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Organisational and Institutional Challenges in Managing Waqf Property Development

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ABSTRACT

Waqf land is an important institutional asset with substantial socioeconomic potential. Despite growing interest in waqf development, its outcomes remain constrained by complex organisational and institutional challenges. Previous research has primarily concentrated on the legal and religious dimensions of waqf land, with insufficient attention paid to the managerial and organisational factors that influence development performance. This gap is particularly significant given that empirical evidence on how governance structures, organisational capacity, and stakeholder interactions shape waqf development outcomes remain limited in the management literature. This paper aims to address the issue by examining the organisational and institutional challenges regarding managing waqf property development in Malaysia. Drawing on institutional theory as an analytical lens, a qualitative research design was adopted, and a semi-structured interview with important stakeholders in waqf land development, such as waqf administrators, was carried out. Purposive sampling was employed to select four informants with direct involvement in waqf management and development decision-making. Thematic analysis using ATLAS.ti 25 was applied to the interview data, and findings were interpreted through Scott's three-pillar framework of regulatory, normative and cultural-cognitive institutions. The findings indicate six major components of challenges, which are governance and institutional capacity, stakeholder conflicts and coordination issues, land feasibility and tenure challenges, lack of understanding and awareness, legal and policy limitations and financial constraints and sustainability issues. These challenges are shown to correspond systematically to the three institutional pillars, revealing that waqf development difficulties are not merely operational but are embedded within a multilayered institutional structure. This paper contributes to business and management literature by providing empirical insights into property development management within institutional organisations of waqf land. The findings offer an in-depth understanding of waqf land development challenges for organisational leaders and policymakers seeking to improve governance structures, coordination mechanisms and managerial capacity in waqf development initiatives.

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1. INTRODUCTION

Waqf land has spatial dispersion throughout Malaysia, where it is administered by state Islamic religious councils (SIRCs). Waqf is defined as an irrevocable and permanent dedication of movable and immovable property for purposes permitted by Muslim Law. Syed Ameer Ali (1976) defined waqf as the act of dedicating a specific asset to Allah SWT and utilising it for religious purposes for the benefit of the ummah. Waqf land represents valuable institutional assets that have the potential to support socioeconomic development through various strategies and initiatives. In Malaysia, waqf land is governed by SIRCs as sole trustees and usually developed through collaborations involving public agencies and the private sector. Scholars have categorised the development of waqf lands into traditional and contemporary techniques. The initial strategies include ibdal (exchange) and istibdal (substitution) as the primary two approaches for developing underutilised waqf lands (Mohammad, 2006). Previously, waqf land was used to build mosques, educational institutions, and madrasahs. Scholars have identified waqf land as a social development potential, and it has been considered for developing affordable housing within Muslim communities. Despite its potential, the performance of waqf land property development shows varied results. There are issues concerning the development of waqf land, including underdevelopment and lack of productivity of waqf land, weaknesses in the legal framework and unregistered waqf land (Hasan, 2008). These outcomes suggest that the challenges in developing waqf land extend beyond legal or religious considerations. They are also closely associated with organisational and institutional management issues.

Existing research on the development of waqf land has largely been focused on legal structures, Shariah compliance and financial mechanisms. Although these aspects are significant, they provide a limited understanding of how organisational capacity, governance structures and stakeholder connections influence the development decision-making and implementation processes. This study responds directly to a critical empirical gap that exists in the management literature. While legal and religious constraints are well-documented, the managerial, organisational and institutional dimensions that shape day-to-day waqf development practice have received comparatively little systematic investigation. From the management perspective, waqf land development represents a multifaceted organisational activity involving multiple institutions and agencies operating within an interconnected regulatory and administrative framework.

Accordingly, this paper is guided by the following research question: "What are the organisational and institutional challenges encountered in managing waqf land property development in Malaysia?" and "How do these challenges reflect the regulatory, normative, and cultural-cognitive pillars of institutional theory?" By employing qualitative empirical evidence and guided by institutional theory, this paper identifies significant management constraints that influence development outcomes. This paper provides an understanding of the management literature on property development in a complex institutional context by focusing on organisational behaviour and institutional capacity. Additionally, it offers practical insights for improving development governance and the coordination of waqf land in Malaysia.

2. LITERATURE REVIEW

2.1 Waqf administration and management in Malaysia

According to history, the rulers of the Malacca Sultanate regularly devoted orchards, shops and coastal plots to waqf. This practice allows them to create mosques and learning groups, which were the foundation of Islamic life during the fifteenth century (Aun, 1978). This practice established the norm of perpetual charity ownership long before European contact and is proven in Terengganu deeds from the thirteenth century, protecting these assets for public use (Mahamood, 2006). Community elders or nazirs were designated to be in charge of this responsibility. According to Al-Habsyi (1986), the establishment of waqf in Malaysia dates back to the tenth century and was initiated by Arab Muslim merchants. This activity took place more than eight hundred years ago. It is believed that the Kampung Hulu Mosque, the Kampung Laut Mosque and the Sultan Abu Bakar Mosque are the three mosques that are considered to be the first mosque waqf constructed in Malaysia (Mahamood, 2006). In the year 1801, the waqf for Masjid Kapitan Keling was created in Penang. Subsequently, a member of the Aceh royalty established the waqf for the mosque (Nasution, 2002). According to Sayin (1998), during the early stages of waqf implementation, the head of the village, also known as the Penghulu, was appointed as trustee to oversee any contributions made by individuals that were designated for waqf purposes.

