OPEN ACCESS
Journal Islamic Economic Minangkabau
Vol. 4 No. 3. June 2026, pp. 262-277
Check for updates
DOI. 10.70177/jiem.v4i3.4001
Research Article

WAQF-BASED VENTURE CAPITAL MODELS FOR EMPOWERING SMALL BUSINESSES IN MODERN ISLAMIC ECONOMIES

Mona Al Johani[1], Ahmed Shah[2], and Lilis Nurbaeti[3]
[1] Taif University, Saudi Arabia
[2] Aga Khan University, Pakistan
[3] Institut Al-Masthuriyah Sukabumi, Indonesia

Corresponding Author:

Mona Al Johani,
Taif University, Saudi Arabia.
Airport Road, Al Hawiyah District, Taif 26571, Makkah Province, Saudi Arabia.
Email: monaaljohani@gmail.com

Article Info
Received: December 16, 2025
Revised: February 19, 2026
Accepted: May 25, 2026
Online Version: June 27, 2026

Abstract

Small businesses play a critical role in employment generation, poverty reduction, and inclusive economic development. Persistent financing constraints, limited access to investment capital, and inadequate business support services continue to hinder the growth and sustainability of many enterprises in modern Islamic economies. Waqf institutions possess significant economic potential that remains largely underutilized for entrepreneurial development. This study aims to develop and validate a waqf-based venture capital model designed to empower small businesses through the integration of Islamic social finance principles and sustainable investment mechanisms. A mixed-methods research design was employed using an exploratory sequential approach. Qualitative data were collected through expert interviews involving specialists in waqf management, Islamic finance, venture capital, and entrepreneurship. Quantitative data were obtained from 350 respondents representing waqf institutions, Islamic financial organizations, venture capital entities, and small business sectors. Structural Equation Modeling was utilized to evaluate the proposed framework. Findings reveal that waqf resource mobilization significantly enhances governance effectiveness, investment sustainability, entrepreneurial support services, and small business empowerment. Governance quality and entrepreneurial support emerged as critical factors influencing the effectiveness of waqf-based investment initiatives. Results further indicate that integrating waqf assets with venture capital principles can generate sustainable economic opportunities while maintaining compliance with Islamic ethical values. The study concludes that waqf-based venture capital represents an innovative and sustainable financing model capable of strengthening entrepreneurial ecosystems and promoting inclusive economic development in modern Islamic economies.

Keywords: Entrepreneurial Empowerment, Islamic Social Finance, Small Businesses

Journal Homepage	https://research.adra.ac.id/index.php/jiem
How to cite:	Johani, M. A., Shah, A., & Nurbaeti, L. (2026). Waqf-Based Venture Capital Models for Empowering Small Businesses in Modern Islamic Economies. *Journal Islamic Economic Minangkabau*, *4*(3), 262–277. https://doi.org/10.70177/jiem.v4i3.4001
Published by:	Yayasan Adra Karima Hubbi

INTRODUCTION

Small businesses represent a fundamental component of modern economies due to their substantial contributions to employment generation, income distribution, innovation, and economic resilience (Nofianti et al., 2024). Economic development strategies across many countries increasingly recognize the importance of supporting entrepreneurial activities as mechanisms for reducing poverty and promoting inclusive growth (Amuda & Al-Nasser, 2024; Khamisu et al., 2024). Small enterprises often serve as primary sources of livelihood for local communities and contribute significantly to national economic productivity. Despite their strategic importance, many small businesses continue to face structural constraints that limit their capacity to expand, innovate, and compete in evolving market environments (Sharif & Faisal, 2025).

Access to financing remains one of the most persistent challenges confronting small businesses, particularly in developing and emerging economies. Conventional financing institutions frequently impose collateral requirements, credit assessments, and risk evaluation standards that exclude many entrepreneurs from obtaining adequate financial support (Ascarya, 2024). Venture capital financing has emerged as an alternative mechanism capable of supporting business growth through equity participation, strategic guidance, and long-term investment partnerships (Alhammadi, 2025; Atmeh et al., 2024). Existing venture capital models, however, are often designed primarily to maximize financial returns and may not adequately address broader social development objectives or the needs of underserved entrepreneurial communities.

Islamic economic systems offer alternative approaches to economic development through the integration of ethical finance, social justice, and wealth redistribution mechanisms. Waqf, as one of the most significant institutions within Islamic economic history, has traditionally served as a vehicle for supporting education, healthcare, social welfare, and community development (Alhammadi, 2023; Syarif & Aysan, 2024). Contemporary discussions increasingly emphasize the potential of productive waqf models to contribute to sustainable economic empowerment initiatives. Integration of waqf resources with venture capital principles presents a promising opportunity to develop innovative financing mechanisms capable of supporting small business development while advancing the social objectives of Islamic economics (Hamidi et al., 2025; P. A. Khan et al., 2022).

Small businesses continue to experience substantial financing constraints despite their critical contribution to economic growth and employment creation. Traditional financial institutions frequently classify small enterprises as high-risk borrowers due to limited collateral, insufficient financial records, and uncertain business performance (Bessais et al., 2024). Financing gaps restrict entrepreneurial capacity to invest in innovation, improve productivity, expand operations, and respond effectively to market opportunities. Persistent barriers to financial access therefore remain a major obstacle to inclusive economic development (Jelili Amuda & Hassan, 2023; N. Khan et al., 2022).

Existing venture capital models provide valuable financing opportunities for high-growth enterprises but frequently prioritize profit maximization over broader developmental objectives (Widiastuti et al., 2024). Many small businesses operating within Islamic economic environments encounter difficulties accessing venture capital due to differences in investment criteria, risk assessments, and market expectations (Ozdemir et al., 2023). Conventional venture capital structures may also present compatibility concerns with Islamic financial principles, particularly regarding risk allocation, ethical investment practices, and social responsibility considerations (Aysan et al., 2024).

Waqf institutions possess significant economic potential that remains underutilized in many contemporary Islamic economies. Existing waqf initiatives are often concentrated in charitable and social welfare activities without fully exploring their capacity to support entrepreneurial development and productive investment (Anwar et al., 2023; Sheikh &

Hussain, 2024). Limited conceptual and practical frameworks exist for integrating waqf resources into venture capital financing mechanisms designed specifically for small businesses. Insufficient understanding of how such integration can be structured and implemented creates a significant challenge for policymakers, practitioners, and Islamic finance institutions seeking innovative solutions for economic empowerment (Muneeza et al., 2024; Puspitasari et al., 2024).

