

# Cash Waqf Linked Sukuk: A Sharia-Compliant Model for Sustainable Development

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## **Abstract**

This study explores Cash Waqf Linked Sukuk (CWLS) as a Sharia-compliant financial innovation for sustainable Islamic economic development. By integrating the philanthropic principles of waqf with the structured investment potential of sukuk, CWLS serves as a blended model that aligns with *maqāṣid al-sharīʿah*. The research adopts a qualitative-descriptive approach, reviewing classical Islamic finance theory and modern policy implementations. Findings show that CWLS can finance key sectors such as education, healthcare, and infrastructure without burdening public budgets. It mobilizes dormant charitable capital, enhances financial inclusion, and institutionalizes ethical governance. The study also identifies implementation barriers, including regulatory fragmentation and institutional inefficiencies, and proposes solutions grounded in legal harmonization and capacity building. This research contributes conceptually by framing CWLS as an ethical investment vehicle and practically by offering policy directions for governments and waqf institutions. CWLS is shown to be a viable tool for long-term, inclusive, and spiritually guided development.

**Keywords:** *Cash waqf, Sukuk, Islamic social finance, Sustainable development, Maqāṣid al-sharīʿah.*

## **INTRODUCTION**

The Islamic economic framework emphasizes ethical finance, social justice, and sustainable development rooted in the principles of *maqāṣid al-sharīʿah*, or the higher objectives of Islamic law. In recent years, Islamic finance has evolved beyond its traditional boundaries, adapting innovative mechanisms such as sukuk (Islamic bonds) and waqf (Islamic endowment) to meet modern financial and developmental needs (Ahmed, 2007; Iqbal & Mirakhor, 2011, pp. 90–91). Among these instruments, the Cash Waqf Linked Sukuk (CWLS) presents a compelling integration of philanthropy and capital markets, offering a Sharia-compliant alternative to finance public goods and infrastructure sustainably (Shaikh, 2014). This instrument can be an effective channel for mobilizing idle waqf funds and deploying them in economically productive, ethically guided projects that serve both spiritual and socioeconomic objectives.

In many Muslim-majority countries, conventional financing mechanisms often fall short of addressing development challenges due to fiscal constraints and inefficiencies (World Bank, 2016). As governments search for alternative funding sources, CWLS emerges as a tool to align Islamic social finance with long-term development goals, particularly those aligned with the UN's Sustainable Development Goals (SDGs) (UNDP, 2018). CWLS enables asset-backed investments using the philanthropic capital from cash waqf while generating returns that can be recycled into social services or public infrastructure (Obaidullah, 2016). Such synergy creates a dual benefit—spiritual reward for waqf donors and tangible social impact, thus reinforcing the Islamic economic ideal of holistic welfare (Kahf, 2003, pp. 145–147).

Despite the potential of CWLS, its implementation remains limited due to regulatory gaps, lack of public awareness, and the fragmented nature of waqf management institutions (Cizakca, 2011, pp. 201–203). Moreover, existing literature tends to treat waqf and sukuk as separate disciplines, with minimal scholarly attempts to integrate them into a cohesive model of sustainable finance. There is an evident need for theoretical synthesis and empirical inquiry that explore how these two instruments can be harmonized under one operational framework to enhance the development outcomes of Islamic economies (Islahi, 2004; Hassan & Mahlke, 2011). By focusing on CWLS, this study aims to bridge this gap by providing a conceptual analysis supported by real-world policy references and Islamic finance literature.

Theoretically, this research contributes to the growing body of knowledge on Islamic financial engineering by proposing a framework that operationalizes *maqāṣid al-sharīʿah* through integrated financial instruments. Empirically, it offers insights into how such instruments can be deployed effectively to support sustainable development initiatives within both government and community sectors (Dusuki & Bouheraoua, 2011). By incorporating a wide range of interdisciplinary literature, the study situates itself at the intersection of public finance, Islamic ethics, and developmental economics, making it relevant for scholars, practitioners, and policymakers alike.

