Toward Resilient *Waqf* Institutions: A Conceptual Framework for Operational Risk Management

Mustopa
Faculty of Sharia and Law, UIN Sunan Gunung Djati Bandung, Indonesia
mustopa@uinsgd.ac.id

Abstract

The sustainability and resilience of *waqf* institutions are increasingly under scrutiny, particularly in light of global financial instability and governance challenges. Operational risks—ranging from human error to systemic mismanagement—pose a serious threat to the institutional credibility and efficiency of *waqf* entities, both in Muslim-majority and minority contexts. Despite growing scholarly interest in Islamic social finance, the conceptualization and mitigation of operational risk within *waqf* governance remain inadequately addressed. This paper aims to construct a conceptual framework for operational risk management tailored to the context of *waqf* institutions. It builds upon both classical Islamic jurisprudence and modern institutional risk management theory to fill a gap in the current literature. Utilizing a qualitative conceptual methodology, the paper synthesizes relevant sources, including classical *fiqh* references and risk governance models, to identify and categorize key operational risk components in the *waqf* domain. Findings reveal five critical dimensions of operational risk in *waqf* governance: compliance integrity, administrative efficiency, trustee accountability, systemic transparency, and asset sustainability. These dimensions are matched with corresponding Islamic legal and managerial principles. The resulting framework provides a structured approach for assessing and mitigating risk while maintaining adherence to *sharīʻah* principles. The proposed framework holds significance for policymakers, *nazir* (trustees), and Islamic financial authorities aiming to build resilient *waqf* institutions capable of enduring modern operational challenges without compromising their spiritual and social missions.

Keywords

waqf governance; operational risk; Islamic finance; risk management framework; institutional resilience

INTRODUCTION

The concept of *waqf*—a charitable endowment in Islamic tradition—has historically played a crucial role in socio-economic development across Muslim societies. It served as a self-sustaining financial mechanism that supported education, healthcare, and poverty alleviation without burdening the state (Kuran, 2001, p. 842). However, the modernization of financial systems and the growing complexity of organizational governance have exposed *waqf* institutions to a spectrum of operational risks that classical jurisprudence did not anticipate.

Operational risk, as defined by the Basel Committee (2004), refers to the risk of loss resulting from inadequate or failed internal processes, people, and systems. Within *waqf* institutions, such risks may stem from trustee mismanagement, weak internal controls, non-compliance with *sharīʿah*, or poor asset administration (Hassan & Shahid, 2010, p. 98). The lack of robust operational risk frameworks tailored to the Islamic social finance context has resulted in inefficiencies and loss of public trust.

Despite increased research on Islamic finance and *waqf* revitalization, limited attention has been given to the internal operational risks threatening these institutions. Studies have largely focused on legal reforms or financial instruments (Kahf, 2003, p. 5; Cizakca, 2011, p. 74), while overlooking institutional risk management systems. A few contemporary works recognize this gap but offer minimal solutions (Abdul Rahman, 2009, p. 33).

Operational risks in *waqf* institutions must be addressed through a dual lens—combining classical Islamic legal frameworks with modern governance theory. *Fiqh al-waqf* emphasizes the trust, transparency, and justice required of a *nāẓir* (trustee), aligning conceptually with modern principles of accountability and compliance (al-Kāsānī, 1986, p. 235; Ibn Qudāmah, 1968, p. 119). However, the practical integration of these principles into modern institutional settings remains ambiguous.

Developing a conceptual framework to assess and manage operational risk in *waqf* institutions is both a scholarly and practical necessity. Such a framework would not only protect *waqf* assets but also enhance institutional credibility and public confidence (Dusuki, 2008, p. 21). Without this, the potential of *waqf* as a sustainable Islamic social finance tool cannot be fully realized.

Instances of misappropriation and mismanagement—such as the audit scandals involving state-administered *waqf* boards in Malaysia and Indonesia—highlight the urgency of institutional reforms grounded in risk management (Htay, Salman & Mydin Meera, 2013, p. 146). These incidents also demonstrate that religious legitimacy alone is insufficient for modern institutional credibility.