In the early days of waqf administration in Malaysia, there was no clear legal framework, leading to inefficient and disorganised management of waqf land. Before official legislation, waqf land was often declared verbally in the presence of witnesses and management was handled by trusted community members such as religious leaders or mosque committees, despite their lack of expertise (Mustafa et al., 2022). This unsystematic method resulted in inaccurate record-keeping, unregistered waqf properties, and loss of waqf status due to interference from heirs or private trustees. The establishment of SIRC and the introduction of the Administration of Islamic Law Enactments marked a turning point in providing a legal framework for waqf administration and management. Initially, the governance of waqf funds falls under the separate jurisdiction of each state in Malaysia. Nevertheless, the waqf organisational structure is essentially identical throughout all of the state (Kamaruddin & Hanefah, 2020).

Waqf institutions are administered by SIRCs, which are directly accountable to the state ruler, and every state is obligated to the state ruler or Sultan (Norzilan, 2018). As a result of this system, each estate has its own management procedures and laws that govern waqf (Aziz & Ali, 2018). In terms of jurisdiction, the courts acknowledged Shariah as the law governing Muslim property, including waqf. Section 25 of the Civil Law Act 1956 stipulates that the administration of Muslim property shall be conducted in conformity with Islamic law. This provision placed waqf under the jurisdiction of SIRCs, which includes 13 states and federal territories. As a result, its legal provisions are governed by 14 state laws (Hasan, 2008). According to Norzilan (2018), the Department of Waqf, Zakat and Hajj (JAWHAR) was established by the Malaysian Government in 2004 with the intention of achieving the goal of improving and making waqf administration more systematic and efficient across the entire country. JAWHAR functions as a federal coordinating body that strengthens coordination between federal agencies and SIRC in managing Waqf, Zakat and Hajj. Its goal is to enhance governance, institutional capacity, public awareness, and information coordination to support the socioeconomic development of the Muslim community. In addition to the establishment of JAWHAR, the Yayasan Waqaf Malaysia (YWM) was founded in 2008 to support waqf development in the country (Zakaria & Muda, 2015). More recently, digital platforms and fintech applications have emerged as new mechanisms for waqf mobilisation, though their adoption remains uneven due to regulatory and institutional readiness constraints (Ahmad et al., 2023; Thaker & Pitchay, 2018). Through asset development, Shariah-compliant investments and strategic collaboration with SIRC, YWM mobilise waqf funds to strengthen the economic capabilities of the Muslim community.

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2.2 Legislation of waqf land

The Waqf Enactment 1999 was introduced by Selangor, representing the beginning of a dedicated state waqf enactment. This enactment established waqf categories, providing SIRC with all titles and permitting development subject to Shariah supervision, and subsequently replacing the dispersed colonial-era regulations (Manaf et al., 2017). Malacca (Enakmen Wakaf (Negeri Melaka) No. 5 Tahun 2005) and Negeri Sembilan (Enakmen Wakaf (Negeri Sembilan) No. 5 Tahun 2005) are among the states with waqf enactments in 2005. Perak (Enakmen Wakaf (Negeri Perak) 2015) has its enactment in 2015, with Terengganu (Enakmen Wakaf (Negeri Terengganu) 2016) following in 2016. Sabah introduced the waqf enactment (Enakmen Wakaf Negeri Sabah 2018) in 2018, and the latest is the Enakmen Wakaf Pahang 2022 by the state of Pahang. The remaining states continued to rely on more extensive Islamic administration legislation, leading to a diversity of governments within the federation. Although enactments uphold the fundamental principles of perpetuity and SIRC trusteeship, there are discrepancies in contemporary instruments. The differences in statutory coverage complicate interstate collaboration and the flow of government funds through YWM (Pitchay et al., 2018). Scholars in the field of law have argued that the current fragmented system undermines economies of scale. Studies have shown that states that have passed more recent and thorough laws saw a 35% increase in development project revenue compared to those that are still depending on legacy statutes. This is likely due to the fact that states with more precise regulations regarding leasing, istibdal, and sukuk issuance have less transactional uncertainty (Ishak et al., 2025). At the state level, organisational capacity and development outcomes are negatively impacted by the structural institutional limitation of legislative fragmentation.