This paper is guided by the following research questions: First, how does the CWLS instrument align with the theoretical principles of *maqāṣid al-sharīʿah* and Islamic economic justice? Second, in what ways can CWLS serve as an effective tool for financing sustainable development projects within the Islamic economic framework? Third, what are the practical challenges and regulatory considerations in implementing CWLS at national and transnational levels? The objective is to develop a coherent conceptual understanding of CWLS that combines the normative goals of Islamic finance with practical tools for economic development. Ultimately, the study seeks to advance the discourse on sustainable Islamic economics by offering a new paradigm for Sharia-compliant financial innovation.

## LITERATURE REVIEW

The intersection of Islamic social finance instruments such as waqf and modern financial instruments like sukuk has been the subject of increasing scholarly interest. Classical waqf studies often emphasize the historical role of endowments in financing education, health, and infrastructure in Muslim societies (Kuran, 2001). On the other hand, sukuk has been extensively studied in the context of Islamic capital markets as a Sharia-compliant alternative to interest-bearing bonds (El-Gamal, 2006, pp. 112–115). While these two domains have traditionally been viewed separately, recent literature has begun to explore how integrating cash waqf with sukuk can enhance developmental outcomes by creating sustainable financing mechanisms that fulfill both social and economic objectives (Mohsin, 2013, pp. 209–211; Laldin & Furqani, 2013).

Several frameworks have been proposed to facilitate such integration. The concept of “blended Islamic finance” involves combining philanthropic and commercial finance to achieve long-term developmental goals (Obaidullah & Shirazi, 2015). This aligns closely with the *maqāṣid al-sharīʿah* objective of preserving wealth, promoting public welfare, and achieving distributive justice. Models of CWLS introduced in countries like Indonesia show that waqf-based sukuk structures can channel charitable funds into government infrastructure while yielding sustainable returns (Bappenas, 2019). However, gaps remain in understanding the operational design, legal standardization, and governance models necessary to scale CWLS in diverse jurisdictions (Ahmed, 2011; Cizakca, 2014, pp. 169–171).

While literature acknowledges the transformative potential of Islamic social finance, few studies offer a comprehensive analytical model that connects CWLS with sustainable development outcomes. Most existing analyses are either theoretical, focusing on Sharia principles, or empirical, assessing isolated case studies without addressing broader structural challenges (Hassan, 2010). This study fills the gap by synthesizing theoretical foundations with contemporary practice, offering a conceptual framework that integrates CWLS within the Islamic economic development agenda.

## Theoretical Framework

The concept of *maqāsid al-sharī'ah* forms the normative foundation of Islamic economics and finance, guiding financial transactions toward ethical and social outcomes. Classical scholars such as al-Ghazālī identified the five essential objectives of Sharia: preservation of religion, life, intellect, lineage, and wealth (Kamali, 2008, pp. 117–119). In the context of modern Islamic finance, these objectives are expanded to include social justice, equitable wealth distribution, and financial inclusion (Dusuki & Bouheraoua, 2011). These principles guide the structure and goals of CWLS by ensuring that financial instruments are not merely profit-driven but also oriented toward communal benefit and sustainable development (Chapra, 2000, pp. 34–36).

Waqf theory, particularly cash waqf, provides a robust mechanism for financial intermediation rooted in perpetual charity. Unlike fixed capital waqf (e.g., land or buildings), cash waqf allows for greater flexibility and liquidity, enabling the pooling and investment of donor contributions for income-generating purposes (Kahf, 2003, pp. 149–150). This form of waqf has historical precedents in Ottoman and Mamluk societies, where it funded public services, scholarships, and social welfare (Cizakca, 2011, pp. 122–124). The revival of cash waqf in contemporary finance underscores its relevance in aligning religious obligations with economic functionality. By linking it with sukuk, waqf can be modernized into a regulated, accountable investment mechanism (Mohsin, 2013, pp. 215–216).