Good governance and regulatory oversight are essential for minimizing operational risk in *waqf*. Yet, many jurisdictions lack formalized internal risk management protocols for *waqf* bodies, resulting in inconsistencies and legal vulnerabilities (Mahmood & Ab Rahman, 2011, p. 39). Bridging this gap requires a structured, *sharīʿah*-compliant framework aligned with modern institutional standards.

To address this urgent need, this study poses the following research questions: (1) What are the primary components of operational risk in *waqf* institutions? (2) How can Islamic legal principles inform a modern operational risk framework? (3) What institutional mechanisms can mitigate operational risks in *waqf* governance? (4) How can a conceptual framework promote the resilience and credibility of *waqf* institutions?

By integrating classical Islamic principles with modern operational risk management, this paper seeks to construct a conceptual framework that is both theologically grounded and institutionally practical. It fills a critical gap in the literature and offers actionable insights for policymakers, academics, and *waqf* managers. The urgency and novelty of this endeavor underscore its importance in contemporary Islamic economic discourse.

LITERATURE REVIEW

The governance of *waqf* has been extensively discussed in classical Islamic jurisprudence. Scholars such as al-Kāsānī (1986, p. 235) and Ibn Qudāmah (1968, p. 119) emphasized the responsibilities and ethical obligations of the *nāẓir*, stressing justice (*'adālah*) and the prohibition of personal gain from endowed assets. These discussions formed the foundation of *waqf* governance, emphasizing fiduciary duty but lacking the operational specificity required for contemporary institutions.

In the modern era, scholars like Kahf (2003) revived the discourse on *waqf* by proposing institutional modernization strategies. He highlighted the importance of asset development, transparency, and legislative reforms to enable *waqf* institutions to operate effectively in modern economies. Similarly, Cizakca (2004, p. 142) advocated for integrating *waqf* systems into national financial frameworks, arguing that successful implementation depends on strong governance mechanisms, although he did not directly tackle operational risk.

Research by Hasan and Abdullah (2008, p. 52) and Abdul Rahman (2009, p. 33) recognized emerging operational risks such as documentation errors, trustee fraud, and strategic misalignment with *waqf* objectives. However, their work often remained descriptive, offering surface-level risk indicators without advancing a unifying framework. These studies initiated the shift from theological to managerial concerns but lacked systemic synthesis.

Hassan and Shahid (2010, p. 98) expanded the discussion by correlating operational risk frameworks in Islamic banking to the *waqf* sector. They proposed adapting Basel II guidelines to Islamic financial institutions, highlighting the need for internal control and compliance standards. Nonetheless, direct application to *waqf* remained sparse, with calls for customized frameworks that reflect the non-profit, sacred nature of *waqf*.

Southeast Asian scholars, including Htay et al. (2013, p. 146) and Mahmood and Ab Rahman (2011, p. 39), provided empirical evidence of operational failures in state-managed *waqf* institutions. Their research detailed audit gaps, trustee overreach, and administrative bottlenecks, reinforcing the need for systemic frameworks grounded in both regulatory standards and *sharīʻah*. They called for models that blend modern governance tools with Islamic ethical mandates.

Overall, the literature highlights three trends: the classical legal foundation of *waqf*, the call for modernization, and the identification of operational risks. However, few studies provide a structured, integrative framework that explicitly targets operational risk management in *waqf* institutions. This study addresses this gap by constructing a conceptual framework that is both grounded in *fiqh* and informed by institutional risk theory.

Theoretical Framework

The classical jurisprudential foundation of *waqf* is grounded in the principles of *niyyah* (intention), *taʿabbudīyah* (devotion), and *ḥifẓ al-māl* (preservation of wealth). According to al-Kāsānī (1986, p. 235), a *nāẓir* is bound by fiduciary obligations to administer *waqf* assets with integrity and transparency, reflecting the broader objective of *maṣlaḥah* (public benefit). This aligns with the Islamic legal maxim *al-ʻumūr bi maqāṣidihā* (matters are judged by their objectives), placing operational effectiveness within a legal-ethical mandate.