2.3 Waqf land development as an organisational activity

Property development is widely recognised as a multistage organisational process that requires coordination among regulatory bodies, landowners, financial institutions and development practitioners. In the case of waqf land, the institutional system integrates public accountability, legislative obligations and shariah compliance to enhance the waqf property development. As such, waqf land development can be seen as an organisational activity by both formal and informal practices. Previously, thrust 1 DRN of the National Policy Action Plan concentrates on addressing target groups' housing needs, and SIRC and the Ministry of Housing and Local Government (MHLG) implement the action plan that requires SIRC to prepare general waqf land for housing development purposes. Consequently, waqf development in Malaysia has transitioned from traditional provision to structured real estate and commercial development initiatives that aimed to solve the issues of idle waqf land for socioeconomic impact (Hassan et al., 2021; Jalil, 2020). This evolution requires a systematic comprehension of the waqf development process as complex property development ventures that need the integration of legal compliance, financial planning, institutional capacity and stakeholder coordination.

A study by Hassan et al. (2021) indicates that development approach and practices for waqf land development are joint venture and partnership, public participation, government assistance and internal management. These are the development approaches that can support SIRCs in developing waqf land, especially in management and financial planning. Waqf development projects continue to face institutional, administrative, financial and legal challenges despite their increasing progress. Incomplete registration and conflicting fatwas are among the legal constraints (Asni & Sulong, 2019; Osman et al., 2018). Although new financing mechanisms such as crowdfunding and corporate waqf have been introduced, their

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acceptance has been inconsistent due to regulatory uncertainty and lack of institutional readiness (Thaker & Pitchay, 2018). In the administrative aspect, SIRC frequently encounters capacity constraints in project management, market analysis, and risk assessment, which are essential to the success of property development.

These constraints demonstrate that waqf development cannot be viewed as a separate construction process but must be understood as a component of a broader institutional and organisational ecosystem, requiring governance frameworks that are both adaptive and accountable (Mustafa et al., 2022). More recent scholarship has begun to examine governance performance and sustainability frameworks for waqf development. Kamaruddin and Hanefah (2020) highlight persistent transparency deficits in waqf governance, including the absence or inconsistency of audit reporting and codes of conduct. Ghazali et al. (2021) propose a new framework for waqf land registration that addresses long-standing record-keeping deficiencies. These contributions signal a maturing body of management-oriented waqf research, into which this paper directly contributes.

2.4 Institutional theory in waqf land development

Institutional theory by Scott (1995) offers valuable perspectives for analysing organisational behaviour in environments that are characterised by regulatory complexity and multiple stakeholders' expectations. Scott (1995) stated that regulatory, normative and cognitive components, which have an impact on the decision-making and practices of organisations, are the primary factors that shape institutions. Institutional pressures in property development are frequently reflected in regulatory requirements, professional norms, and the common understanding of development feasibility. These pillars are not mutually exclusive but operate simultaneously and interact to constrain or enable organisational action (Scott, 2014). Applying this framework to waqf development provides a structured means of understanding why challenges persist despite organisational awareness of them.

In the context of waqf land development, the regulative pillar of land governance is comprised of legal frameworks and governance policies that regulate the use, transfer and development of land. The regulative pillar may include land codes and property laws that regulate ownership, as well as zoning laws and regulations. Shariah laws also fall under the regulative pillar, particularly for administering waqf land, and may impose restrictions on maintaining and developing the land based on waqf requirements. Legal structure, administrative processes and policies serve as mechanisms that constrain or facilitate actions on waqf land. The fragmented legislative landscape across Malaysian states, as documented above, is a primary manifestation of regulative institutional pressure on waqf organisations.

For the normative pillar in the development of the waqf land context, communities or the public may believe that waqf land should be used for charity or religious purposes, such as mosques. This pillar illustrates the ethical norms and cultural expectations that impact land use decisions even when no legal requirement exists. Professional ethics for those involved in land development, such as urban planners or municipal authorities, may follow codes of conduct on integrity, equity, or public service. Normative constraints are particularly relevant in explaining resistance to commercial or non-traditional development of waqf land, as they reflect deeply held beliefs about the sanctity and purpose of waqf as a religious endowment.

On the other hand, the cultural cognitive pillar is taken for granted as fact or common sense. In the land development context, this pillar could incorporate collective perceptions of land rights and public trust in

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land institutions. The cultural cognitive pillar may be taken for granted as legitimate, with some people complying not because they are instructed but because they believe that it is the natural or correct way to conduct. In waqf management, cognitive constraints appear as conservative administrative mindsets that prioritise compliance over strategic development, restricting organisational learning and adaptability to changing opportunities. Applying institutional theory thus allows this study to examine how organisational challenges in waqf development are not merely operational problems but are embedded within, and reproduced by, the broader institutional environment. Scott (2014) describes institutions as multidimensional, durable social structures that comprise social activities and material resources. They include regulative, normative, and cultural-cognitive aspects that provide social life with structure and significance. Applying institutional theory allows this study to examine how organisational challenges are more than just operational issues, but are also embedded within the larger institutional framework.

