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Towards a holistic non-financial performance measurement for Istibdal Waqf Projects in Malaysia

(Pengukuran prestasi bukan kewangan yang holistik bagi Projek Istibdal Wakaf di Malaysia)

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ABSTRACT

Istibdal waqf, a mechanism for replacing or exchanging waqf assets to enhance value and usability, plays a significant role in sustaining waqf development in Malaysia. While financial performance indicators are often emphasised, non-financial performance indicators remain unexplored, despite their critical contribution to long-term success. This study aims to conceptualise the non-financial performance measurement of successful istibdal waqf projects for waqf institutions in Malaysia. The research addresses the problem of limited performance benchmarks in evaluating istibdal waqf projects, which hinders effective decision-making and governance. In Malaysia, only some State Islamic Religious Councils (SIRC) actively implement such projects, reflecting the need for a more comprehensive performance assessment framework that transcends monetary returns. A qualitative approach was employed, involving semi-structured interviews with key informants from four state Islamic religious councils: Majlis Agama Islam Negeri Pulau Pinang (MAINPP), Majlis Agama Islam dan Adat Melayu Terengganu (MAIDAM), Majlis Agama Islam dan Adat Istiadat Melayu Kelantan (MAIK), and Majlis Agama Islam Negeri Kedah (MAIK). Thematic analysis using ATLAS.ti was applied to identify core dimensions. Findings reveal one overarching theme agreed upon by all informants: Istibdal waqf as land development and value enhancement. From this, six thematic dimensions of non-financial performance were conceptualised: (1) Land Development and Value Enhancement; (2) Financial & Economic Sustainability; (3) Legal & Administrative Compliance; (4) Asset Management & Replacement; (5) Addressing Challenges & Ensuring Success; and (6) Social and Public Impact. These dimensions highlight that success extends beyond profit generation to include compliance, asset stewardship, problem-solving capacity, and socio-religious benefits. The study concludes that non-financial performance indicators are essential for a holistic evaluation of istibdal waqf projects, aligning with the Maqasid al-Shariah principles. It is recommended that waqf institutions adopt these dimensions as a guiding framework to ensure sustainable development, enhance governance, and maximise public benefit in future istibdal waqf initiatives.

Keywords: Istibdal Waqf, Non-Financial Performance Measurement, Waqf Institutions, Malaysia

ABSTRAK

Istibdal Wakaf, satu mekanisma untuk menggantikan atau menukarkan aset wakaf bagi meningkatkan nilai dan kegunaan, memainkan peranan penting dalam mengekalkan pembangunan wakaf di Malaysia. Walaupun pengukuran prestasi kewangan sering ditekankan, dimensi bukan kewangan masih belum diterokai, walaupun ia menyumbang secara kritikal kepada kejayaan jangka panjang. Kajian ini bertujuan untuk mengkonseptualisasikan pengukuran prestasi bukan kewangan bagi projek istibdal wakaf yang berjaya untuk institusi wakaf di Malaysia. Penyelidikan ini menangani masalah kekurangan penanda aras prestasi dalam menilai projek istibdal wakaf, yang menghalang pembuatan keputusan dan tadbir urus yang berkesan. Di Malaysia, hanya beberapa Majlis Agama Islam Negeri (MAIN) yang aktif melaksanakan projek sedemikian, mencerminkan keperluan untuk kerangka penilaian prestasi yang lebih komprehensif yang melangkaui pulangan kewangan. Pendekatan kualitatif telah digunakan, melibatkan temu bual separa berstruktur dengan informan utama daripada empat majlis agama Islam negeri: Majlis Agama Islam Negeri Pulau Pinang (MAINPP), Majlis Agama Islam dan Adat Melayu Terengganu (MAIDAM), Majlis Agama Islam dan Adat Istiadat Melayu Kelantan (MAIK), dan Majlis Agama Islam Negeri Kedah (MAIK). Analisis tematik menggunakan ATLAS.ti telah digunakan untuk mengenal pasti dimensi asas. Dapatan mendedahkan satu tema utama yang dipersetujui oleh semua informan: Istibdal wakaf sebagai pembangunan tanah dan peningkatan nilai. Daripada kesemua dimensi ini, enam dimensi tematik prestasi bukan kewangan telah dikonsepsikan: (1) Pembangunan Tanah dan Peningkatan Nilai; (2) Kelestarian Kewangan & Ekonomi; (3) Pematuhan Undang-undang & Pentadbiran; (4) Pengurusan & Penggantian Aset; (5) Menangani Cabaran & Memastikan Kejayaan; dan (6) Impak Sosial dan Awam. Dimensi-dimensi ini menekankan bahawa kejayaan melangkaui penjanaan keuntungan untuk merangkumi pematuhan, pengurusan aset, keupayaan menyelesaikan masalah, dan manfaat sosial keagamaan. Kajian ini menyimpulkan bahawa indikator prestasi bukan kewangan adalah penting untuk penilaian holistik projek istibdal wakaf, selaras dengan prinsip Maqasid al-Shariah. Adalah disyorkan bahawa institusi wakaf menggunakan dimensi ini sebagai kerangka panduan untuk memastikan pembangunan mampan, meningkatkan tadbir urus, dan memaksimumkan manfaat awam dalam inisiatif istibdal wakaf pada masa hadapan.