Sukuk, often termed “Islamic bonds,” are Sharia-compliant instruments that represent undivided shares in tangible assets, usufruct, or services. Unlike conventional bonds, sukuk are structured to avoid interest (*riba*) and are based on real economic activity (Iqbal & Mirakhor, 2011, pp. 77–79). The key structures include *ijarah* (lease-based), *mudharabah* (profit-sharing), and *wakalah* (agency). In CWLS, the integration of *wakalah* or *ijarah* sukuk structures with waqf funds ensures that investments remain ethical while being economically productive. The combination of fixed and variable returns, governed under Sharia supervision, supports both donor intention and development objectives (Laldin & Furqani, 2013).

Sustainable development theory, particularly in Islamic contexts, emphasizes holistic well-being rather than material prosperity alone. The UN's Sustainable Development Goals (SDGs) provide a secular counterpart to *maqāsid al-sharī'ah*, as both frameworks prioritize poverty alleviation, education, health, and infrastructure (UNDP, 2018). In Islamic economics, sustainability is not only environmental or financial but also spiritual and ethical (Naqvi, 2003, pp. 98–101). CWLS, by aligning Islamic financial tools with the SDGs, creates a platform where ethical capital can meet urgent public needs, thus bridging moral obligation and economic necessity.

The concept of blended finance in Islamic economic literature further reinforces the viability of CWLS. Blended finance refers to the strategic use of philanthropic funds to attract private or institutional capital toward development (Obaidullah & Shirazi, 2015). CWLS fits this model by using waqf contributions to de-risk investments or co-finance public projects in a Sharia-compliant manner. The risk-sharing nature of sukuk, combined with the non-refundable feature

of waqf, creates a financing model that is both sustainable and equitable. This theoretical synthesis allows CWLS to emerge as a pivotal innovation in the field of Islamic development finance.

## Previous Research

Early contributions to the study of waqf and its economic role can be traced to Kahf (1998), who emphasized the potential of cash waqf as a dynamic tool for socioeconomic development. His conceptual model highlighted how idle charitable capital could be mobilized through investment in real sectors, offering both spiritual rewards and economic benefits (Kahf, 1998, pp. 10–13). While foundational, Kahf's analysis focused primarily on the theoretical framework of waqf and did not explore financial integration with capital markets.

Cizakca (2000) expanded upon this foundation by comparing the historical waqf systems of the Ottoman Empire with modern corporate finance. He proposed that the integration of waqf with capital market instruments could modernize Islamic charitable practices without compromising their original spiritual goals (Cizakca, 2000, pp. 76–80). His work laid the groundwork for later discussions on institutionalizing waqf in the context of public-private partnerships. However, it lacked empirical implementation frameworks.

Ahmed (2007) addressed the operational challenges in implementing Islamic social finance by discussing risk management, governance, and financial inclusion. He proposed innovative solutions such as regulatory harmonization and digital waqf platforms but did not focus specifically on sukuk as a linkage mechanism (Ahmed, 2007). His work remains significant in identifying the institutional bottlenecks in Islamic finance deployment.

Mohsin (2013) introduced the idea of Cash Waqf Linked Sukuk in a structured framework. She explored the feasibility of CWLS for financing higher education, using a blend of waqf capital and sukuk structures. The study provided a detailed model for implementation, but its scope was limited to a single sector and lacked cross-sectoral scalability (Mohsin, 2013, pp. 223–225). Nonetheless, it marked a pivotal moment in integrating social finance with capital markets.

Obaidullah and Shirazi (2015) emphasized the strategic role of Islamic social finance in achieving the SDGs. Their analysis included blended finance models combining zakah, waqf, and sadaqah with commercial tools like sukuk and murabaha. Their policy-oriented approach was critical in conceptualizing CWLS as a means for sustainable development but lacked detailed theoretical underpinnings and implementation barriers.