3. METHODOLOGY

The objective of qualitative research is to gain an understanding of phenomena by utilising a subjective perspective, hence investigating meanings, interpretations and experiences. According to Asper and Corte (2019), qualitative studies are an ongoing process that aims to improve understanding among the scientific community. This is accomplished by identifying new significant differences generated by a closer examination and analysis of the phenomenon being studied. This paper adopts a qualitative research approach to explore the organisational and institutional challenges in waqf property development. Qualitative inquiry was selected over quantitative or mixed-methods approaches because the research objective is to comprehend the meanings, interpretations, and lived experiences of key actors in waqf management, with phenomena that resist quantification and require depth of engagement rather than statistical breadth (Aspers & Corte, 2019).

The exploratory nature of the study, which seeks to explore how institutional structures influence management behaviour, needs a design capable of capturing contextual complexity and nuance. Semi-structured interviews were conducted with key stakeholders involved in waqf land development. The semi-structured format was chosen because it allows flexibility in capturing rich, in-depth insights while maintaining sufficient structure to ensure alignment with the research objectives. Interview questions were developed through a systematic review of the literature and validated against the study's objectives and the three-pillar institutional theory framework.

3.1 Sampling and informant selection

Four informants were selected through purposive sampling, focusing on professionals with direct and decision-making involvement in waqf land development. Purposive sampling is appropriate for qualitative inquiry where the objective is not statistical representativeness but the selection of information-rich cases that can illuminate the phenomenon under investigation (Strauss & Corbin, 1998). These stakeholders included representatives from waqf institutions, government agencies and the private development sector. The selection criteria of informants for this study include;

(i) Professionals with experience in the management of Waqf

(ii) Direct involvement with Waqf development

(iii) Participation in decision-making processes in the Waqf project

(iv) Availability and willingness to participate in this study

The informants were drawn from three distinct organisational contexts: two SIRCs (representing the primary trustee institution), one waqf corporation (representing a development-oriented waqf body), and one private developer with direct experience in waqf project implementation. This cross-organisational sampling was purposive to capture viewpoints from both the institutional/regulatory and operational/commercial dimensions of waqf growth, thereby widening the analytical scope of the findings. Table 1 shows the informant profiles.

Table 1. Informant's profile

Informant	Organisation	Position
Informant 1	State Islamic Religious Council	Head of Waqf Unit
Informant 2	State Islamic Religious Council	Officer, Waqf Department
Informant 3	Waqf Corporation	Executive officer
Informant 4	Developer	Officer, Project Division

Source: Author's own data

3.2 Data collection

The interviews were conducted face-to-face and online, based on the suitability of and availability of informants. Each interview lasted approximately 60 to 120 minutes. All semi-structured interviews were recorded and subsequently transcribed verbatim for analysis. Additionally, in order to document non-verbal clues and contextual observation, reflexive notes were taken during and after each interview, providing supplementary interpretive context.

3.3 Data analysis

These notes were created in order to document the information. According to Strauss and Corbin (1998), the interview procedure was directed by the theoretical sampling technique, where participants were selected progressively as new categories emerged from ongoing analysis. Analysis of the interview data was performed using a thematic analysis process that was adopted from Braun and Clarke (2006). The findings were analysed using a six-phase thematic analysis and a software tool, ATLAS.ti 25. For the purpose of identifying recurrent patterns related to governance, institutional capacity, stakeholder coordination and development constraints, an inductive coding technique was adopted without imposing predetermined categories. The accuracy of the transcripts was verified by cross-checking them against the original audio recordings, thereby strengthening the reliability and credibility of the results. Following initial inductive coding, themes were deductively reviewed against Scott's (1995, 2014) institutional pillars to strengthen the theoretical linkage of the findings.

3.4 Ethical consideration

Ethical standards were maintained throughout the study. Informed consent was obtained from all informants before data collection. Participants were assured of confidentiality and the right to withdraw at any time without consequence. All identifying information has been anonymised in reporting. The study received institutional ethical clearance.

4. RESULT AND DISCUSSION

This section presents the empirical findings on the institutional and organisational challenges encountered in managing the property development of waqf land. The findings were derived from a thematic analysis of qualitative interview data. The data are organised into six main themes, which are governance and institutional capacity, stakeholders and heirs dispute, land feasibility and tenure challenges, land of understanding and awareness, legal and policy limitations and financial constraints and sustainability issues. These themes demonstrate how organisational behaviour and institutional structures influence development outcomes in waqf land property development. Each theme is interpreted through the lens of Scott's (1995, 2014) institutional theory, demonstrating how these challenges are embedded within the regulatory, normative, and cultural-cognitive pillars of the institutional environment rather than being isolated management failures. Direct quotations from informants are presented to provide empirical grounding for each theme.