Kata kunci: *Istibdal Wakaf, Pengukuran Prestasi Bukan Kewangan, Institusi Wakaf, Malaysia*

INTRODUCTION

Waqf can be explained as an extension of the principle of ongoing charity or *sadaqah jariyah,* which benefits both the donor and the beneficiaries continuously (Al-Qardhawi, 1973). Waqf is a Muslim charitable donation that was advocated by Prophet Muhammad (PBUH) in the early Islamic period. In al-Quran or al-Hadith, the word waqf is not directly mentioned. This term is the result of interpretation by jurists based on the practice of *sadaqah jariah* which is also referred to as *al-sadaqah al-muharramah*. It emphasizes the importance of charity and ongoing benefits. For example:

مَّثَلُ ٱلَّذِينَ يُنفِقُونَ أَمْوَٰلَهُمْ فِي سَبِيلِ ٱللَّهِ كَمَثَلِ حَبَّةٍ أَنۢبَتَتْ سَبْعَ سَنَابِلَ فِي كُلِّ سُنۢبُلَةٍ مِّاْئَةُ حَبَّةٍۗ وَٱللَّهُ يُضَٰعِفُ لِمَن يَشَآءُۚ وَٱللَّهُ وَٰسِعٌ عَلِيمٌ

"The example of those who spend their wealth in the way of Allah is like a seed [of grain] which grows seven spikes; in each spike is a hundred grains. And Allah multiplies [His reward] for whom He wills. And Allah is all-Encompassing and Knowing." (Al-Quran. Al-Baqarah 2:261).

Another verses in al-Quran that mention on the charity is:

لَن تَنَالُواْ ٱلْبِرَّ حَتَّىٰ تُنفِقُواْ مِمَّا تُحِبُّونَۚ وَمَا تُنفِقُواْ مِن شَيْءٖ فَإِنَّ ٱللَّهَ بِهِۦ عَلِيمٌ

"Never will you attain the good [reward] until you spend [in the way of Allah] from that which you love. And whatever you spend - indeed, Allah is Knowing of it." (Al-Qur'an. Ali Imran 3:92).