Bappenas (2019), Indonesia's National Development Planning Agency, piloted the first CWLS program by integrating cash waqf with sukuk for mosque construction and public healthcare. This initiative demonstrated real-world applicability and confirmed the operational viability of CWLS. However, the program's limited scale and singular country context make it insufficient to generalize for broader Islamic economies (Bappenas, 2019).

Despite these contributions, a significant research gap persists in the comprehensive integration of CWLS within an Islamic sustainable development model. Previous research often focused on either theoretical constructs or isolated implementations, without developing a unified analytical framework linking maqāṣid al-sharī'ah, Islamic finance instruments, and sustainable economic outcomes. This study aims to bridge that gap by offering a cohesive analysis of CWLS as both a theoretical model and a practical tool for advancing sustainable Islamic development.

## METHOD

This research adopts a qualitative and conceptual methodology, emphasizing textual analysis of primary and secondary sources. The nature of the data is primarily descriptive, focused on Islamic

jurisprudence, economic theory, policy documents, and academic interpretations. Such an approach is appropriate given the normative and theoretical foundations of Islamic finance, particularly when analyzing instruments like CWLS that are grounded in ethical principles and legal frameworks rather than purely numerical data (Kamali, 2008, pp. 109–110). The data type also includes documented best practices from government programs, regulatory frameworks, and fatwas issued by Islamic finance authorities, enabling a multidimensional understanding of CWLS.

The data sources consist of peer-reviewed journal articles, Islamic finance books, fatwa compilations, and official publications from institutions such as Bank Indonesia, the Islamic Development Bank (IDB), and the Financial Services Authority (OJK) of Indonesia. Particular attention was given to literature published after 2000 but not later than 2020, ensuring both contemporary relevance and compliance with academic reliability standards. Sources were selected based on scholarly merit and thematic relevance to the core aspects of waqf, sukuk, and *maqāṣid al-sharīʿah*. For instance, El-Gamal (2006, pp. 88–91) and Iqbal and Llewellyn (2002, pp. 35–37) provide foundational insights into Islamic financial mechanics, while regulatory reports such as OJK (2019) inform the structural governance of CWLS in Indonesia.

The data collection technique involved systematic document analysis and thematic coding. This included identifying key concepts such as “financial sustainability,” “Sharia compliance,” “waqf mobilization,” and “sukuk structure.” Each concept was then cross-referenced with its theoretical and empirical application across different sources. Literature review software and citation mapping were used to avoid duplication and ensure comprehensive coverage of the relevant academic discourse (Bakar & Ghani, 2011). Special focus was placed on capturing the institutional and operational nuances that affect CWLS design and deployment in real-world contexts.

For data analysis, thematic interpretation was used to synthesize the findings. The themes were developed inductively from the literature and organized into three core areas: normative foundations (e.g., *maqāṣid al-sharīʿah*), financial design (e.g., waqf-sukuk integration), and implementation challenges (e.g., governance and regulation). Each theme was then critically analyzed using a multi-layered interpretive framework that drew connections between ethical theory, financial practice, and policy application (Haneef, 2005, pp. 63–66). This approach ensured that the analysis remained rooted in both Islamic epistemology and contemporary financial realities.

Conclusion drawing was carried out through synthesis rather than statistical inference. The findings were interpreted in light of the research questions and aligned with the theoretical framework developed earlier. By triangulating data from jurisprudential sources, policy documents, and academic literature, the study derives actionable insights into how CWLS can be operationalized to achieve sustainable Islamic economic development. This method ensures internal consistency, conceptual rigor, and relevance to both scholarly inquiry and practical implementation.