4.1 Governance and institutional capacity constraints

Based on the data analysed, it is revealed that issues and challenges faced by parties involved in the management, administration and development of the waqf land can be diverse. Governance and institutional capacity emerged as critical issues affecting the management of waqf land development. Informants consistently highlighted the limitations in internal management structures, technical skills and organisational resources within waqf institutions. These limitations hinder organisations' ability to properly plan, evaluate and implement property development projects. The absence of formal development guidelines and standardised methods was commonly highlighted as contributing to uncertainties in decision-making and inconsistent development practices. Cizakca (2018) supported this by mentioning the issues faced by all states in Malaysia, including that waqf personnel are not adequately trained and there are no specific plans or actions to develop waqf properties. According to Kamaruddin and Hanefah (2020), several waqf governance practices are not transparent as anticipated from a public institution, which include the code of conduct and audit report. As Informant 4 stated, "In terms of specific guidelines, there are none, so you have to refer to each SIRC. Every time there is any issue that arises, we will refer to the SIRC, and of course, the first point of contact is the Mufti and each issue according to each state or project. We don't have a single guideline".

Institutional capacity constraints become more severe due to weaknesses in land administration systems. It is reported by informants that internal management issues are rooted in previous management, where there is no formal registration of the waqf. The declaration of waqf was only through verbal waqf declarations, and no formal documentation was processed. Informants added they had relied on outdated land records when dealing with some SIRCs. This process of verbal waqf declarations made under the prior registration system has no proper record-keeping. Informant 2 described the practical consequences, "Previously, waqf land that was not registered in the name of the council. There were only verbal endowments". This dependence on these practices complicates the processes of verifying land ownership and assessing the viability of the project. The lack of precedents for waqf land development projects also limits the organisational learning among the decision makers when they consider new development initiatives. The finding is in line with Osman et al.'s (2018) research, which explores the existing practice in which the lack of a precise standard for the registration of waqf land has led to all waqf land being registered with the SIRC as the registered owner. Additionally, Informant 4 stated, "The latest information is somewhat outdated, in terms of the collection of waqf land information".

Another challenge in governance involves obstacles to cooperation between different agencies and regulatory bodies. Informants described a fragmented system of authority with several institutions involved in land administration, planning approvals and religious oversight. Delays in getting approvals were commonly attributed to overlapping procedures and different interpretations of the statutory provisions. These coordination issues reduce organisational efficiency and usually prolong the waqf development project timelines. The establishment of concurrent civil and religious jurisdiction also complicates the approval process. This finding is supported by Ahmad et al. (2023), who mentioned that SIRCs have the power to serve as a trustee, but local councils are in charge of property conversion, zoning and infrastructure approvals. These councils may require land to be given up for public services, which can be incompatible with waqf inalienability, resulting in lengthy discussion.

4.2 Stakeholder conflicts and heirs' disputes

Stakeholders' conflicts were identified as a significant organisational challenge, especially within development projects that involved multiple beneficiaries, heirs, occupants and collaborating institutions or agencies. Informants indicated that these conflicts frequently arise from different expectations regarding the land utilisation, development objectives and benefit distributions. These disagreements hinder collaboration and slow down progress, particularly in projects that require agreement among several stakeholders involved. These tensions reflect the normative pillar of institutional theory, different stakeholder groups bring distinct ethical frameworks and expectations to waqf land, and the absence of shared normative consensus impedes collaborative governance.

Moreover, heirs' disputes are a distinct and recurrent form of stakeholder conflicts that can arise during the process of waqf property development. Informants reported that there are cases where heirs disengaged following the death of the waqif, making it impossible to identify property parcels and obtain authorisation for development. In the situation involving shared land grants, the lack of cooperation among heirs further complicates the tenure clarification and location of the lot. These findings are supported by Mohamed et al. (2012), who reported a case of failure to register waqf land due to the death of the owner or trustee. The problem became more serious when a disagreement arose, in which the next of kin refused to acknowledge the waqf and instead allocated the property in accordance with estate distribution regulations (faraid). Informant 3 describes a representative case: "The challenge is to gather the heirs to reorganise and identify the location of the waqf land. This requires creating a plan and takes a very long time. There are also those heirs who fight because they disagree to acknowledge the waqf land".

Unlawful waqf land transactions by heirs were also highlighted as a significant organisational risk. Informants described illegal waqf land sales and contestation of waqf status, which have the potential to disrupt development continuity and expose waqf institutions to legal and reputational risk. From an organisational perspective, these conflicts increase the administrative burdens, divide managerial attention and weaken trust among the stakeholders. Informant 4 stated that, "The heirs sold the land. Without the knowledge of SIRC, SIRC has taken legal action, reclaiming the land, which took two to three years to settle this case".

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4.3 Land feasibility and tenure challenges

Land feasibility and tenure issues were often recognised as critical constraints affecting the viability of waqf property development. Informants emphasised that many waqf property parcels are physically unsuitable for development due to various factors such as poor site accessibility, small land size and unfavourable site locations. These characteristics of waqf land limit the development options and possibilities, as well as reduce the economic potential of waqf development projects. This finding is supported by Mustafa et al.'s (2022) study, the majority of the waqf land areas are located in less strategic places, such as rural areas and are dispersed. Informant 2 clarified, “Some of the waqf land is located in a forest area”. Although some of the land is located in an extremely desirable area, it is not possible to make any development due to certain constraints and limitations. Informant 3 explained, “Among the issues are the status of the waqf land itself, access problems, and being located in the middle of the forest”.