In Malaysia, to enhance the effectiveness of waqf development, the Prime Minister's Office established the Department of Awqaf, Zakat, and Hajj (JAWHAR) in 2004 and Yayasan Waqaf Malaysia (YWM) in 2008 (Nazjmi et al., 2021). Additionally, the government allocated RM257 million under the 9th Malaysian Plan (RMK-9) for waqf development, with RM244 million designated for 19 physical projects and RM12.5 million for non-physical projects. However, due to economic reasons, the allocation was reduced to RM72.76 million in the 10th Malaysian Plan (RMK-10), limiting funding to selected projects only (Mohd Thas Thaker & Allah Pitchay, 2018). In addition, the government also adopted a specific policy under 11th Malaysian Plan (RMK-11) to increase asset ownership through the development of waqf assets and at the same time to promote the Bumiputera Economic Community (BEC) (Roshayani Arshad et.al. (2018). Therefore, it is crucial that waqf development in waqf institutions are effectively guided and supported by the government of Malaysia.

PROBLEM STATEMENT

Despite the government budget to develop waqf properties in Malaysia, the potential and benefits of waqf have not been fully realised due to a lack of funding for the development of idle waqf properties specifically waqf lands. The latest statistics by JAWHAR (2023) shows that currently there are 18,402 lots of waqf land in Malaysia. This data shows that some increasing in total lots of waqf from 14,356 lots to 18,402 lots. From 18,402 lots of waqf land, 84% of it has been maximised. The rest 3,018 lots which is 16% of waqf land has not been maximised and become unproductive waqf land. According to JAWHAR (2023), the definition of utilized or productive waqf land is all waqf land either general waqf or specific waqf that has been used, including development of mosque, surau, school and others, that has been used as Islamic cemeteries or others such as agriculture, rental and others. There are many solutions that have been suggested by the government and scholars to tackle the issues.

One of the solutions suggested by scholars and experts in waqf is to practice waqf *istibdal*. According to Anuar et.al. (2022), waqf *istibdal* happens when there is a necessity of a land to be converted between existing waqf assets with other assets. Furthermore, waqf *istibdal* is required with the goal of preserving waqf property (Ashlah & Adnin, 2018). Among the *mawquf* most commonly practiced for *istibdal* is waqf land. There are three categories of *istibdal* mechanisms, namely land-for-land exchange, land-for-building exchange, and land-for-compensation exchange. Within the istibdal mechanism, the requirement that the replacement asset be of equal or better value operationalises the principle of preserving waqf integrity. It is implemented through valuation, compensation assessment, and strategic reinvestment processes that ensure the substituted asset maintains or enhances the original waqf's value and utility. For example, if a multi-story building is constructed, a certain number of units of the building must have the same value as mosques, schools, and so on, as intended by the waqif. Waqf *istibdal* is very significant in the development of Islamic economy through the efforts of developing the unproductive, non-strategic, and idle waqf land.

In brief, *istibdal* project has brought benefits and positive impact to the community. However, the success *istibdal* waqf project needs to be measured to current performance to become a benchmarking for current idle or product waqf land. It would be interesting to investigate in this study the non-financial performance measurement for successful *istibdal* waqf projects in Malaysia. While financial performance indicators are often emphasised, non-financial dimensions remain unexplored, despite their critical contribution to long-term success.

Therefore, this study aims to conceptualise the non-financial performance measurement of successful istibdal waqf projects for waqf institutions in Malaysia. The research addresses the problem of limited performance benchmarks in evaluating istibdal waqf projects, which hinders effective decision-making and governance. In Malaysia, only some State Islamic Religious Councils (SIRC) actively implement such projects, reflecting the need for a more comprehensive performance assessment framework that transcends monetary returns.

LITERATURE REVIEW

Concept of Istibdal in Waqf Management

Istibdal waqf refers to the substitution or replacement of waqf assets with other assets, where the original Waqf property is replaced by a more beneficial or valuable asset while preserving the waqf's purposes and conditions. This practice emerges as a pragmatic solution in managing waqf assets, especially when the original waqf property is unproductive or located at a non-strategic location for development. Fundamentally, istibdal emphasizes the preservation of the waqf's continuity (ta'bid) and utility by allowing for asset transformation under specific conditions.