This study aims to develop a waqf-based venture capital model capable of supporting the empowerment and sustainable growth of small businesses within modern Islamic economies (A. H. Ishak et al., 2025). Particular attention is directed toward identifying mechanisms through which waqf resources can be mobilized and integrated into venture capital structures while maintaining compliance with Islamic legal and ethical principles (Islam et al., 2024). The study seeks to establish a framework that combines financial sustainability with social development objectives (Aisyah et al., 2025).

Another objective of the study is to examine the role of waqf-based venture capital in addressing financing challenges experienced by small businesses. Investigation focuses on how innovative financing arrangements can enhance entrepreneurial access to capital, business support services, strategic guidance, and long-term growth opportunities (Lawhaishy & Othman, 2022; Shmaryahu-Yeshurun, 2022). Analysis of these relationships is expected to generate insights regarding the effectiveness of waqf-based investment models in promoting inclusive economic participation.

The study further aims to contribute to the advancement of Islamic social finance by exploring new applications of waqf institutions within contemporary economic contexts (Zakariyah et al., 2023). Findings are expected to provide evidence-based recommendations for policymakers, waqf administrators, Islamic financial institutions, and development organizations seeking to strengthen entrepreneurial ecosystems through sustainable and socially responsible financing mechanisms (Tamanni et al., 2022).

Previous studies have extensively examined the role of small businesses in economic development and the importance of financing access for entrepreneurial success. Existing literature has demonstrated that financial inclusion, investment accessibility, and business support services contribute significantly to enterprise growth, employment generation, and poverty reduction (Diop, 2025; Jahangir et al., 2022). Research concerning venture capital has similarly highlighted its effectiveness in supporting innovation, business scalability, and long-term competitiveness among emerging enterprises (Rama et al., 2022).

Current scholarship within Islamic finance has increasingly explored the economic potential of waqf institutions beyond their traditional charitable functions. Studies have investigated productive waqf, cash waqf, waqf-linked sukuk, and other innovative financial applications aimed at enhancing socioeconomic development (M. S. I. Ishak & Mohammad Nasir, 2023; Maulina et al., 2023). Research has also emphasized the importance of integrating Islamic social finance instruments into broader development strategies. Limited attention, however, has been directed toward the development of venture capital models specifically based on waqf resources and designed for small business empowerment (Ali Azizan et al., 2022; Rajan et al., 2024).

Comprehensive frameworks connecting waqf institutions, venture capital principles, and entrepreneurial development remain relatively scarce. Existing studies frequently examine waqf and business financing as separate domains rather than exploring their potential integration within a unified investment model (Aloulou & Algarni, 2022; Kontesa et al., 2024). Insufficient understanding persists regarding governance structures, investment mechanisms, risk-sharing arrangements, and performance measurement systems necessary for implementing waqf-based venture capital initiatives. Addressing this gap can contribute to both theoretical advancement and practical innovation within Islamic economic development (Liebrenz, 2023).

The novelty of this study lies in the development of an integrated waqf-based venture capital model specifically designed to empower small businesses within modern Islamic economies. Existing research has generally examined waqf institutions as charitable mechanisms or analyzed venture capital as a commercial financing instrument. This study introduces a framework that combines the developmental objectives of waqf with the growth-oriented characteristics of venture capital, thereby creating a hybrid model capable of generating both economic and social value.

Innovative value is further reflected in the integration of Islamic social finance principles, entrepreneurial development theory, and venture capital investment strategies within a single conceptual framework. The proposed model emphasizes risk-sharing, sustainability, ethical investment, and stakeholder welfare while supporting business growth and innovation. Such integration provides a multidimensional perspective that extends beyond conventional financing approaches and contributes to the evolution of contemporary Islamic financial practices.

The significance of this research extends beyond academic inquiry to encompass practical, institutional, and policy implications. Governments, Islamic financial institutions, waqf organizations, and development agencies increasingly seek innovative mechanisms capable of addressing financing constraints while promoting inclusive economic growth. Small businesses remain critical drivers of employment, innovation, and community development, yet many continue to experience barriers to financial access. Findings from this study are expected to provide valuable guidance for designing sustainable financing ecosystems that utilize waqf resources to support entrepreneurial empowerment and socioeconomic development in modern Islamic economies.

RESEARCH METHOD

Research Design

This study employed a mixed-methods research design using an exploratory sequential approach to develop a waqf-based venture capital model for empowering small businesses in modern Islamic economies. The mixed-methods approach was selected because the study sought to integrate conceptual insights from Islamic economic theory and waqf literature with empirical evidence obtained from practitioners, entrepreneurs, and Islamic finance experts. Emphasis was placed on constructing a comprehensive financing model capable of addressing both the developmental needs of small businesses and the ethical requirements of Islamic finance (Muneer & Khan, 2022).

The qualitative phase focused on identifying the fundamental components of a waqf-based venture capital framework. Literature relating to waqf, Islamic social finance, venture capital, entrepreneurship, and small business development was systematically reviewed. Expert interviews were conducted to explore the feasibility, governance structures, investment mechanisms, risk-sharing arrangements, and sustainability dimensions of the proposed model. Findings from this stage were used to formulate the conceptual dimensions and indicators incorporated into the quantitative phase.

The quantitative phase was employed to validate the proposed model and examine the relationships among its principal dimensions. Structural Equation Modeling (SEM) was utilized as the primary analytical technique because it enables the simultaneous assessment of multiple latent constructs and complex causal relationships. Integration of qualitative and quantitative findings provided a theoretically grounded and empirically validated framework for waqf-based venture capital implementation.

Research Target/Subject

The population of this study consisted of stakeholders involved in Islamic finance, waqf management, entrepreneurial development, and venture capital investment. Participants included waqf administrators, Islamic finance practitioners, venture capital managers, policymakers, Sharia scholars, entrepreneurship consultants, and owners of small businesses operating within Islamic economic environments. These groups were selected because they possess direct knowledge regarding the practical and institutional dimensions of Islamic financing mechanisms.