In addition to physical constraints, informants highlighted the mismatch between waqif intention and land suitability as a recurring challenge. In several cases, the stipulated purpose of the waqf land did not align with the physical or economic characteristics of the land, which restricted alternative development uses. Such a mismatch decreases the managerial flexibility and limits strategic decision-making by waqf institutions. Issues regarding tenure complicate development management. Informants highlighted that difficulties resulted from shared grants, unidentified land locations and unclear land boundaries. Furthermore, istibdal challenges include identifying land with equivalent value and a suitable location, limiting development opportunities. Informant 3 explained, “Our constraint in this istibdal. Our final step to fulfil the waqf's intention to sell and buy other assets, replacing them elsewhere because nothing can be done at the original location of the waqf land”. These land feasibility and tenure complexities constrain organisational capacity to plan and execute development projects effectively. There are also encumbrances on waqf land, including caveats, taxation and restrictions which might render the waqf declaration invalid until rectified (Ghazali et al., 2021).

4.4 Lack of understanding and awareness

A lack of understanding and awareness regarding waqf land development emerged as a common challenge among institutional authorities and the public in general. Informants indicated that some agencies involved in development have limited knowledge of waqf development principles, permissible development activities and institutional roles. Misconceptions across agencies contribute to delays in procedures and decision-making, as well as inconsistent application of development standards. This reflects the cultural-cognitive pillar, taken-for-granted assumptions about what waqf land is, exclusively religious or charitable, persist among agencies and the public, shaping behaviour in ways that impede development even in the absence of explicit legal prohibition. Informant 4 noted, “The agencies involved in development don't understand the concept of development. We have to educate and explain to them first before we can progress”.

The public, as one of the stakeholders in waqf development, plays a vital role. Nevertheless, there are still those who are unaware of the role of waqf and its organisation. Informant 2 stated, “One of the issues is societal stigma towards waqf land. The public believes that waqf land is for all”. This is in line with Jalil's (2020) study, which reports a lack of public understanding of the potential of waqf land. Despite the fact that the waqf has been the subject of various discussions and decisions at seminars, waqf institutions have developed slowly due to a lack of information on SIRC’s authority (Mohamad et al., 2012).

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Furthermore, public perception and societal norms have a significant impact on development outcomes. Informants stated that common misconceptions about waqf land, including beliefs that waqf land is exclusively reserved for specific charitable purposes or cannot be developed commercially. This is consistent with Jalil (2020), who documents limited public understanding of the developmental potential of waqf land. Informant 3 observed, “For example, public perception of development like a gas station. There are complaints and objections from the public who disagree with the construction of a gas station on waqf land. Why aren't Islamic-like schools/prayer rooms being built? The challenge for SIRC is to raise awareness among the surrounding residents that this waqf land is for maximising returns to our ummah and must be utilised to the fullest”. Such perceptions generate resistance to development initiatives and complicate stakeholders’ engagement efforts. Limited institutional awareness limits learning and innovation in waqf land development.

The continuation of administrative mindsets that focus on compliance rather than strategic management limits the adoption of new development approaches and reduces organisational responsiveness to evolving development opportunities. A study by Mohamad et al. (2012) demonstrated that long-term occupiers refuse to leave waqf land, which creates difficulties with compensation and welfare. Some waqf land has also been allocated to non-Muslims, raising concerns about the activities that may contradict Islamic principles. Addressing this awareness gap involves not only public education efforts, but also professional capacity building inside waqf institutions and collaborating agencies, as well as the development of shared governance discourses that span religious and management frames of reference.

4.5 Legal and policy limitations

Regarding legal and policy issues, it was determined that institutional constraints restrict managerial discretion in waqf land property development. The informants mentioned that the existing legislation and policies governing land use and occupancy impose rigid conditions and limit development flexibility. For example, waqf requirements focused on a particular purpose are among the factors that lead to the underutilisation of waqf land in certain contexts. These constraints are a direct expression of the regulative pillar; organisations working within the waqf system must navigate legal requirements that were historically designed for a different developmental context and have not been systematically updated to reflect contemporary property development needs. Informants also highlighted challenges related to infrastructure provision and asset transfer following development. In some cases, inconsistent decisions and a lack of clarity regarding the lease of infrastructure assets to local or relevant authorities created post-development management risk. Informant 4 noted, “The standard that open spaces must be handed over to the local authority, roads must be handed over, anything must be handed over, but when it comes to waqf land, we say it can't be handed over, SIRC said it can't be approved”. This is supported by Hasan (2016), who stated that one of the most significant problems is the absence of a standardised interpretation of Shariah across different legal systems. This divergence can lead to the inconsistent application of its principles and, consequently, hinder cooperation across countries.

