrates regulatory reforms, capacity building, and community engagement. By harnessing the potential of cash waqf as a sustainable financing mechanism, Indonesia and Malaysia can contribute significantly to the achievement of their respective development goals and foster inclusive growth across society (Ismail et al., 2023).

Economic Impact of Cash *Waqf* Ventures

Cash waqf ventures have a notable economic impact, offering a unique avenue for channeling funds towards productive ventures that contribute to economic growth and social development. These initiatives leverage Islamic finance principles to mobilize resources for sustainable projects while adhering to religious guidelines, making them an attractive option for investors seeking socially responsible investments (Jefik Zulfikar Hafizd, 2022). One significant economic impact of cash waqf ventures is the stimulation of entrepreneurship and innovation. By providing financial support to entrepreneurs and startups, cash waqf initiatives foster business growth and job creation, thereby stimulating economic activity and promoting innovation in various sectors. This injection of capital into the economy helps drive productivity and competitiveness, leading to overall economic expansion (Ahmad & Mobin, 2015). Moreover, cash waqf ventures play a vital role in addressing socio-economic disparities and promoting inclusive development. Funds generated through waqf investments can be directed towards projects aimed at poverty alleviation, affordable housing, healthcare services, and education initiatives. By targeting marginalized communities and supporting their economic empowerment, cash waqf ventures contribute to reducing inequality and promoting social cohesion.

Furthermore, cash waqf ventures have the potential to enhance financial inclusion by providing access to funding for individuals and communities traditionally underserved by mainstream financial institutions. Through microfinance programs and small business loans funded by cash waqf, entrepreneurs, especially those from low-income backgrounds, can access the capital they need to start or expand their businesses, thereby improving their livelihoods and contributing to local economic development (Ahmad & Mobin, 2015). Another significant economic impact of cash waqf ventures is the promotion of sustainable development practices. Investments in environmentally friendly projects, renewable energy initiatives, and green infrastructure contribute to mitigating climate change and preserving natural resources. By prioritizing projects with positive environmental and social outcomes, cash waqf ventures align with the principles of sustainable development and contribute to building resilient and eco-friendly economies (Ibrahim, 2023). Additionally, cash waqf ventures can stimulate foreign direct investment (FDI) and international collaboration by attracting capital from Islamic investors worldwide. Countries with robust cash waqf ecosystems and transparent regulatory frameworks may attract foreign investors seeking ethical and Sharia-compliant investment opportunities, thereby enhancing capital inflows and fostering economic growth (Nugraha et al., 2022). Overall, the economic impact of cash waqf ventures extends beyond financial returns, encompassing broader socio-economic benefits and sustainable development outcomes. By mobilizing resources for productive ventures that address pressing societal needs, cash waqf initiatives contribute to building inclusive, resilient, and prosperous economies, aligned with the principles of Islamic finance and social responsibility.

CONCLUSION

This study finds that the differences in cash waqf governance between Indonesia and Malaysia arise from the different allocation of legal and religious authority in the two countries. Indonesia applies a relatively centralized model through Law Number 41 of 2004 on Waqf and the Indonesian Waqf Board's supervisory role. This structure supports national legal standardization, policy coordination, and common governance principles, but its effectiveness still depends on the professional capacity of *nadzir*, institutional coordination, transparent reporting, and consistent implementation at the local level. Malaysia, by contrast, applies a decentralized trustee-based model in which State Islamic Religious Councils act as sole trustees within their respective jurisdictions. This model provides clearer state-level authority and greater flexibility in responding to local needs, but it may also create differences in legal procedures, institutional capacity, accountability standards, and productive waqf performance among states. Therefore, neither model is inherently superior.

Their effectiveness depends on the clarity of authority, professional fund management, independent supervision, transparency, and enforceable accountability.

Academically, this study contributes by moving beyond a descriptive comparison and developing a legal-institutional analysis grounded in legal authority, institutional accountability, and mechanisms for productive utilization. It explains not only what differs between Indonesia and Malaysia, but also why those differences occur and how they influence supervision, coordination, investment management, and the productive use of cash waqf. The findings also show that centralization or decentralization alone does not determine governance effectiveness. Policy improvements are therefore needed in both countries. Indonesia should strengthen Nadzir's professionalism, clarify institutional responsibilities, standardize financial reporting, and improve coordination among the Indonesian Waqf Board, government agencies, Islamic financial institutions, and waqf managers. Malaysia should strengthen coordination among State Islamic Religious Councils and develop common standards for auditing, public disclosure, risk management, and performance evaluation. Both countries should combine clear legal authority, professional management, local flexibility, transparent reporting, and independent oversight to improve public trust and expand the sustainable socio-economic impact of productive cash waqf.

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