Sample selection for the qualitative phase was conducted using purposive sampling techniques. Twenty-eight experts with recognized experience in waqf management, Islamic banking, venture capital, entrepreneurship, and Islamic economics participated in semi-structured interviews. Selection criteria required participants to possess at least five years of professional or academic experience relevant to the study topic, ensuring the collection of informed and reliable perspectives (Aderemi & Ishak, 2022).

The quantitative phase involved 350 respondents representing waqf institutions, Islamic financial organizations, venture capital entities, and small business sectors. Sample size determination followed established recommendations for Structural Equation Modeling to ensure adequate statistical power and model stability. Inclusion of participants from multiple institutional backgrounds enhanced the representativeness of the data and strengthened the generalizability of the findings.

Research Procedure

The research process commenced with an extensive review of scholarly literature concerning waqf, Islamic social finance, venture capital, SME financing, and entrepreneurial empowerment. Relevant concepts and theoretical perspectives were synthesized to establish the preliminary framework for the proposed model. Qualitative interviews were subsequently conducted to identify practical considerations, implementation challenges, and opportunities associated with waqf-based venture capital initiatives.

Qualitative data were analyzed using thematic analysis techniques. Emerging themes were categorized into conceptual dimensions reflecting governance structures, investment processes, support mechanisms, sustainability factors, and empowerment outcomes. Results from this phase informed the development of the quantitative survey instrument and the construction of the preliminary model. Expert consultations were conducted to refine the framework prior to empirical validation (Nofianti et al., 2024).

Quantitative data collection was carried out through online and face-to-face survey administration. Preliminary analysis included data screening, missing value assessment, normality testing, and descriptive statistical analysis. Confirmatory Factor Analysis was then performed to evaluate the validity and reliability of the measurement model. Structural Equation Modeling was subsequently employed to test the proposed relationships among the model dimensions. Interpretation of the findings focused on assessing the effectiveness of waqf-based venture capital mechanisms in promoting small business empowerment, financial sustainability, and inclusive economic development within modern Islamic economies.

Instruments, and Data Collection Techniques

Data collection during the qualitative phase employed semi-structured interview protocols designed to explore perceptions regarding the integration of waqf resources and venture capital principles. Interview questions focused on investment governance, risk-sharing mechanisms, entrepreneurial support services, institutional sustainability, and compliance with Islamic legal principles. Expert validation forms were also utilized to evaluate the relevance and practicality of the proposed model components.

The quantitative phase utilized a structured questionnaire developed from qualitative findings and supported by previous literature on Islamic finance, waqf management, venture capital, and SME development. The questionnaire consisted of demographic information and measurement items representing the latent constructs of the proposed framework. Variables included waqf resource mobilization, governance effectiveness, entrepreneurial support services, investment sustainability, risk-sharing practices, and small business empowerment outcomes.

A five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) was employed to measure participant responses. Content validity was assessed through expert review involving scholars in Islamic economics, entrepreneurship, and waqf management. Construct validity was evaluated using Confirmatory Factor Analysis (CFA), while reliability was assessed through Cronbach's alpha and composite reliability coefficients. Threshold values above 0.70 were adopted to confirm acceptable measurement quality (Amuda & Al-Nasser, 2024).

RESULTS AND DISCUSSION

The study involved 350 respondents representing waqf institutions, Islamic financial organizations, venture capital entities, policymakers, entrepreneurship consultants, and small business owners operating within modern Islamic economies. Respondents consisted of waqf administrators (22.9%), Islamic finance practitioners (21.4%), SME owners (26.6%), venture capital professionals (14.3%), policymakers (7.4%), and entrepreneurship consultants (7.4%). Professional experience ranged from 3 to 22 years, with an average of 8.8 years. These characteristics indicate that the participants possessed substantial expertise regarding Islamic finance, entrepreneurial development, and waqf-based investment mechanisms.

Descriptive statistical analysis demonstrated strong support for the proposed waqf-based venture capital model. Waqf resource mobilization achieved a mean score of 4.29 (SD = 0.52), governance effectiveness recorded 4.24 (SD = 0.56), risk-sharing practices reached 4.18 (SD = 0.60), entrepreneurial support services obtained 4.21 (SD = 0.58), investment sustainability achieved 4.26 (SD = 0.54), and small business empowerment recorded the highest mean score of 4.33 (SD = 0.49).

Table 1. Descriptive Statistics of the Waqf-Based Venture Capital Model

Variable	Mean	SD
Waqf Resource Mobilization	4.29	0.52
Governance Effectiveness	4.24	0.56
Risk-Sharing Practices	4.18	0.60
Entrepreneurial Support Services	4.21	0.58
Investment Sustainability	4.26	0.54
Small Business Empowerment	4.33	0.49

The descriptive findings indicate that respondents perceive waqf-based venture capital as a highly promising mechanism for supporting entrepreneurial development within Islamic economic environments. High scores for waqf resource mobilization suggest that participants recognize the substantial potential of productive waqf assets to serve as sustainable sources of investment capital. Existing waqf resources are viewed as capable of supporting economic development objectives while maintaining compliance with Islamic ethical and legal principles.

Investment sustainability and governance effectiveness also demonstrated strong mean scores. Respondents emphasized that transparent governance structures and professional fund management are essential for ensuring the long-term viability of waqf-based venture capital initiatives. Positive perceptions regarding entrepreneurial support services further suggest that financing alone is insufficient for achieving sustainable business growth. Business mentoring, technical assistance, and strategic guidance are perceived as integral components of successful empowerment programs.

Evaluation of the measurement model demonstrated satisfactory validity and reliability across all constructs. Factor loadings ranged from 0.751 to 0.931, exceeding the recommended threshold of 0.70. Composite reliability values varied between 0.869 and 0.942, while Cronbach's alpha coefficients ranged from 0.828 to 0.927. Average Variance Extracted (AVE) values exceeded 0.50 for all latent variables, confirming adequate convergent validity.

Discriminant validity analysis further demonstrated clear differentiation among the proposed dimensions. Cross-loading assessment and Fornell-Larcker criterion evaluation confirmed that each construct represented a distinct conceptual component of the model. These findings indicate that the measurement framework possesses strong psychometric properties suitable for testing structural relationships among the variables.