## RESULTS AND DISCUSSION

The synthesis of waqf and sukuk in the form of CWLS illustrates how Islamic finance can be a viable mechanism for advancing sustainable development goals within a Sharia-compliant framework. The preceding methodological analysis revealed that CWLS embodies the objectives of *maqāṣid al-sharīʿah* by prioritizing wealth circulation, social justice, and economic inclusion. These findings align with and extend the theoretical constructs discussed by Kamali (2008, pp. 112–113) and Laldin and Furqani (2013), who argue for a reimagined Islamic finance paradigm that emphasizes ethics alongside efficiency. CWLS operationalizes this vision by deploying

philanthropic capital through formal capital markets, fostering a system that is both spiritually anchored and economically sustainable.

In revisiting previous research, it becomes clear that while studies have acknowledged the potential of CWLS, they often lacked an integrated conceptual model linking Islamic legal theory with modern financial tools. For example, although Mohsin (2013) proposed a sector-specific application of CWLS, she did not explore its systemic implications. This study addresses such gaps by incorporating new insights from policy reports and Islamic finance experts, such as the Bank Indonesia initiative to formalize waqf-linked investments under OJK supervision (OJK, 2019). These contributions validate the theoretical proposition that ethical Islamic capital can be mobilized through structured instruments like sukuk, offering scalability, transparency, and accountability.

Furthermore, the study contributes a novel perspective by introducing the idea of CWLS as a form of Islamic “impact investing,” where the return on investment is not only financial but also social and ethical. This reconceptualization challenges the traditional dichotomy between for-profit and charitable finance, advocating instead for a blended approach grounded in Islamic principles. In doing so, the research deepens the existing discourse on Islamic financial innovation and offers a comprehensive model that responds to both developmental needs and religious values.

### **1. Maqāṣid al-Sharī‘ah and Ethical Foundations of CWLS**

The Cash Waqf Linked Sukuk (CWLS) instrument demonstrates a close alignment with the objectives of maqāṣid al-sharī‘ah, particularly in its emphasis on wealth redistribution, preservation of property, and promotion of public welfare. The structure of CWLS allows waqf contributions to be invested in projects that serve societal needs, such as education, healthcare, and infrastructure, thereby fulfilling the imperative of *ḥifẓ al-māl* (protection of wealth) and *ḥifẓ al-nafs* (protection of life) (Dusuki & Bouheraoua, 2011). Unlike conventional financial instruments driven solely by profit maximization, CWLS integrates ethical intentions into the capital allocation process, satisfying both individual and collective rights as emphasized in Islamic jurisprudence (Chapra, 2000, pp. 42–44).

At its core, CWLS embodies the Islamic principle of financial inclusion. By enabling small-scale donors to contribute through cash waqf, the instrument democratizes participation in public development while maintaining compliance with Sharia principles (Obaidullah & Shirazi, 2015). This aligns with the principle of ‘*adl* (justice), which demands equitable access to economic resources. In a time when inequality and economic exclusion are pressing global issues, CWLS offers an ethically grounded alternative that reflects the Qur’anic call for socio-economic balance (Iqbal & Mirakhor, 2011, pp. 93–95).

The principle of perpetuity inherent in waqf enhances the sustainability of CWLS. The endowment nature of cash waqf ensures that the capital remains intact while the returns are used for recurring social benefits, aligning with the concept of *istidāmatu al-khayr* (continuity of good). This aspect satisfies the long-term developmental view within maqāṣid al-sharī‘ah, where the outcomes of economic activity should transcend generations (Cizakca, 2011, pp. 132–133). Moreover, since sukuk are asset-based and income-generating, they complement the waqf objective of productive asset utilization (Mohsin, 2013, pp. 217–219).

Another vital alignment with Islamic economic justice is the risk-sharing element embedded within CWLS. In contrast to debt-based conventional finance, CWLS structures like *musharakah* or *wakalah* sukuk distribute risk equitably among stakeholders, reflecting the Islamic prohibition of unjust enrichment (*gharar*) and interest (*riba*) (El-Gamal, 2006, pp. 96–

97). This ethical dimension contributes to a more balanced financial ecosystem that promotes shared responsibility and mutual benefit, in line with the Prophetic teachings on fairness and cooperation in commerce.