The concept of *maqāṣid al-sharīʻah* provides a theoretical anchor for developing an Islamic risk management approach. Ibn ʻĀshūr (2006, p. 124) emphasized that protecting religion, life, intellect, lineage, and wealth are essential purposes of *sharīʻah*. In the context of *waqf*, risk management ensures the protection of wealth (*ḥifẓ al-māl*), which in turn supports the preservation of other *maqāṣid*. Operational risk mitigation thus becomes not just a procedural concern but a spiritual and legal obligation.

From a contemporary perspective, operational risk is categorized into people risk, process risk, system risk, and external event risk (Basel Committee, 2004). These categories can be adapted to the *waqf* context, where similar disruptions—human error, system failure, or environmental instability—can threaten asset continuity and trust. Scholars like Power (2007) have emphasized the importance of institutional risk culture, internal controls, and audit trails to manage these threats.

Institutional theory posits that organizations must conform to both formal rules and social norms to gain legitimacy (DiMaggio & Powell, 1983). *Waqf* institutions, rooted in religious legitimacy, often neglect formal institutional structures. This theoretical lens reveals the need to reconcile *sharīʻah*-based values with systemized governance models. Embedding risk protocols enhances both operational resilience and socioreligious legitimacy.

Combining *fiqh al-waqf*, *maqāṣid al-sharīʻah*, and modern risk frameworks allows for the construction of a conceptual model tailored to Islamic institutions. This model links classical fiduciary duties of the *nāẓir* with contemporary practices like internal auditing, key risk indicators (KRIs), and contingency planning. The synthesis ensures religious compliance while meeting institutional standards of efficiency and transparency.

This integrated framework informs the core of this study's proposed model. By mapping classical Islamic principles to operational risk domains, the framework offers a culturally authentic and practically effective strategy for managing risk in *waqf* institutions. It aligns spiritual mandates with managerial functions, thereby enhancing institutional resilience through theoretically grounded mechanisms.

Previous Research

Kahf (2003, p. 5) examined the historical stagnation and decline of *waqf* institutions, attributing these issues to rigid legal structures and the absence of financial innovation. His research proposed restructuring *waqf* entities into corporate-like institutions governed by transparent administrative protocols. However, his work emphasized macro-level institutional reform rather than micro-level operational risk management.

Cizakca (2004, p. 142) conducted a comparative study between Islamic *waqf* and Western trust systems, advocating for the integration of best practices from corporate governance and financial auditing. While he highlighted administrative weaknesses in *waqf*, his model did not address operational risk categorization, particularly in risk control mechanisms.

Hasan and Abdullah (2008, p. 52) identified core risk areas in Islamic philanthropic organizations, including documentation errors, lack of professional trusteeship, and absence of standard operating procedures. They proposed basic mitigation techniques but acknowledged the absence of a formalized framework tailored to the Islamic social finance sector.

Abdul Rahman (2009, p. 33) focused on regulatory and institutional impediments in *waqf* operations in Malaysia. He documented several cases of administrative inefficiency and called for robust internal control systems. His study underlined the urgency for operational safeguards, though it remained largely empirical and did not translate findings into a theoretical framework.

Htay et al. (2013, p. 146) analyzed audit failures within state *waqf* boards in Southeast Asia. Their research demonstrated the consequences of non-standardized reporting, trustee misconduct, and weak enforcement of fiduciary responsibilities. They recommended governance reforms but lacked an integrative conceptual structure for operational risk.

While prior studies successfully identified isolated risk factors—governance lapses, administrative failures, and compliance gaps—none developed a cohesive operational risk management framework rooted in both *sharīʿah* and institutional theory. The present study addresses this void by proposing a structured, theoretically grounded model that captures operational risk dimensions specific to *waqf* institutions and offers tools for their mitigation in line with Islamic ethical mandates.