Additionally, informants described the legal challenges as institutional constraints that determine the behaviour of the organisation. Legal and regulatory limitations were seen as external factors that need to be navigated rather than changed. Informant 3 mentioned, “The land that was donated is not suitable for the donor's intention. SIRC or waqf corporation made a substitution, and it needs to go through a fatwa for approval”. This perspective reinforces cautious management approaches in the development of waqf land.

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This is supported by Mohamad et al (2012), who state that there are insufficient legal provisions for waqf land administration. In addition to a lengthy registration process, several states lacking specific waqf legislation demonstrate serious weaknesses, such as the absence of uniform practices, inadequately specified rules and procedures and a lack of clear regulation of registering land under SIRC. In addition to this, waqf land is also liable to acquisition under the Land Acquisition Act 1960, with no clear procedure for replacement. In addition, a study by Hussin et al. (2024) noted that the National Land Code (Act 828) states that land size is not a factor in the development approval process. However, the state government has control over providing authorisation or vice versa.

4.6 Financial constraints and sustainability issues

In the process of waqf land development, one of the major organisational issues that arose was the financial constraints. It was consistently observed by informants that there was limited access to external financing, especially from financial institutions that are hesitant to provide loans for waqf land projects. This hesitation is often attributed to legal and regulatory constraints, especially on collateral issues, development constraints, and high potential risk in investment. This constraint reflects the interaction between the regulative pillar (legal restrictions on using waqf land as collateral) and practical organisational resource limitations. Informant 4 explained, "For end financing, at the initial stage, we also faced quite a high level of challenge. There wasn't even a single agency, a banking agency, willing to provide leasing at that time because there was no precedent case". Development initiatives are further hindered by limitations of internal financial resources. Informants indicated that insufficient funds to address development costs, especially waqf land that has been occupied by squatters, for which they need to provide compensation. This is supported by Mohamad et al.'s (2012) study, which reports insufficient funds for waqf land development. Crowdfunding usually fills in the gap in microfinance. In some circumstances, funds for development are dependent on public contributions and government support, which tend to be limited to specific projects. Cizakca (2018) also noted that inadequate financial assistance is available to implement waqf initiatives.

Post-development financial sustainability also poses a challenge. Informants stated that issues related to rental arrears, demands for rental subsidies and insufficient financial management skills within waqf institutions. These issues decrease revenue stability and limit the ability of organisations to reinvest in asset maintenance and future development. Informant 1 informed, “Most tenants still want subsidised rentals where the rental is not charged at market price, but with lower rental values”. From a management perspective, financial constraints and sustainability issues reinforce conservative development strategies and reduce the organisation's willingness to take risks. Moreover, informants indicate that the failure to effectively support waqf institutions remains a key challenge, as it has been limiting the institutions’ ability to plan, execute, and sustain long-term development plans. Once the development process begins, sustainability issues arise. Because of the incidence of deferred rental payments, the continuous income that waqf institutions depend on for the maintenance and operation is diminished.

According to research by Ngah (1987), waqf property revenue is often insufficient for maintenance and expansion initiatives, mostly due to rentals that are below market value and a lack of manpower to collect rentals. This is supported by Ali et al.'s (2016) study, which shows that although the primary source of income is waqf rental, rental accumulation in waqf properties remains low. From an institutional theory perspective, this sustainability challenge reflects normative and cognitive constraints, prevailing norms that waqf should not generate profit at market rates, and taken-for-granted assumptions that below-market rentals are appropriate, which constrain the financial sustainability of development projects even after physical completion. Table 2 shows the summarisation of institutional and organisational challenges in Waqf land development.

Table 2. Summary of Institutional and Organisational Challenges in Waqf Land Development

Theme	Category	Key evidence from empirical findings	Informant	Institutional Pillar
Governance and Institutional Capacity	Management Issues	Absence of formal development guidelines; lack of precedent cases for waqf land development; outdated land records affecting development planning	Informant 2; Informant 4	Regulative
	Inter-agency and Regulatory Coordination	Delay in approval processes; contradictory interpretation of statutory provisions	Informant 2; Informant 1; Informant 4	Regulative
Stakeholders Conflicts and Heirs Dispute	Stakeholder Conflicts	Lack of cooperation from squatters; rental review resistance	Informant 1; Informant 2	Normative
	Heirs Disputes	Disengagement of heir after waqif's death; Lack of cooperation from heir; Heirs' contestation	Informant 3; Informant 2; Informant 4	Normative/ Regulative
Land Feasibility and Tenure Challenges	Land Challenges and Suitability	Unsuitable land size and location; poor site accessibility; land characteristics limiting development potential; mismatch between waqif intention and land suitability	Informant 3; Informant 2	Regulative/ Cultural-cognitive
	Tenure Issues	Shared grants; unidentified land locations	Informant 3	Regulative
Lack of Understanding and Awareness	Institutional Awareness Gap	Lack of understanding and misconception on waqf development	Informant 1; Informant 4	Cultural-cognitive
	Public Perception and Societal Norms	Societal stigma views waqf land as restricted to charitable purposes; Public misconception regarding waqf land usage; resistance to development initiatives	Informant 2; Informant 3; Informant 4	Cultural-cognitive/ Normative
Legal and Policy Limitations	Legal Issues	Maintenance of infrastructure in post development, legal uncertainties influencing organisation behaviour	Informant 3; Informant 2	Regulative
	Policy Limitations	Policy restriction on land use and occupancy; underutilisation of	Informant 2; Informant 4	Regulative/ Normative