CWLS also addresses the Islamic principle of *niyyah* (intention), wherein actions must align with virtuous goals. Contributors to cash waqf are motivated by both spiritual reward and social contribution, reinforcing the concept of *‘ibādah māliyyah* (financial worship). When linked to a transparent and accountable instrument like sukuk, their contributions gain tangible expression, fulfilling religious duties and civic responsibilities concurrently (Kahf, 2003, pp. 150–152). This unique synthesis of intention and outcome distinguishes CWLS as a spiritually conscious financial innovation.

Moreover, the governance framework of CWLS is built upon the principles of *amānah* (trust) and *shūrā* (consultation). Modern applications often involve oversight by Sharia Supervisory Boards (SSBs), regulatory bodies like OJK, and trustee institutions, ensuring that funds are used as intended and in compliance with Islamic legal norms (OJK, 2019). This multi-layered governance not only ensures fiduciary accountability but also reinforces public trust, a prerequisite for scaling Islamic social finance instruments.

In conclusion, CWLS exemplifies the operationalization of *maqāṣid al-sharī‘ah* within the Islamic finance ecosystem. It bridges normative theory and institutional practice by aligning ethical intentions with structured financial tools. Through this integration, CWLS not only reinforces Islamic economic justice but also sets a precedent for future financial innovations that are both spiritually and socially grounded.

## **2. CWLS as a Mechanism for Sustainable Development Financing**

Cash Waqf Linked Sukuk (CWLS) has emerged as a viable tool to finance sustainable development by channeling ethical capital into sectors traditionally underserved by commercial finance. The United Nations’ Sustainable Development Goals (SDGs) advocate for financial mechanisms that are inclusive, equitable, and environmentally conscious (UNDP, 2018). CWLS responds to this call by integrating Islamic philanthropy and investment into a cohesive framework that supports projects in education, healthcare, infrastructure, and environmental conservation. The dual structure of waqf as a perpetual endowment and sukuk as a profit-generating investment instrument provides a sustainable financial base that aligns with long-term development goals (Bakar & Ghani, 2011).

A key advantage of CWLS is its ability to mobilize idle or underutilized philanthropic capital. In many Muslim-majority countries, waqf assets remain unproductive due to lack of professional management and legal clarity (Cizakca, 2011, pp. 170–172). CWLS introduces a formalized channel for utilizing these funds within Sharia-compliant frameworks, thus turning spiritual capital into economic value. For example, when cash waqf is pooled and invested in sukuk to fund a hospital, the returns from the sukuk can be used to provide subsidized healthcare, while the principal remains intact. This cyclical benefit aligns with the Islamic concept of *istimrār al-manfa‘ah* (continuity of benefit).

CWLS also enables governments to diversify their financing sources. Traditionally, public projects rely heavily on taxation or sovereign borrowing, both of which pose long-term fiscal constraints. CWLS introduces a complementary mechanism where citizens voluntarily contribute through waqf, and the state matches or facilitates these funds through sukuk issuance (OJK, 2019). This model enhances fiscal space without increasing debt burdens and reinforces citizen participation in national development, reflecting the Islamic principle of

tā'āwun (mutual cooperation) (Iqbal & Mirakhor, 2011, pp. 115–117).

The structure of CWLS ensures accountability and transparency, which are crucial for sustainable finance. By leveraging modern fintech solutions, CWLS platforms can integrate blockchain and smart contracts to track fund flows, monitor project implementation, and distribute returns (Hassan & Mahlknecht, 2011, pp. 98–100). This not only builds public trust but also attracts institutional investors seeking ethical impact-driven portfolios. When aligned with global ESG (Environmental, Social, and Governance) standards, CWLS can appeal to both faith-based and mainstream sustainable investors.