Structural Equation Modeling results revealed significant positive relationships among the principal dimensions of the proposed framework. Waqf resource mobilization demonstrated a strong positive effect on investment sustainability ($\beta = 0.628$, $p < 0.001$) and governance effectiveness ($\beta = 0.591$, $p < 0.001$). Governance effectiveness significantly influenced risk-sharing practices ($\beta = 0.563$, $p < 0.001$) and entrepreneurial support services ($\beta = 0.547$, $p < 0.001$). These findings indicate that effective governance functions as a critical mechanism connecting waqf resources with entrepreneurial development outcomes.

Entrepreneurial support services exhibited a strong positive influence on small business empowerment ($\beta = 0.671$, $p < 0.001$), while investment sustainability also significantly affected empowerment outcomes ($\beta = 0.514$, $p < 0.001$). The model explained 71.2% of the variance in small business empowerment and 66.5% of the variance in investment sustainability. Goodness-of-fit indicators demonstrated satisfactory model performance, including CFI = 0.958, TLI = 0.951, RMSEA = 0.039, and SRMR = 0.036.

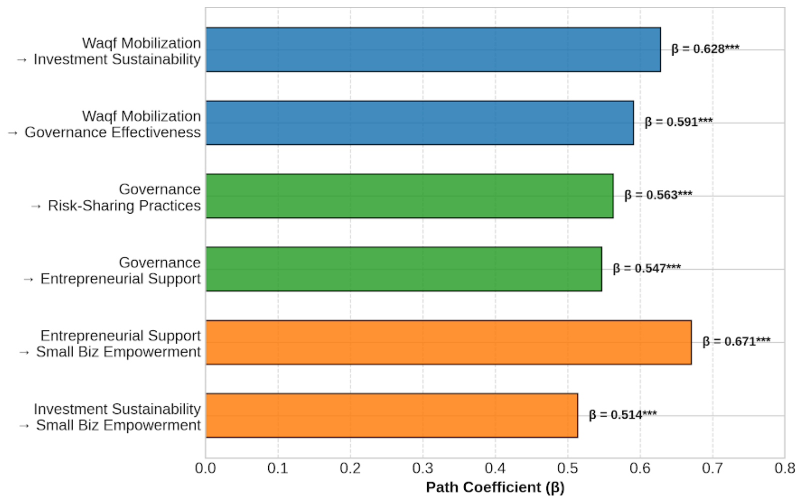

Figure 1. Structural Path Coefisients (p< 0,001)

Analysis of structural relationships revealed that governance effectiveness partially mediated the relationship between waqf resource mobilization and entrepreneurial empowerment. Institutions possessing stronger governance systems were more successful in transforming waqf resources into sustainable investment opportunities. Governance quality therefore appears to function as a strategic bridge connecting financial resources with developmental outcomes.

Relationships among entrepreneurial support services, investment sustainability, and business empowerment were particularly strong. Small businesses receiving financial support combined with mentoring, training, and advisory services reported higher levels of growth and resilience. These findings suggest that empowerment emerges from a combination of financial accessibility and capacity-building interventions rather than capital provision alone.

A representative case study involved a waqf institution that established a venture capital initiative targeting small manufacturing enterprises. Prior to participation, many entrepreneurs experienced difficulties obtaining financing due to insufficient collateral and limited access to conventional investment networks. Business expansion opportunities remained constrained despite strong market demand for their products (Khamisu et al., 2024; Sharif & Faisal, 2025).

Implementation of the waqf-based venture capital program provided equity financing, business mentoring, and operational guidance. Institutional records indicated that participating enterprises achieved an average revenue increase of 34% within two years. Employment generation also improved, with beneficiary firms expanding their workforce by approximately 21%. These outcomes demonstrate the practical potential of waqf-based investment mechanisms in supporting entrepreneurial development.

A second case study involved a group of technology-based microenterprises operating within an urban entrepreneurial ecosystem. Limited access to growth capital prevented these businesses from investing in innovation and market expansion activities. Conventional financing institutions viewed the enterprises as high-risk investments due to their early-stage development status.

Participation in a waqf-funded venture capital initiative enabled access to growth financing and professional business support services. Performance evaluations documented a 29% increase in market reach and a 24% improvement in operational productivity over an eighteen-month period. Entrepreneurs also reported stronger financial management capabilities and greater confidence in long-term business planning.

The manufacturing enterprise case demonstrates how waqf resources can be transformed into productive investments that generate both financial and social benefits. Revenue growth and employment expansion indicate that venture capital mechanisms based on waqf principles can support sustainable entrepreneurial development while contributing to broader socioeconomic objectives. Financial support combined with managerial assistance appears to create favorable conditions for business growth.

Observations from the technology-based enterprises further illustrate the importance of integrating investment capital with developmental support services. Early-stage businesses frequently require strategic guidance in addition to financing resources. Mentoring and advisory activities contributed significantly to improved productivity and market expansion outcomes, suggesting that comprehensive support systems enhance the effectiveness of waqf-based venture capital initiatives (Ascarya, 2024; Atmeh et al., 2024).

Evidence from both case studies reinforces the quantitative findings generated through Structural Equation Modeling. Positive relationships among governance quality, entrepreneurial support services, investment sustainability, and empowerment outcomes were reflected in practical business experiences. Consistency between statistical and case-based evidence strengthens confidence in the proposed framework.

Broader explanatory patterns suggest that waqf-based venture capital achieves effectiveness through the integration of social finance objectives and entrepreneurial development strategies. Productive utilization of waqf resources appears capable of generating sustainable economic value while maintaining alignment with Islamic ethical principles and social welfare objectives.

The findings indicate that waqf-based venture capital represents a viable and sustainable model for empowering small businesses within modern Islamic economies. Waqf resource mobilization, governance effectiveness, entrepreneurial support services, and investment sustainability collectively contribute to business empowerment outcomes. Effective governance and comprehensive support mechanisms emerge as critical determinants of success within the proposed framework.