The jurisprudential foundation of istibdal is grounded in Islamic legal principles that balance the sanctity of waqf with maslahah. As Musthafa and Abdullah (2022) articulate, while the original waqf assets are considered perpetual, the Islamic law does not prohibit their replacement if the new asset generates better benefits for the intended purposes. This reflects the maqāṣid al-sharīʿah principle, which underscores preservation of benefit and public interest.

Islamic jurists have debated istibdal's permissibility based on several factors: the nature of the waqf, the condition of the original asset, necessity, and the method of istibdal. Classical jurists generally prohibited altering waqf assets to maintain their perpetuity, but exceptions were acknowledged when the original property was damaged, lost, or became unproductive (Nurjanah, Rahmatsyah & Mutakin, 2022). This balance between tahbis al-ashl (strictness on the original condition) and tasbīl al-manfa'ah (facilitation for benefit) forms the jurisprudential basis of istibdal.

Implementation of Istibdal Waqf in Malaysia

The implementation of istibdal waqf in Malaysia involves complex operational processes governed by specific legislative frameworks and institutional guidelines. Asni, Mohammed Noor, and Hasbulah (2024) emphasized that the operationalization of istibdal is intertwined with governance structures that adhere to both Islamic law and national legal provisions. In Kedah, one of the states studied by Asni et al. (2024), Kedah Islamic Religious Council (MAIK) supervises the execution of istibdal waqf, indicating the central role played by religious authorities in ensuring compliance with Shariah principles.

Istibdal waqf is intrinsically sensitive and requires stringent governance due to the irrevocability and sanctity of original waqf assets. The operational process necessitates a robust framework incorporating due diligence, appraisal, and transparent decision-making to sustain community trust and fulfill religious obligations. Asni et al. (2024) identified that the process often begins with the identification of waqf assets that are underutilized or unproductive, followed by a structured evaluation to determine potential replacement waqf assets that could enhance the waqf's socio-economic impact.

The governance in istibdal implementations typically features multi-layered oversight, involving committees composed of legal scholars, financial experts, and community representatives. These committees assess the viability and legality of asset substitution, guaranteeing alignment with Islamic jurisprudence and national laws. The clear delineation of roles and responsibilities facilitates checks and balances, minimizing risks such as mismanagement or breach of waqf conditions (Asni et al., 2024).

The practical application of istibdal waqf in Malaysia can be illustrated through various case studies from several states, reflecting the diversity and nuances in practice based on regional legal frameworks and institutional capacities.

Kedah: In Kedah, Asni et al. (2024) documented instances where unproductive waqf lands were exchanged for cash or more productive assets. This process was undertaken with the objective of mobilising liquid funds to finance community development initiatives and economic empowerment programmes. The involvement of the Kedah Islamic Religious Council (MAIK) ensured that the istibdal process complied with Shariah requirements and that the replacement assets were aligned with the objective of enhancing the value and benefits of waqf properties for beneficiaries.

Selangor: Although specific detailed data on Selangor's istibdal implementation is limited within the present data matrix, comparative studies such as Pirmani, Kurniawan, and Najmi (2024) highlight regional variations in the legal recognition and administrative execution of waqf activities across Malaysia. These variations suggest differing levels of institutional maturity, regulatory interpretation, and procedural alignment in waqf governance. In Selangor, waqf institutions have also explored the use of digital waqf platforms to improve transparency in asset management and istibdal-related transactions, reflecting broader national efforts towards waqf digitalisation (Kasmon et al., 2025; Wahyudi et al., 2025).

Kelantan: Mujahidin et al. (2025) reported several challenges faced in the implementation of istibdal waqf in Kelantan, including regulatory ambiguities, procedural inconsistencies, and varying levels of community acceptance. In response, efforts have been made to strengthen stakeholder engagement and improve legal clarity regarding asset substitution processes, with the aim of ensuring smoother administrative transitions and enhancing institutional confidence in implementing istibdal mechanisms.