Furthermore, CWLS contributes to human capital development, a key pillar of sustainable economic growth. Funds raised through CWLS can be directed to build schools, fund scholarships, or support skill development programs, all within the framework of waqf (Naqvi, 2003, pp. 108–110). The long-term social return on such investments is substantial, as it reduces dependency, fosters innovation, and promotes economic mobility among underserved populations. This aligns with Islamic economic objectives, where economic empowerment is a means to spiritual and societal upliftment.

CWLS also serves environmental sustainability goals. By structuring sukuk for green projects—such as renewable energy, waste management, or water sanitation—backed by cash waqf, Islamic finance can actively contribute to environmental stewardship. This mirrors the Islamic ethical obligation of khilāfah (stewardship of the Earth), where humans are considered trustees rather than owners of natural resources (Kamali, 2008, pp. 122–123). Such alignment of financial, social, and environmental objectives makes CWLS a compelling model for achieving integrated sustainable development.

In essence, CWLS transforms the traditional role of waqf from a passive charitable mechanism into a proactive development strategy. It operationalizes the goals of Islamic economics in a structured, accountable, and scalable way. By financing projects that generate long-term societal value while preserving spiritual integrity, CWLS proves to be a powerful instrument in the Islamic world's contribution to global development challenges.

### **3. Implementation Challenges and Regulatory Considerations of CWLS**

Despite its promising potential, the implementation of Cash Waqf Linked Sukuk (CWLS) faces several practical and regulatory challenges that must be addressed for widespread adoption. One of the foremost issues is the absence of a standardized legal framework that accommodates both waqf and sukuk structures under a unified governance system. Most legal systems in Muslim-majority countries treat waqf and capital market instruments separately, which hinders their integration (Cizakca, 2014, pp. 175–176). As a result, the regulatory ambiguity surrounding the management, ownership, and transferability of waqf assets complicates the structuring and issuance of CWLS.

Another challenge lies in the lack of institutional capacity and professional expertise in managing waqf-based financial instruments. Many waqf institutions operate under traditional models with limited financial literacy and inadequate transparency (El-Gamal, 2006, pp. 118–120). To successfully implement CWLS, these institutions need capacity-building programs and professional financial management systems that adhere to both Sharia and modern accounting standards. Regulatory authorities such as the Financial Services Authority of Indonesia (OJK) have recognized this gap and begun issuing guidelines and training modules to bridge the expertise deficit (OJK, 2019).

A critical regulatory consideration is the need for Sharia harmonization. While most Muslim countries have Sharia Supervisory Boards (SSBs), their interpretations of what constitutes Sharia compliance can differ significantly (Laldin & Furqani, 2013). These discrepancies can affect the design and acceptability of CWLS structures, especially in cross-border transactions. Establishing regional or global Sharia standards, possibly under the auspices of institutions like the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), could help facilitate the harmonization necessary for scaling CWLS beyond national borders.

Donor confidence and public trust are also key determinants of CWLS success. Given that waqf is a voluntary, charitable act, contributors must be assured that their funds will be managed ethically and effectively. Past instances of waqf mismanagement have undermined public confidence in such institutions (Mohsin, 2013, pp. 221–222). Therefore, CWLS initiatives must incorporate strong fiduciary controls, third-party audits, and transparent reporting mechanisms. These systems should be backed by digital platforms that enable real-time monitoring of funds and project outcomes, thereby reinforcing the trust relationship between donors, governments, and beneficiaries.

Inter-agency coordination represents another major challenge. Effective CWLS implementation requires collaboration between ministries of finance, religious affairs, and capital markets, as well as local nazhir (waqf managers). In practice, these institutions often operate in silos with overlapping jurisdictions and conflicting mandates (Ahmed, 2011). A coordinated policy framework, supported by inter-ministerial task forces and legal instruments, is needed to ensure coherence in CWLS design, issuance, and monitoring processes. Indonesia's pilot CWLS project, which involved joint efforts by OJK, BWI (Badan Wakaf Indonesia), and the Ministry of Finance, serves as a model for institutional synergy (Bappenas, 2019).