Overall evidence suggests that waqf institutions can move beyond traditional charitable functions and play a strategic role in entrepreneurial development. Integration of waqf resources with venture capital principles creates opportunities for promoting inclusive economic growth, strengthening business resilience, and enhancing socioeconomic welfare (Alhammadi, 2023, 2025). The proposed model therefore offers a promising approach for advancing sustainable development objectives within contemporary Islamic economic systems.

The findings demonstrate that waqf-based venture capital constitutes a viable and effective mechanism for empowering small businesses within modern Islamic economies. Structural analysis revealed that waqf resource mobilization significantly contributes to governance effectiveness, investment sustainability, entrepreneurial support services, and ultimately small business empowerment. Productive utilization of waqf assets appears capable of transforming dormant charitable resources into sustainable instruments for economic development. These outcomes indicate that waqf can function not only as a philanthropic institution but also as a strategic catalyst for entrepreneurial growth.

Governance effectiveness emerged as a central component of the proposed model. Strong governance structures enhanced transparency, accountability, and resource allocation efficiency, thereby increasing the effectiveness of waqf-based investment initiatives. Institutions demonstrating higher governance quality were more successful in translating financial resources into measurable empowerment outcomes. Governance therefore appears to serve as a critical intermediary mechanism linking waqf resources with entrepreneurial development.

Entrepreneurial support services also exerted a substantial influence on empowerment outcomes. Small businesses receiving mentoring, training, and advisory support demonstrated stronger growth trajectories than enterprises relying solely on financial assistance. Capacity-building interventions enhanced managerial competence, strategic planning, and operational effectiveness. These findings suggest that sustainable empowerment requires the integration of financial and developmental support mechanisms.

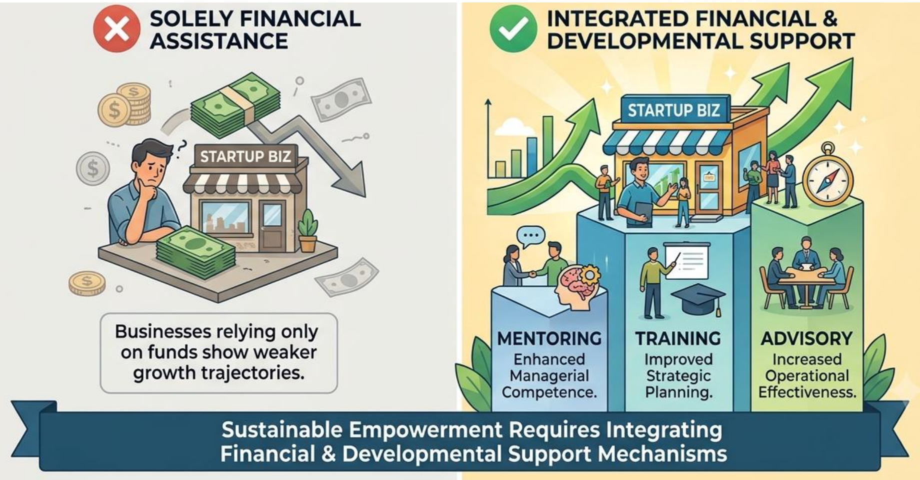

Figure 2. Integrating Support for Sustainability Empowerment

Investment sustainability exhibited a strong positive relationship with business empowerment. Sustainable investment structures enabled long-term financing availability while preserving the productive value of waqf resources. Institutions capable of balancing social objectives with financial sustainability generated stronger outcomes in terms of business growth, employment creation, and economic participation. Empowerment therefore appears to depend on the ability to maintain both developmental impact and institutional continuity.

The findings are consistent with previous studies emphasizing the developmental role of Islamic social finance in promoting inclusive economic growth. Existing research has demonstrated that waqf institutions possess substantial potential to contribute to poverty reduction, community development, and socioeconomic empowerment. Similar patterns emerged in this study, where productive waqf utilization generated measurable benefits for entrepreneurial development and small business growth.

Results also support prior investigations highlighting the importance of alternative financing mechanisms for underserved enterprises. Conventional financing systems frequently exclude small businesses due to collateral requirements and risk assessments. Earlier studies concerning Islamic finance have suggested that risk-sharing and equity-based approaches can provide more inclusive financing opportunities (Syarif & Aysan, 2024). Comparable evidence was observed in the present study, where waqf-based venture capital expanded access to resources and growth opportunities for small enterprises.

Differences become apparent when comparing the proposed framework with traditional waqf models. Previous research has largely focused on waqf as a charitable instrument supporting education, healthcare, and social welfare initiatives. Findings from this study suggest that waqf can be transformed into a dynamic investment vehicle capable of generating both economic and social returns. Such a perspective extends the functional scope of waqf beyond conventional philanthropic applications.

Variations were also identified regarding the role of entrepreneurial support services. Several earlier studies concentrated primarily on financing accessibility as the principal determinant of entrepreneurial success. Findings from the present research indicate that mentoring, training, and strategic guidance are equally important components of effective empowerment strategies. Business development therefore appears to require a more comprehensive support framework than financing alone.

The findings signify that Islamic social finance institutions possess untapped potential to contribute to contemporary economic development challenges. Waqf resources can be mobilized not only for charitable purposes but also for productive investment initiatives capable of generating sustainable economic opportunities. Such outcomes reflect the adaptability of Islamic economic institutions in responding to modern development needs.

Evidence also signifies the relevance of integrating social objectives with market-oriented investment strategies. Conventional venture capital models often prioritize financial returns, while traditional charitable models emphasize social welfare without necessarily ensuring economic sustainability. The proposed waqf-based venture capital framework demonstrates that these objectives can be reconciled within a single institutional arrangement.

Patterns identified throughout the analysis further signify that entrepreneurial empowerment is a multidimensional process. Financial resources remain important, yet sustainable business growth depends equally on governance quality, managerial capacity, and access to developmental support services. Effective empowerment therefore requires integrated interventions addressing both financial and non-financial constraints.

Results additionally signify the growing importance of innovation within Islamic finance. Contemporary economic challenges require institutions capable of combining ethical principles with practical solutions. Waqf-based venture capital represents an example of how traditional Islamic institutions can evolve to address modern financing and development requirements while maintaining fidelity to Islamic values.