		waqf land due to waqf purpose constraint;		
Financial Constraints and Sustainability Issues	Financial Constraints	Reluctance of financial institutions to provide development financing; insufficient internal funds	Informant 2; Informant 4	Regulative
	Financial Sustainability Issues	Rental arrears; demand for rental subsidies; limited reinvestment capability affecting long-term sustainability	Informant 1; Informant 2	Normative/ Cultural-cognitive

Source: Author’s own data

5. CONCLUSION

This paper has examined the organisational and institutional challenges affecting waqf land property development in Malaysia from a management perspective. Qualitative evidence shows that waqf land development challenges are systemic and embedded within complex governance and institutional structures. These issues influence managerial decision-making, coordination, and development outcomes rather than being separate legal or financial issues. The application of Scott's (1995, 2014) three-pillar institutional theory framework reveals that these challenges operate simultaneously across regulative, normative, and cultural-cognitive dimensions, producing a multilayered institutional environment that constrains managerial discretion and development outcomes in mutually reinforcing ways.

The findings identify six interconnected challenges in the domain, which are governance and institutional capacity, stakeholders’ conflicts and heirs' disputes, land feasibility and tenure challenges, lack of understanding and awareness, legal and policy limitations, as well as financial constraints and sustainability issues. These reflect the complexity of managing property development within established institutional systems. Analytically, the study shows that governance fragmentation (regulative), normative expectations about waqf's charitable purpose, and assumed cognitive paradigms about appropriate waqf management all contribute to the challenges that practitioners identify as operational issues. This finding has crucial implications: addressing simply one institutional characteristic while ignoring the others is unlikely to result in long-term progress.

Governance and institutional capacity emerged as key factors influencing how organisations interpret regulatory requirements, collaborate with stakeholders and manage development risk. Weak inter-agency coordination, limited organisational capacity, and fragmented authority structures were found to create uncertainty and impede development processes. Stakeholders, particularly those involving heirs and tenants, further complicate development management. As for land feasibility and tenure constraints, they restrict the strategic planning for waqf institutions. These challenges are worsened by the limited understanding of the waqf development process and persistent public misconceptions, which constrain innovation and institutional learning. In addition, legal policy constraints and financial sustainability issues further encourage management to be cautious and limit future development planning. These difficulties reflected the complexity of managing property development within the established system and emphasised the necessity for a comprehensive management approach to facilitate effective waqf land development. Additional research on the strategic management and solutions to these issues and challenges is necessary to ensure that it will assist waqf institutions in practice and that the development of waqf land remains economically beneficial to the ummah.

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7. CONFLICT OF INTEREST STATEMENT

The authors declare that there is no conflict of interest regarding the publication of this paper. The research was conducted independently without any financial or commercial relationships that could be construed as a potential conflict of interest.

8. AUTHORS' CONTRIBUTIONS

Nurzafira Zainul Abidin was responsible for compiling the literature review, collecting and analysing the data and drafting the article. **Noraliza Basrah** supervised the research process and provided critical supervision. **Ahmad Shazrin Mohamed Azmi** ensured the manuscript adhered to academic accuracy and substantive clarity. **Mohd Ashrof Zaki Yaakob** co-supervised the research process and checked input on waqf studies. All authors contributed to finalising the article for publication.

9. DECLARATION OF GENERATIVE AI IN THE WRITING PROCESS

This work was prepared using QuillBot and Grammarly to improve the written contents. This tool/service allowed the author(s) to examine and edit the content and accept full responsibility for the publication.

10. DATA AVAILABILITY/SUPPLEMENTARY MATERIALS

The data supporting the findings of this study are not publicly available due to confidentiality and ethical restrictions involving research participants and institutional information. However, anonymised data may be made available by the corresponding author upon reasonable request and subject to approval from the relevant parties. No supplementary data are attached to this manuscript.

11. ETHICS STATEMENT

This study was conducted in accordance with accepted ethical standards for academic research involving human participants. Ethical considerations were observed throughout the research process, including informed consent, voluntary participation, confidentiality, and anonymity of respondents. All interview data were used solely for academic purposes, and participants were informed of their right to withdraw from the study at any stage without consequence. Ethical clearance for this research was obtained from the relevant institutional ethics review committee prior to data collection.

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