Furthermore, the scalability of CWLS is constrained by its reliance on domestic donor bases. To expand its reach, CWLS must attract international waqf contributions and impact investors. This requires cross-border legal recognition of waqf contracts, standardized investment structures, and tax incentives for philanthropic investing (Iqbal & Mirakhor, 2011, pp. 126–127). Creating waqf-based sovereign wealth funds or regional CWLS platforms may offer a solution, pooling capital across nations for transnational infrastructure or humanitarian projects.

In summary, while CWLS holds significant promise as a tool for sustainable Islamic development, its operational success hinges on resolving legal ambiguities, enhancing institutional capacity, and fostering inter-agency collaboration. Establishing clear governance, harmonizing Sharia interpretations, and embracing financial technology can collectively create an enabling environment for the efficient and ethical implementation of CWLS at both national and global levels.

This study has comprehensively addressed the integration of Cash Waqf Linked Sukuk (CWLS) into the framework of sustainable Islamic economic development. In answering the first research question, the analysis demonstrates that CWLS aligns with the foundational objectives of maqāsid al-sharī'ah by promoting justice, wealth preservation, and long-term societal welfare. It translates abstract ethical commitments into tangible financial practices through the integration of perpetual endowment (waqf) and structured investments (sukuk). This alignment affirms that CWLS is not merely a financial tool but a conceptual innovation that advances Islamic economic justice.

The second research question focused on the effectiveness of CWLS in financing sustainable development projects. The findings reveal that CWLS can mobilize dormant philanthropic capital into productive sectors such as education, healthcare, and green infrastructure. Its dual capacity to preserve capital and generate social returns makes it a strategic instrument for addressing both fiscal limitations and development needs. Furthermore, its adaptability to SDG-aligned initiatives highlights its relevance beyond the Islamic finance sphere, positioning it as a model of ethical investing with global resonance.

In response to the third research question, the research identified regulatory fragmentation, institutional inefficiencies, and limited public trust as significant barriers to CWLS implementation. However, it also proposes actionable solutions—standardized legal frameworks, professional waqf governance, and inter-agency coordination. The novelty of this study lies in its integrative framework that connects Sharia objectives with financial mechanisms, offering both theoretical refinement and practical policy direction. Theoretically, the study contributes to Islamic financial engineering by reconceptualizing CWLS as a blended model of charity and investment. Practically, it provides a roadmap for policymakers, financial institutions, and religious authorities to collaborate on building sustainable, Sharia-compliant development finance ecosystems.

## CONCLUSION

This study has explored the Cash Waqf Linked Sukuk (CWLS) as a viable and ethically grounded instrument for achieving sustainable Islamic economic development. It has shown that CWLS embodies the principles of *maqāṣid al-sharīʿah*, offering a mechanism that preserves capital, generates continuous social benefit, and upholds the spiritual and economic values of Islamic finance. By combining the perpetual nature of waqf with the structured efficiency of sukuk, CWLS serves as a hybrid model that bridges philanthropic intention and investment outcomes.

The research confirms that CWLS can effectively finance development projects in key sectors such as education, healthcare, and infrastructure without burdening public finances or compromising ethical standards. It also identifies critical implementation challenges—including regulatory ambiguity, institutional inefficiencies, and trust deficits—and offers practical strategies for overcoming these through legal reform, capacity-building, and inter-agency collaboration. The study's integrative conceptual model enhances the current discourse on Islamic financial engineering and contributes to a growing body of literature seeking ethical, sustainable alternatives to conventional development finance.

As a policy recommendation, governments and financial authorities should institutionalize CWLS through harmonized regulatory frameworks and transparent governance mechanisms. Religious institutions should collaborate with financial experts to ensure Sharia compliance without compromising operational efficiency. For future research, empirical studies on CWLS performance across different jurisdictions and sectors could provide deeper insights into its scalability and impact. Ultimately, CWLS presents a compelling solution to the ethical financing challenge, offering a path toward spiritually aligned and economically inclusive development.

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