Implications for policymakers involve the need to support regulatory frameworks that facilitate the productive utilization of waqf resources. Legal and institutional arrangements should encourage innovation while ensuring accountability and transparency. Policy support may enable waqf institutions to contribute more effectively to entrepreneurial development and inclusive economic growth.

Implications for waqf administrators concern the importance of adopting professional governance practices and sustainable investment strategies. Effective management systems can enhance stakeholder confidence, improve resource utilization, and maximize developmental impact. Institutions seeking to implement venture capital initiatives should therefore prioritize governance capacity and operational efficiency.

Implications for small businesses are equally significant. Access to waqf-based venture capital may provide financing opportunities that are more inclusive and development-oriented than conventional alternatives. Entrepreneurs may benefit not only from financial resources but also from strategic guidance, mentorship, and long-term partnership arrangements that strengthen business resilience.

Implications for Islamic financial institutions extend to the development of innovative financing ecosystems that integrate social finance instruments with entrepreneurial development objectives. Collaborative partnerships among waqf institutions, Islamic banks, venture capital entities, and development organizations may create more comprehensive support systems capable of accelerating economic empowerment initiatives.

The observed outcomes can be explained by the distinctive characteristics of waqf as an Islamic economic institution. Waqf resources are intended to generate sustainable benefits for society, making them particularly suitable for long-term developmental initiatives. Productive investment of waqf assets aligns naturally with objectives related to entrepreneurship, employment generation, and economic inclusion.

Positive effects associated with governance effectiveness arise because investment activities require accountability, transparency, and strategic resource allocation. Strong governance mechanisms reduce operational inefficiencies and strengthen stakeholder confidence. Institutions possessing effective governance systems are therefore better positioned to convert financial resources into sustainable developmental outcomes.

Entrepreneurial support services emerged as important determinants because small businesses frequently encounter managerial, technical, and strategic challenges beyond financing constraints. Access to capital alone may not guarantee business success. Mentoring and capacity-building activities enhance entrepreneurs' ability to utilize resources effectively and adapt to changing market conditions.

Investment sustainability influenced empowerment outcomes because long-term business development requires stable access to resources and ongoing institutional support. Sustainable financing structures ensure that waqf assets continue generating benefits across multiple investment cycles. Such continuity strengthens both entrepreneurial development and the long-term viability of the financing model itself.

Future research should examine the long-term impact of waqf-based venture capital on business survival, wealth creation, and community development. Longitudinal studies may provide deeper insights into how empowerment outcomes evolve over time and contribute to broader economic transformation. Such evidence would strengthen understanding of the enduring developmental value of the proposed model.

Comparative investigations involving different countries, regulatory environments, and waqf governance systems would further enrich the literature. Institutional diversity may influence implementation effectiveness and developmental outcomes. Broader comparative analysis could support the development of context-sensitive frameworks adaptable to various Islamic economic settings.

Emerging technologies such as blockchain, artificial intelligence, digital waqf platforms, and financial technology applications deserve greater scholarly attention. Integration of technological innovation with waqf-based venture capital may improve transparency, investment efficiency, and stakeholder participation. Exploration of these opportunities may contribute to the modernization of Islamic social finance institutions.

Practical initiatives should focus on strengthening institutional capacity, developing professional governance standards, and fostering collaboration among stakeholders involved in Islamic finance and entrepreneurial development. Comprehensive efforts combining regulatory support, technological innovation, and managerial expertise are likely to maximize the effectiveness of waqf-based venture capital models in empowering small businesses across modern Islamic economies.

CONCLUSION

The most important finding of this study is the successful development and validation of a waqf-based venture capital model that integrates Islamic social finance principles with entrepreneurial investment mechanisms to empower small businesses in modern Islamic economies. The results demonstrate that waqf resource mobilization, governance effectiveness, investment sustainability, risk-sharing practices, and entrepreneurial support services collectively contribute to small business empowerment. Governance effectiveness emerged as a critical mediating factor that transforms waqf assets into productive investments, while entrepreneurial support services proved equally important in generating sustainable business growth. This finding distinguishes the proposed model from conventional venture capital frameworks by demonstrating that waqf institutions can function not only as charitable entities but also as strategic investment platforms capable of producing both socioeconomic and entrepreneurial outcomes.

The principal contribution of this research lies in its conceptual and methodological advancements. Conceptually, the study introduces an integrated framework that combines waqf management, Islamic social finance, venture capital theory, and small business empowerment within a unified model. The proposed framework expands existing literature by illustrating how waqf resources can be transformed into sustainable investment capital that promotes inclusive economic development while preserving compliance with Islamic ethical principles. Methodologically, the study contributes empirical evidence through the application of a mixed-methods approach combining qualitative expert exploration and quantitative Structural Equation Modeling. This approach provides a robust analytical foundation for understanding the relationships among governance quality, investment sustainability, entrepreneurial support, and empowerment outcomes.

Several limitations should be acknowledged. The study focused primarily on stakeholders within Islamic finance, waqf institutions, and small business sectors, which may limit the generalizability of the findings across broader economic environments. Cross-sectional data restricted the ability to evaluate the long-term impact of waqf-based venture capital initiatives on business sustainability and wealth creation. Institutional, regulatory, and cultural differences across countries may also influence implementation effectiveness. Future research should employ longitudinal designs to examine long-term entrepreneurial outcomes, conduct comparative studies across different jurisdictions and Islamic economic systems, and explore the integration of emerging technologies such as blockchain, financial technology platforms, artificial intelligence, and digital waqf ecosystems within venture capital structures. Such investigations may further strengthen the theoretical development and practical application of waqf-based venture capital models as instruments of sustainable and inclusive economic empowerment.

DECLARATION OF AI AND AI ASSISTED TECHNOLOGIES IN THE WRITING PROCESS

During the preparation of this manuscript, the author(s) used ChatGPT only to assist with grammatical review. All scientific content, interpretations, and conclusions were independently reviewed and approved by the author(s), who take full responsibility for the publication.

AUTHOR CONTRIBUTIONS

Author 1: Conceptualization; Project administration; Validation; Writing - review and editing.
Author 2: Conceptualization; Data curation; In-vestigation.
Author 3: Data curation; Investigation.