RESEARCH METHODS

This study adopts a qualitative conceptual research methodology aimed at constructing a normative framework for operational risk management in *waqf* institutions. The approach integrates Islamic jurisprudential analysis with institutional risk theory to develop a synthesized conceptual model. As Creswell (2007, p. 58) noted, qualitative conceptual studies are ideal for theory building when empirical generalization is not the primary aim, particularly in fields with normative orientations like Islamic economics.

Data were drawn exclusively from verified, traceable, and scholarly sources—including classical Islamic texts, peer-reviewed international journals (e.g., Scopus, WoS), Sinta-Garuda accredited Indonesian journals, and recognized academic books published up to 2014. Foundational *fiqh al-waqf* texts such as *Bada'iʿ al-Sana'iʿ* (al-Kāsānī, 1986), *al-Mughnī* (Ibn Qudāmah, 1968), and *Maqāṣid al-Sharīʿah* (Ibn ʿĀshūr, 2006) were used to extract normative legal principles. Contemporary works in risk theory and Islamic finance provided insights into operational and institutional variables (Basel Committee, 2004; Power, 2007).

The literature was reviewed systematically, using thematic coding to extract recurring constructs related to operational risk—such as compliance, accountability, internal controls, and transparency. These constructs were then categorized under five operational risk dimensions proposed by the researcher. A manual coding protocol was used, ensuring consistency with the inductive analysis style common in qualitative *fiqh* studies (Alvesson & Sköldberg, 2009, p. 75).

Content analysis was used to interpret both classical and modern sources. The researcher identified parallels between classical principles (e.g., *'adālah*, *amānah*, *ḥifẓ al-māl*) and contemporary risk categories (e.g., human error, process failure, system inadequacy). The synthesis enabled the formulation of a conceptual matrix matching Islamic ethical values to modern operational risks, facilitating the design of an integrated model.

Rather than generating empirical data, this study contributes a new framework that theorizes operational risk in *waqf* through a dual epistemological lens—classical Islamic law and modern institutional theory. The framework is designed to be adaptable for implementation by *waqf* authorities, *nāẓir*, regulators, and Islamic finance policymakers, reinforcing institutional resilience without compromising religious legitimacy.

RESULTS AND DISCUSSION

Operational risk in *waqf* institutions has traditionally been underemphasized due to a primary focus on legal compliance and spiritual legitimacy. However, modern institutional challenges—ranging from digitalization and mismanagement to fraud and regulatory ambiguity—necessitate a comprehensive understanding of operational vulnerabilities (Hasan & Abdullah, 2008, p. 52). This study's findings identify and categorize five critical operational risk dimensions threatening the sustainability of *waqf* governance.

The conceptual framework developed in this study draws upon both classical Islamic ethics and contemporary risk governance theories. Each identified risk category is mapped to a corresponding *sharī'ah* principle, ensuring that risk mitigation strategies are not only efficient but also theologically grounded. The results are organized into four thematic subsections, corresponding to the research questions outlined earlier.

The Primary Components of Operational Risk in Waqf Institutions

Compliance risk arises when *waqf* operations violate either state regulations or *sharī'ah* principles. This includes unauthorized asset transfers, neglect of donor intent (*niyyah*), or failure to renew legal documents. Ibn Qudāmah (1968, p. 119) stressed that any deviation from the *waqif's* conditions constitutes a breach of contract and invalidates the *waqf*. Modern regulatory codes reinforce this, highlighting the legal implications of non-compliance (Abdul Rahman, 2009, p. 33).

Inefficiencies in staff performance, outdated procedures, and lack of standard operating protocols define administrative risks. Al-Kāsānī (1986, p. 236) warned against entrusting the *waqf* to unqualified or negligent administrators, equating incompetence with betrayal (*khiyānah*). Empirical studies in Malaysia and Indonesia have shown that most mismanagement arises from human error and institutional inertia (Htay et al., 2013, p. 146).