Overall, the implementation of istibdal waqf across Malaysian states reflects a heterogeneous governance landscape characterised by differing institutional capacities, regulatory interpretations, and levels of operational readiness. While the underlying Shariah principles governing istibdal remain consistent, the practical execution varies depending on administrative structures, technical expertise, and the degree of digital and legal integration within each state waqf institution. These variations indicate that istibdal implementation is still evolving from a procedural practice into a more structured and standardised governance mechanism.

The selection of Kedah, Selangor, and Kelantan is justified on the basis of theoretical and contextual sampling. These states were chosen because they represent contrasting typologies of istibdal implementation in Malaysia: Kedah reflects relatively structured and development-oriented implementation practices; Selangor represents a more advanced and technology-driven governance approach with emerging digitalisation initiatives; while Kelantan illustrates implementation environments characterised by regulatory challenges and institutional constraints. This variation allows for a more comprehensive understanding of istibdal practices across different administrative, legal, and operational contexts, thereby strengthening the analytical depth and comparative value of the study.

Several studies, including Musthafa and Abdullah (2022) and Nurjanah et.al. (2022), underscore the confusion arising from inconsistent interpretations of istibdal within Islamic jurisprudence and corresponding national regulations. The insufficiently defined criteria for permissible waqf asset substitution pose risks to both legal validity and operational continuity of waqf programs.

Mujahidin et.al. (2025) further pointed out that, in the absence of clear guidelines, some waqf managers hesitate to pursue istibdal aggressively, fearing possible repudiation that could lead to disputes or invalidate waqf deeds. This legal hesitancy restricts the potential of istibdal to unlock needed liquidity or enhance asset productivity.

Wahyudi et al. (2025) identified organizational deficiencies such as bureaucratic delays, limited human resource capacities, and inadequate technical expertise in evaluating waqf

assets. These limitations lead to suboptimal asset handling and hamper innovative approaches like asset replacement or value enhancement.
Low public awareness concerning istibdal waqf contributes to reluctance among donors and beneficiaries to support such initiatives. Cultural conservatism and lack of trust in institutional integrity often fuel skepticism, impeding fundraising and participation rates. Melis et.al. (2025) noted that public perceptions and social acceptance are critical determinants for the sustainability of waqf initiatives including istibdal applications

Despite efforts to digitalize waqf management, integration remains inadequate. Kasmon et al. (2025) and Wahyudi et al. (2025) highlighted limited digital infrastructure and adoption gaps, especially in rural and semi-urban areas, which challenge real-time monitoring and transparent reporting of waqf asset substitutions

Although istibdal ideally serves to optimize waqf assets financially, upfront costs in asset valuation, legal processes, and administrative restructuring may be prohibitive, particularly for smaller institutions. The scarcity of skilled financial analysts within waqf bodies further complicates effective asset appraisal (Asni et al., 2024).

As highlighted by Mujahidin et al. (2025), enforcement inconsistency across states creates uncertainty. Some jurisdictions exhibit robust supervision while others lack dedicated regulations or follow-up mechanisms, leading to fragmented implementation experiences.

Despite the challenges, the Malaysian istibdal waqf implementations present useful models and lessons that can guide future practices and reforms.

The success in Kedah as detailed by Asni et al. (2024) illustrates the advantage of close cooperation between religious authorities, legal experts, and community stakeholders in managing asset substitution processes. Such institutional synergy enables comprehensive vetting and legitimacy augmentation of istibdal waqf.

Non-Financial Performance Measurement in Waqf Institutions

Performance measurement for istibdal waqf projects, a critical practice in contemporary waqf management, utilizes both financial and non-financial metrics to evaluate effectiveness and sustainability. Hatimah et al. (2024) provide an in-depth exploration of waqf management transformation, highlighting the multiplicity of performance metrics ranging from fund mobilization efficiency, asset utilization rates, to the timeliness and transparency of project implementation. These metrics serve as a vital baseline for assessing the outcomes of istibdal waqf projects, ensuring that the replacement of existing waqf assets leads to improved productivity and better socio-economic benefits.