DECLARATION OF COMPETING INTEREST

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

REFERENCES

Aderemi, A. M. R., & Ishak, M. S. I. (2022). Qard Hasan as a feasible Islamic financial instrument for crowdfunding: its potential and possible application for financing micro-enterprises in Malaysia. Qualitative Research in Financial Markets, 15(1), 58–76. https://doi.org/https://doi.org/10.1108/QRFM-08-2021-0145

Aisyah, M., Sesunan, Y. S., & Wicaksono, A. T. S. (2025). Customers' trust in Islamic banking post-cyberattack leads to digital service breakdowns in Indonesia. Sustainable Futures, 10, 101530. https://doi.org/https://doi.org/10.1016/j.sftr.2025.101530

Alhammadi, S. (2023). Expanding financial inclusion in Indonesia through Takaful: opportunities, challenges and sustainability. Journal of Financial Reporting and Accounting, 23(6), 2738–2757. https://doi.org/https://doi.org/10.1108/JFRA-05-2023-0256

Alhammadi, S. (2025). Islamic finance as a driver for enhancing economic sustainability and innovation in the GCC. Journal of Science and Technology Policy Management, 17(1), 25–46. https://doi.org/https://doi.org/10.1108/JSTPM-11-2023-0206

Ali Azizan, N., Muhamat, A. A., Syed Alwi, S. F., Ali, H., & Abdullah, A. Q. C. (2022). Revitalising Waqf (endowment) lands for agribusiness: potentials of the anchor company models. Journal of Agribusiness in Developing and Emerging Economies, 12(3), 345–370. https://doi.org/https://doi.org/10.1108/JADEE-05-2021-0128

Aloulou, W. J., & Algarni, E. A. (2022). Determinants of social entrepreneurial intention: empirical evidence from the Saudi context. Social Enterprise Journal, 18(4), 605–625. https://doi.org/https://doi.org/10.1108/SEJ-11-2021-0086

Amuda, Y. J., & Al-Nasser, S. A. (2024). Exploring encounters and prodigies of Islamic banks in non-Muslim states: towards enhancing regulatory frameworks of Islamic banking system. International Journal of Law and Management, 68(2), 245–275. https://doi.org/https://doi.org/10.1108/IJLMA-11-2023-0250

Anwar, M. M., Battour, M., Purnamawati, A. M., & Ratnasari, R. T. (2023). The power of moral obligation and social support in enhancing intention to implement halal branding strategies in social enterprise. Social Enterprise Journal, 22(3), 590–620. https://doi.org/https://doi.org/10.1108/SEJ-11-2024-0184

Ascarya, A. (2024). An investigation of waqf-based Islamic micro financial institution models to identify the most effective model for Indonesia. Journal of Islamic Accounting and Business Research. https://doi.org/10.1108/JIABR-12-2022-0325

Atmeh, M. A., Maali, B. M., & Fendi, U. (2024). A proposed model for Zakah on financial instruments: accounting approach. International Journal of Islamic and Middle Eastern Finance and Management, 17(6), 1232–1243. https://doi.org/https://doi.org/10.1108/IMEFM-01-2024-0055

Aysan, A. F. F., Lemine, A. S., & Kayani, U. (2024). Kingdom of Fintech: crowdfunding shaping the future in the kingdom of Saudi Arabia. Journal of Science and Technology

Policy Management, 17(4), 810–828. https://doi.org/https://doi.org/10.1108/JSTPM-05-2023-0066

Bessais, S., Zakariyah, H., & Mohd Noor, A. (2024). The possibility of establishing an endowment (Waqf) from the Islamic financial institutions' provisioned funds in the United Arab Emirates. International Journal of Islamic and Middle Eastern Finance and Management, 17(6), 1120–1135. https://doi.org/https://doi.org/10.1108/IMEFM-12-2023-0466

Diop, M. (2025). Financial inclusion and women's empowerment: An application based on data from Senegal. Development and Sustainability in Economics and Finance, 7, 100055. https://doi.org/https://doi.org/10.1016/j.dsef.2025.100055

Hamidi, M. L., Setiawan, G., & Asutay, M. (2025). The quest for sustainable mosques: A paradigm shift with the quadruple bottom line framework. Sustainable Futures, 9, 100588. https://doi.org/https://doi.org/10.1016/j.sftr.2025.100588

Ishak, A. H., Amira Mohamad, S. N., Ab Manan, S. K., Yahaya, M. H., Wan Daud, W. N., & Sharif, D. (2025). The critical success factors of waqf land development for sustainable agriculture. Social Sciences & Humanities Open, 11, 101244. https://doi.org/https://doi.org/10.1016/j.ssaho.2024.101244

Ishak, M. S. I., & Mohammad Nasir, N. S. (2023). The applicability of Islamic crowdfunding as an alternative funding for micro-entrepreneurs in Malaysia. Qualitative Research in Financial Markets, 16(3), 548–564. https://doi.org/https://doi.org/10.1108/QRFM-12-2022-0202

Islam, R., Md. Tarique, K., & Razali, S. S. (2024). Is Takāful industry fulfilling Maqāṣid al-Shar ī' ah? The proposition of a new evaluation model using analytic hierarchy process. Journal of Islamic Accounting and Business Research, 16(8), 1440–1461. https://doi.org/https://doi.org/10.1108/JIABR-11-2022-0321

Jahangir, R., Bulut, M., & Dinc, Y. (2022). Evolvement of ROSCA to real property acquisition as a form of interest-free SBF model: a PRISMA-compliant systematic review. Property Management, 41(1), 111–148. https://doi.org/https://doi.org/10.1108/PM-03-2022-0025

Jelili Amuda, Y., & Hassan, S. (2023). Empirical investigation of Islamic legal framework, crowd humanitarian funds and poverty reduction in selected Organization of Islamic Cooperation (OIC). International Journal of Social Economics, 51(4), 441–453. https://doi.org/https://doi.org/10.1108/IJSE-12-2022-0773

Khamisu, M. S., Yero, J. I., & Paluri, R. A. (2024). Modeling environmental, social, and governance (ESG) adoption enablers: the case of Islamic financial institutions. Journal of Financial Reporting and Accounting, 24(2), 764–791. https://doi.org/https://doi.org/10.1108/JFRA-07-2024-0499