The trust placed in the *nāẓir* makes trustee integrity a central concern. Breaches of fiduciary responsibility—such as embezzlement or conflict of interest—are operational hazards that damage both institutional legitimacy and financial sustainability. Ibn Taymiyyah (n.d., p. 112) emphasized that a *nāẓir* must be both *amīn* (trustworthy) and *khabīr* (competent). Modern scholars argue that governance frameworks must embed these traits in trustee selection and monitoring (Hassan & Shahid, 2010, p. 101).

As *waqf* institutions increasingly digitize their records and management processes, they become susceptible to cyber threats, data loss, and system failures. These risks are operational in nature and necessitate IT governance structures. Classical jurisprudence may not directly address this domain, but the Islamic legal principle of *ḥifẓ al-māl* (protection of wealth) is conceptually extendable to digital assets (Ibn ʻĀshūr, 2006, p. 126).

Waqf assets often deteriorate due to neglect, poor investment decisions, or environmental damage. Risk arises not only from physical depreciation but also from financial mismanagement. Classical scholars advocated for *waqf* perpetuity (*taʾbīd*) and maintenance (*ṣiyānah*) (al-Zarkashī, 1971, p. 213). Contemporary risk models recommend performance benchmarking and asset audit systems to prevent degradation (Power, 2007).

Synthesizing these risks, the study identifies five core operational risk domains in *waqf* governance: (1) Compliance Integrity, (2) Administrative Efficiency, (3) Trustee Accountability, (4) System Reliability, and (5) Asset Sustainability. These categories provide a structured lens for diagnosing institutional weaknesses and designing targeted controls.

Islamic Legal Principles Inform a Modern Operational Risk Framework

Islamic legal principles such as *'adālah* (justice) and *amānah* (trustworthiness) are foundational in shaping trustee conduct. According to al-Kāsānī (1986, p. 235), the *nāẓir* must be a person of moral rectitude and administrative competence, as the *waqf* represents a divine trust (*amānah ilāhiyyah*). Embedding these values in modern trustee evaluation procedures helps mitigate governance-related operational risks.

The principle of *ḥifẓ al-māl* (preservation of wealth), one of the five higher objectives of Islamic law (*maqāṣid al-sharī'ah*), offers a theological rationale for risk management. Ibn 'Āshūr (2006, p. 124) argued that protecting resources is integral to fulfilling communal welfare. When translated into institutional terms, this justifies systematic asset audits, performance indicators, and risk analytics.

The prohibition of *gharar* (excessive uncertainty) in Islamic commercial jurisprudence has implications for operational clarity. Risk resulting from procedural ambiguity, undocumented practices, or unverifiable records contradicts this principle. Therefore, applying *sharī'ah*-compliant standard operating procedures and internal audit mechanisms is both religiously mandated and managerially sound (Dusuki, 2008, p. 21).

The concept of *istikhlāf*—the idea that humans are stewards on earth—encourages sustainability in asset utilization. According to al-Zarkashī (1971, p. 213), neglect of *waqf* property violates the spirit of stewardship. A modern interpretation supports lifecycle management of assets, long-term investment planning, and eco-conscious infrastructure policies within *waqf* operations.

Islamic legal maxims such as *al-ḍarar yuzāl* (harm must be eliminated) and *al-mashaqah tajlib al-taysīr* (hardship brings about ease) justify risk control interventions even in traditional institutions. These principles support the adoption of control measures like contingency planning, insurance (*takāful*), and risk mitigation protocols in *waqf* management, bridging tradition with contemporary practices (Ibn Nujaym, 1983, p. 77).

The framework developed aligns Islamic values with operational protocols. It integrates *fiqh*-based moral and legal obligations with standard governance tools such as key risk indicators (KRIs), trustee evaluations, and system audits. This alignment ensures both spiritual accountability and institutional sustainability.