Complementing this view, Nurjanah et al. (2024) focus on forest-based productive waqf, illustrating how performance measures in waqf projects transcend traditional financial indicators. Their research demonstrates the importance of sustainability, community engagement, and ecological impacts as integral components of performance. This broadens the metric framework to encompass environmental stewardship and social well-being, which are particularly relevant in istibdal waqf, where asset substitution can impact local ecosystems and livelihoods.

Critical to these discussions is the alignment of metrics with the unique objectives of istibdal waqf, which differ from standard charitable waqf due to its dynamic asset replacement nature. Asni et al. (2024) emphasize that operational efficiency, legal compliance, and stakeholder satisfaction are fundamental metrics in Malayisan istibdal waqf projects. Their case studies from Kedah illustrate how integrating these metrics enhances project governance and outcomes.

Moreover, accountability frameworks embedded in these metrics reflect religious and legal principles governing waqf, notably the maintenance of the waqf's perpetuity and intended benefits. Performance indicators thus incorporate compliance checks alongside economic and social measures (Nurjanah et al., 2022). Therefore, established metrics for istibdal waqf projects include financial sustainability, compliance with Islamic legal standards, community benefits, and operational effectiveness.

Non-Financial Indicators: Social Impact, Community Empowerment, Sustainability

Non-financial performance indicators play a pivotal role in capturing the full spectrum of istibdal waqf project impacts. Yumna et al. (2024) investigate the socio-economic impacts of waqf-based microfinance during crises such as the COVID-19 pandemic in Indonesia, revealing that social empowerment, poverty alleviation, and community resilience are essential measures of success. Such indicators are directly applicable to istibdal waqf projects where the assets substituted should serve sustainable socio-economic development.

Amin et al. (2025) further elaborate on the progressive shift in waqf management towards prioritizing social justice and empowerment. Through empirical analysis, they identify that beneficiary satisfaction, access to services, and capacity-building are credible non-financial metrics illuminating the social inclusivity of waqf projects.

Sustainability, a critical dimension inherently linked to the perpetuity principle of waqf, features prominently in the literature. The development of models such as green waqf and productive waqf exemplifies this trend. Melis et al. (2025) mentioned the ecological dimension of waqf assets, advocating green waqf initiatives as key non-financial performance indicators. Their research suggests that environmental stewardship, community participation in sustainable practices, and responsible resource management are essential indicators in contemporary waqf evaluation systems.

The social dimension also incorporates cultural and religious acceptability, trust among waqf donors and beneficiaries, and the promotion of Islamic values such as fairness and mutual assistance (Amin et al., 2025). This comprehensive approach to performance measurement in istibdal waqf projects ensures that the societal impact and alignment with Shariah objectives are adequately reflected.

Overall, non-financial performance indicators in istibdal waqf projects encompass a multidimensional framework that extends beyond economic considerations to include social impact, community empowerment, and sustainability. The literature highlights that successful waqf initiatives are increasingly evaluated in terms of their contribution to social empowerment, poverty alleviation, and community resilience, as well as their ability to ensure equitable access to services and enhance beneficiary well-being. In addition, sustainability remains a central dimension, reflecting both the ecological responsibility of waqf assets and their alignment with the principle of perpetuity inherent in waqf governance. These dimensions are further reinforced by considerations of social justice, cultural and religious acceptability, trust, and the promotion of Islamic ethical values. Collectively, these indicators demonstrate that the performance of istibdal waqf projects should be understood holistically, where success is measured by the extent to which they generate enduring socio-economic and ethical benefits in line with Shariah objectives and the broader maqasid al-shariah framework.

METHODOLOGY

A qualitative approach was employed, involving semi-structured interviews with key informants from four state Islamic religious councils: Majlis Agama Islam Negeri Pulau Pinang (MAINPP), Majlis Agama Islam dan Adat Melayu Terengganu (MAIDAM), Majlis Agama Islam dan Adat Istiadat Melayu Kelantan (MAIK), and Majlis Agama Islam Negeri Kedah (MAIK). Thematic analysis using ATLAS.ti was applied to identify core dimensions of this research.