Khan, N., Kchouri, B., Yatoo, N. A., Kräussl, Z., Patel, A., & State, R. (2022). Tokenization of sukuk: Ethereum case study. Global Finance Journal, 51. https://doi.org/10.1016/j.gfj.2020.100539

Khan, P. A., Johl, S. K., Akhtar, S., Asif, M., Salameh, A. A., & Kanesan, T. (2022). Open Innovation of Institutional Investors and Higher Education System in Creating Open Approach for SDG-4 Quality Education: A Conceptual Review. Journal of Open Innovation: Technology, Market, and Complexity, 8(1), 49. https://doi.org/https://doi.org/10.3390/joitmc8010049

Kontesa, M., Brahmana, R. K., & You, H. W. (2024). National culture, religiosity, and audited financial statements of small-scale MNCs. Pacific Accounting Review, 36(2), 211–233. https://doi.org/https://doi.org/10.1108/PAR-10-2022-0162

Lawhaishy, Z. B., & Othman, A. H. A. (2022). Introducing an Islamic equity-based microfinance models for MSMEs in the State of Libya. Qualitative Research in Financial Markets, 15(1), 1–28. https://doi.org/https://doi.org/10.1108/QRFM-01-2021-0017

Liebrenz, B. (2023). Talking Hats: What Documents and Textiles Can Tell Us about Each Other. Journal of Material Cultures in the Muslim World, 3(2), 174–204. https://doi.org/https://doi.org/10.1163/26666286-12340031

Maulina, R., Dhewanto, W., & Faturohman, T. (2023). Upper-middle-class Muslim characteristics on cash waqf (Islamic endowment) participation for productive purposes: does one-fits-all strategy still works? Journal of Islamic Accounting and Business Research, 16(4), 722–747. https://doi.org/https://doi.org/10.1108/JIABR-04-2023-0134

Muneer, F., & Khan, F. (2022). Impact of Qard-al-Hasan (interest-free loan) program in reducing multidimensional poverty: an evidence from the southwest Bangladesh. International Journal of Islamic and Middle Eastern Finance and Management, 15(6), 1072–1087. https://doi.org/https://doi.org/10.1108/IMEFM-03-2021-0101

Muneeza, A., Kunhibava, S., Mohamed, I., & Mustapha, Z. (2024). Empowering the elderly: a cash waqf Takaful model for enhanced provision and protection in Malaysia. International Journal of Islamic and Middle Eastern Finance and Management, 18(1), 68–90. https://doi.org/https://doi.org/10.1108/IMEFM-02-2024-0114

Nofianti, L., Mukhlisin, M., & Irfan, A. (2024). Cash waqf innovation in Islamic financial institutions and its governance issues, case studies: Indonesia, Malaysia, Türkiye. Journal of Islamic Accounting and Business Research. https://doi.org/10.1108/JIABR-12-2023-0420

Ozdemir, M., Savasan, F., & Ulev, S. (2023). Leveraging financial inclusion through Islamic microfinance: A new model proposal for participation banks in Turkiye. Borsa Istanbul Review, 23(3), 709–722. https://doi.org/https://doi.org/10.1016/j.bir.2023.01.011

Puspitasari, N., Mufidah, A., Prihatini, D., Muhsyi, A., & Suroso, I. (2024). Proposing a corporate governance model for an Islamic property developer. International Journal of Housing Markets and Analysis, 17(5), 1329–1348. https://doi.org/https://doi.org/10.1108/IJHMA-02-2024-0017

Rajan, R., Jain, M., & Dhir, S. (2024). Critical factors for capacity building of NGOs working in the intellectual disability sector in India: a TISM-MICMAC approach. Journal of Asia Business Studies, 18(4), 886–910. https://doi.org/https://doi.org/10.1108/JABS-02-2023-0061

Rama, A., Jiang, C., Johan, S., Liu, H., & Mai, Y. (2022). Religious and social narratives and crowdfunding success. Journal of International Financial Markets, Institutions and Money, 80, 101595. https://doi.org/https://doi.org/10.1016/j.intfin.2022.101595

Sharif, K., & Faisal, M. N. (2025). Mapping an Islamic venture capital setup using foresight-based social construction approach. International Journal of Islamic and Middle Eastern Finance and Management, 18(4), 787–812. https://doi.org/https://doi.org/10.1108/IMEFM-03-2024-0141

Sheikh, R., & Hussain, K. (2024). Reimagining Islamic banking in the light of Maqasid Shariah. Qualitative Research in Financial Markets, 17(5), 1113–1134. https://doi.org/https://doi.org/10.1108/QRFM-04-2024-0108

Shmaryahu-Yeshurun, Y. (2022). Minority gentrification: Re-evaluation of class and ethno-nationalism intersectionality. Political Geography, 98, 102711. https://doi.org/https://doi.org/10.1016/j.polgeo.2022.102711

Syarif, M. F., & Aysan, A. F. (2024). Sharia crowdfunding in Indonesia: a regulatory environment perspective. Journal of Science and Technology Policy Management, 17(4), 944–967. https://doi.org/https://doi.org/10.1108/JSTPM-07-2023-0108

Tamanni, L., Indra, I., Syamlan, Y. T., & Priantina, A. (2022). Islamic social finance and commercial finance: a marriage made in heaven? Journal of Islamic Accounting and Business Research, 13(8), 1216–1233. https://doi.org/https://doi.org/10.1108/JIABR-01-2021-0018

Widiastuti, T., Al-shami, S. A., Mawardi, I., Zulaikha, S., Haron, R., Kasri, R. A., Mustofa, M. U. Al, & Dewi, E. P. (2024). Capturing the barriers and strategic solutions for women empowerment: Delphy analytical network process. Journal of Open Innovation: Technology, Market, and Complexity, 10(3), 100345. https://doi.org/https://doi.org/10.1016/j.joitmc.2024.100345

Zakariyah, H., Salaudeen, A. O., Othman, A. H. A., & Rosman, R. (2023). The determinants of financial technology adoption amongst Malaysian waqf institutions. International Journal of Social Economics, 50(9), 1302–1322. https://doi.org/https://doi.org/10.1108/IJSE-04-2022-0264