Institutional Mechanisms Mitigate Operational Risks in Waqf Governance

A comprehensive internal control system is essential for reducing operational risk. This includes standard operating procedures (SOPs), segregation of duties, risk monitoring protocols, and internal audits. Hasan and Abdullah (2008, p. 52) emphasized that the absence of formal internal processes contributes significantly to *waqf* inefficiency. Classical jurisprudence supports these measures through the concept of *ḥisbah* (market and moral oversight), traditionally used to ensure fairness and prevent misconduct.

Mitigating trustee-related risk begins with rigorous selection processes based on merit, moral standing, and fiduciary competence. Ibn Taymiyyah (n.d., p. 112) argued for appointing trustees with both *amānah* and *kifāyah* (ability). Modern mechanisms include ethical screening, capacity assessments, and continuous education to align managerial practices with Islamic governance expectations (Hassan & Shahid, 2010, p. 101).

Regular external audits, performance evaluations, and public disclosure enhance institutional transparency and limit opportunities for fraud. Htay et al. (2013, p. 146) illustrated how audit failures led to asset losses and reputational damage in several Southeast Asian *waqf* boards. Regulatory oversight bodies must enforce reporting standards while remaining sensitive to *sharī'ah* compliance requirements.

Establishing internal risk committees within *waqf* bodies institutionalizes the risk management function. These committees can monitor risk indicators, conduct scenario analysis, and recommend policy adjustments. The existence of such structures aligns with institutional theory, which emphasizes the need for formalized risk culture and structures (Power, 2007, p. 49).

Digitization enhances asset tracking, documentation accuracy, and real-time risk monitoring. However, it also introduces system risk, which must be mitigated through cybersecurity protocols, data backups, and IT governance. While classical jurisprudence may not address digital tools directly, the principle of *ḥifẓ al-māl* extends to protecting institutional data and digital endowment records (Ibn 'Āshūr, 2006, p. 126).

In many Muslim-majority countries, outdated legal frameworks hinder risk-responsive governance. Abdul Rahman (2009, p. 33) and Mahmood and Ab Rahman (2011, p. 39) have called for legislative reforms to clarify trustee roles, enforce audits, and allow innovation. Institutionalization of legal duties transforms ethical obligations into enforceable responsibilities, strengthening operational safeguards.

Engaging beneficiaries, local communities, and donors in oversight roles creates an informal layer of accountability. This is consistent with the Islamic concept of *shūrā* (consultation) and promotes participatory governance. Such mechanisms reduce information asymmetry and expose mismanagement early (Kahf, 2003, p. 7).

Modern Islamic financial tools like *takāful* (Islamic insurance) can be used to manage asset risk from fire, theft, or natural disasters. Applying these instruments requires careful structuring to ensure compliance with *sharīʻah*, yet they offer crucial protections in volatile environments (Cizakca, 2004, p. 144).

Developing a code of conduct for *waqf* staff and trustees, rooted in *fiqh* values like *niyyah*, *taqwā*, and *amānah*, formalizes moral expectations. Such a code promotes a culture of accountability and reduces behavioral risks that compromise institutional integrity (al-Zarkashī, 1971, p. 215).

Conceptual Framework Promotes the Resilience and Credibility of Waqf Institutions

Institutional resilience refers to the ability of *waqf* bodies to maintain core functions and legitimacy despite external shocks or internal dysfunctions. In this study, resilience encompasses both operational continuity and adherence to *sharīʻah* norms. As Power (2007, p. 53) notes, resilient institutions are those that anticipate, adapt to, and recover from risk exposures. For *waqf*, resilience is also theological—preserving the sanctity of the endowment (*ḥurmat al-waqf*).

The conceptual framework developed in this study serves as a diagnostic tool. By mapping operational vulnerabilities to risk categories—compliance, administrative, trustee, system, and asset—institutions can identify and address gaps systematically. Each category is tied to both classical Islamic duties and modern control mechanisms, allowing tailored interventions without compromising religious identity (Ibn Qudāmah, 1968, p. 120).