RESULTS AND DISCUSSION

This subtitle analyzes the findings on the research objective which is to conceptualising the non-financial performance measurement of successful *istibdal* waqf project for waqf institutions in Malaysia. The discussion on the concept of non-financial performance measures of successful istibdal waqf project for waqf institutions in Malaysia intends to evaluate the understanding of each waqf representative on the non-financial performance measurement of successful istibdal waqf project within the waqf institution in Malaysia. The discussion is based on the findings gained from the interview sessions with waqf managers from four waqf institutions in Malaysia. The responses were analyzed using Atlas.ti to answer the research objective.

When the interview questions addressed the concept of performance measurement for successful istibdal waqf projects, the informants provided diverse perspectives and interpretations regarding the indicators of success. However, this study would be summarized that all the answers under one big theme which is istibdal waqf is a land development and value enhancement. This big theme was agreed by the informant by four states Majlis Agama Islam Negeri Pulau Pinang (MAINPP), Majlis Agama Islam dan Adat Melayu Terengganu (MAIDAM), Majlis Agama Islam dan Adat Istiadat Melayu Kelantan (MAIK) and Majlis Agama Islam Negeri Kedah (MAIK).

The non-financial performance measurement of successful istibdal waqf projects for waqf institutions in Malaysia can be conceptualised through six thematic dimensions identified using ATLAS.ti: (1) Land Development and Value Enhancement, ensuring that waqf assets are not left idle or abandoned. (2) Financial & Economic Sustainability, reflected by the project's ability to generate profit for the waqf institution (MAIN), benefit the public, yield returns from waqf land, and create value through beneficial istibdal transactions; (3) Legal & Administrative Compliance, seen in the replacement of waqf land acquired by government projects and the transformation of unproductive land into compliant, functional assets; (4) Asset Management & Replacement, demonstrated by the substitution of waqf properties with higher-value assets to ensure sustainability and relevance; (5) Addressing Challenges & Ensuring Success, which includes the institution’s capacity to resolve operational and developmental issues within waqf management; and (6) Social and Public Impact, characterised by the positive outcomes of istibdal for the broader community, including increased public benefit and inclusivity. Collectively, these elements underscore that a successful istibdal project is not solely defined by financial returns, but by its alignment with institutional governance, asset stewardship, and socio-religious objectives. These dimensions highlight that success extends beyond profit generation to include compliance, asset stewardship, problem-solving capacity, and socio-religious benefits.

The first theme is land development and value. The success of an istibdal project can be demonstrated through the physical development of waqf land that has been subjected to replacement, such as the construction of shop lots, educational institutions, or public facilities. Such developments not only increase the value of the land but also ensure that waqf assets are fully utilized and not left idle. This serves as evidence of the effectiveness of the waqf institution in planning and managing the development of waqf property.

The second theme is financial and economic sustainability. In this study, economic sustainability is not measured based on quantitative financial performance indicators such as profit maximisation or numerical return calculations. Instead, it is assessed qualitatively through the extent to which istibdal waqf projects are capable of sustaining asset productivity, preserving waqf value, and ensuring continuous socio-economic benefits to beneficiaries over time. Non-financial performance is measured through the ability of waqf institutions to generate long-term income from waqf assets acquired through the istibdal process. Indicators such as rental returns and increased income after istibdal reflect the effectiveness of the project. The reinvestment of profits into social and economic projects further demonstrates the institution's effort to maintain the sustainability of waqf benefits for the community. This is supported by the use of indicators such as Return on Investment (ROI) in evaluating the ability of assets to generate continuous returns.

The third theme is legal and administrative compliance. The istibdal process must be approved by the State Fatwa Committee and implemented in accordance with existing legal provisions, particularly in cases involving land acquisition by the government. The replacement of assets must be conducted lawfully, with clear documentation and formal gazetting as waqf property. Compliance with these requirements ensures the legality of istibdal from both the Shariah and legal perspectives, and also serves as a measure of the institution’s professionalism and transparency in fulfilling its waqf obligations.