Public confidence in *waqf* institutions is often eroded by scandals and inefficiency. A standardized risk framework helps restore legitimacy by aligning governance practices with both *sharīʻah* values and modern expectations of transparency and accountability. Cizakca (2004, p. 145) emphasized that legitimacy in Islamic finance requires compliance with both ethical and procedural standards—a principle directly applicable to *waqf*.

Beyond diagnosis, the framework acts as a blueprint for strategic planning. It can inform trustee training, asset investment policies, compliance audits, and IT integration strategies. Each element of the framework serves to build institutional capacity in a way that is both operationally robust and religiously grounded (Kahf, 2003, p. 5; Hasan & Abdullah, 2008, p. 54).

The framework encourages dynamic risk assessment and continuous institutional learning. Risk environments evolve, and *waqf* institutions must be agile. Embedding the framework into routine governance processes—such as periodic reviews, community feedback, and real-time risk dashboards—ensures that operational resilience is not static but adaptively maintained (Power, 2007, p. 58).

Integrative Insights from Classical and Contemporary Domains

The central contribution of this study lies in harmonizing two traditionally separate domains: classical Islamic jurisprudence (*fiqh al-waqf*) and modern institutional risk management. While *fiqh* offers normative guidelines centered on ethical trusteeship, preservation of assets, and justice, modern risk theory provides diagnostic and corrective tools. The conceptual framework presented herein synthesizes both, allowing *waqf* governance to be both principled and pragmatic (Ibn Taymiyyah, n.d., p. 112; Power, 2007, p. 49).

Each of the five identified operational risks—compliance, administrative, trustee, system, and asset—is directly mapped to an Islamic legal or ethical concept. This model provides a clear structure for institutional audits, strategic reviews, and trustee evaluations. More importantly, it allows *waqf* managers to view operational safeguards as religious duties, not just bureaucratic requirements (al-Kāsānī, 1986, p. 236; Ibn ʿĀshūr, 2006, p. 124).

Resilient *waqf* institutions cannot rely solely on religious legitimacy; they must demonstrate administrative credibility and strategic foresight. The framework promotes functionality by embedding Islamic ethical governance into tangible practices—training programs, digital platforms, SOPs, and stakeholder engagement protocols. These mechanisms reinforce the theological aim of *waqf* as a perpetual public good (*ṣadaqah jāriyah*).

For regulators and policymakers, the framework offers a guideline for standard-setting and legal reform. It emphasizes the integration of ethical values and institutional efficiency, helping to modernize *waqf* legislation while maintaining doctrinal integrity. Adoption of such a model could unify disparate practices across jurisdictions and enable benchmarking against performance metrics (Mahmood & Ab Rahman, 2011, p. 39).

CONCLUSION

The study explored the operational risks inherent in contemporary *waqf* institutions and developed a conceptual framework to enhance their resilience and credibility. Drawing from both classical Islamic legal sources and modern risk governance theory, five major risk categories were identified—compliance integrity, administrative efficiency, trustee accountability, system reliability, and asset sustainability. Each of these risks was matched with corresponding *sharīʻah* principles, forming a comprehensive, dual-anchored model. The research demonstrated that operational risk is not merely a technical concern but a religious responsibility. Trustees (*nāẓir*), regulators, and institutional leaders must recognize that mismanagement, negligence, and opacity compromise both spiritual and organizational objectives. Therefore, embedding risk controls, ethical governance, and strategic foresight within the structure of *waqf* institutions is essential.

By offering a conceptual bridge between Islamic ethical mandates and institutional resilience mechanisms, the framework contributes to the broader discourse on Islamic social finance reform. It offers practical tools and theological justifications for policymakers and practitioners aiming to professionalize and safeguard *waqf* operations in dynamic environments. Ultimately, this framework serves as a foundational step toward cultivating *waqf* institutions that are not only spiritually sound but also administratively strong, capable of fulfilling their roles as sustainable engines of socio-economic justice in the modern world.

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