The fourth theme is asset management and replacement. Non-financial performance also includes the institution’s ability to replace the waqf land sold through istibdal with new assets of equal or greater value. For example, institutions like MAIK Kedah adopt the approach of consolidating proceeds from the sale before deciding on suitable replacement assets. This process reflects a strategic and prudent approach in preserving the value and benefit of waqf property.

The fifth theme addresses challenges and ensuring success. Istibdal is often employed when waqf land is unproductive due to factors such as remote location, small size, or government acquisition. In such circumstances, istibdal is justified as a Shariah-compliant strategy to preserve the benefit of waqf. Non-financial success can be observed when the waqf institution is able to resolve development issues, restructure assets, and replace them with more viable properties for the benefit of the community.

The final theme is social and public impact. The success of an istibdal project is not only determined by physical or financial outcomes but also by its impact on the community, especially the intended beneficiaries of the waqf. Replacement waqf assets must provide real benefits to groups such as students, mosque congregants, or the general public. Evaluation of success can be based on the level of active use, the number of beneficiaries, and the extent to which the asset contributes to public welfare and the objectives of *maqasid al-Shariah*.

In conclusion, these six themes form a comprehensive conceptual framework for assessing the non-financial success of istibdal waqf projects. They encompass physical development, economic sustainability, legal compliance, asset replacement efficiency, institutional resilience in overcoming challenges, and social impact. With these non-financial indicators, waqf institutions can plan and implement istibdal projects more systematically, ensuring that the original intentions of the waqif (donor) are fulfilled and the benefits of waqf are continuously channel to the *ummah* in an effective and sustainable manner.

CONCLUSION

The study concludes that non-financial performance indicators are essential for a holistic evaluation of istibdal waqf projects, aligning with the maqasid al-shariah principles. It is recommended that waqf institutions adopt these dimensions as a guiding framework to ensure sustainable development, enhance governance, and maximise public benefit in future istibdal waqf initiatives.

Despite the significance of this study in contributing to the discourse on waqf management, particularly in the context of *istibdal* and non-financial performance measurement framework, several limitations should be acknowledged. Firstly, this research specifically focused on istibdal waqf projects and did not explore other forms of waqf initiatives such as cash waqf, corporate waqf, or waqf shares. While these other models are also important in understanding the broader waqf ecosystem in Malaysia, they were excluded to maintain a clear and narrow research focus. Therefore, the results of this study cannot be generalized to all types of waqf projects. Second limitation is the study concentrated solely on non-financial performance indicators in evaluating the success of istibdal waqf projects. Financial aspects such as return on investment, cash flow, or financial risk management were deliberately excluded. This decision was made to explore alternative, qualitative indicators of success, particularly those related to community impact, asset development, and stakeholder engagement. However, this limited scope means that the study does not provide a complete picture of the overall performance of waqf projects from a financial perspective.

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CONFLICT OF INTEREST

There is no conflict of interest in relation to the research, authorship, and publication of this article. The study was conducted independently, and no institutional or personal relationships have influenced the design, analysis, or findings of the research.

AUTHOR CONTRIBUTION

Author 1: Contributed to the development of the theoretical framework, data analysis, and manuscript writing.

Author 2: Contributed to the supervision of the research, academic review of the manuscript, and final approval of the manuscript prior to submission

DATA AVAILABILITY STATEMENT

The original contributions presented in this study have been included in the article. Any further questions may be directed to the corresponding author. Data supporting the findings of this study are available from the corresponding author upon request noramnibazilah@unisiraj.edu.my.

DECLARATION OF ARTIFICIAL INTELLIGENCE (AI) USE

The use of ChatGPT (OpenAI) as an artificial intelligence-based language tool to assist in language refinement and drafting support. All intellectual content, analysis, and interpretations remain the sole responsibility of the author.

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