FROM DONOR DEPENDENCE TO PRODUCTIVE WAQF: A SUSTAINABLE FINANCING MODEL FOR ISLAMIC EDUCATIONAL INSTITUTIONS IN CAMBODIA

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Abstract - Guided by Resource Dependence Theory, this study aims to develop a productive waqf financing model that can reduce donor dependence and strengthen the long term sustainability of Islamic educational institutions in Cambodia. In Muslim minority contexts such as Cambodia(Kampuja), private Islamic educational institutions significantly contribute to community well-being, the preservation of culture, and the development of human capital. However, many of these institutions operate without stable state-funded support and remain heavily dependent on temporary donations from overseas donors, charitable organizations, and non-governmental organizations. This dependency creates financial vulnerability when donor priorities change, projects end, or funding is discontinued. The proposed model moves beyond direct charitable consumption by transforming selected donations and underutilized institutional assets into protected, income generating waqf resources. It adopts a diversified asset approach that may include agricultural partnerships using Muzara'ah, Musaqah, and Salam contracts, commercial property leasing, student accommodation, educational services, and small scale enterprises. To address governance challenges and information asymmetry among donors, school administrators, waqf managers, and local partners, the model incorporates professional waqf management, Sharia-compliant governance, digital financial reporting, and independent accountability mechanisms. The study will employs an exploratory sequential mixed methods design. Qualitative data will be collected through interviews, focus-group discussions, institutional observations, and document analysis, while quantitative assessment will use cash flow forecasting, Net Present Value, Internal Rate of Return, Benefit Cost Ratio, break-even analysis, and sensitivity analysis. Preliminary analysis indicates that institutional vulnerability arises not only from insufficient funding but also from the limited ability to transform temporary donations into productive assets. The study concludes that a diversified and transparently governed productive-waqf model can provide a sustainable complementary financing mechanism for Islamic educational institutions in Cambodia.

Keywords: **Productive Waqf, Donor Dependence, Islamic Education, Financial Sustainability, Islamic Social Finance.**



1. INTRODUCTION

Islamic educational institutions play an important role in Muslim-minority like Cambodia societies by preserving religious identity, transmitting Islamic knowledge, strengthening community cohesion, and developing human capital (Ibrahim, 2011). In Cambodia, these institutions serve the Cham Muslim population through the provision of religious education, general education, student accommodation, scholarships, food assistance, and other forms of social welfare (Bruckmayr, 2017). Many Islamic schools also function as community centres that support low income households, strengthen cultural continuity, and contribute to local socioeconomic development. Despite their educational and social importance, Islamic educational institutions in Cambodia operate under significant financial constraints. Most are privately managed and do not receive stable and comprehensive state funding for their daily operations. Although the Royal Government of Cambodia has introduced limited forms of support, including the integration of some Islamic teachers into the civil-service salary system, such assistance remains insufficient to cover the wider financial needs of Islamic schools. These needs include teacher salaries, facility maintenance, student accommodation, educational materials, utilities, transportation, food assistance, and institutional development. Cambodia enjoys ethnic and religious harmony and has never experienced religious conflict or violence. Approximately 5% of the population are Muslims, 93% are Buddhists, and 2% practice other religions. These diverse groups live together in harmony and tolerance, demonstrating the progress of religion in Cambodia. Consequently, many Islamic educational institutions depend heavily on external donations from individuals, charitable organizations, non-governmental organizations, and transnational philanthropic networks. Financial support is commonly received from donors and institutions based in countries such as Malaysia, Kuwait, Saudi Arabia, Turkey, and other Muslim-majority states (Bruckmayr, 2017). Such support has contributed to the construction of schools, mosques, classrooms, dormitories, and community facilities. It has also enabled schools to provide free or subsidized education to students from poor families. However, foreign donations are often temporary, voluntary, project-based, and uncertain. Their continuation depends on donor priorities, organizational policies, and global economic conditions. It is alos affected by political developments, humanitarian emergencies, and changes in international funding strategies. When donor support is reduced or discontinued, Islamic schools may experience serious financial difficulties. They may be unable to pay teachers, maintain facilities, provide food and accommodation, purchase learning materials, or continue welfare programmes (Chapra, 2000; Kahf, 1999). In severe cases, schools and community organizations may reduce their activities or cease operating completely. The vulnerability of these institutions is intensified by their welfare-oriented mission. Many Islamic schools charge low tuition fees or provide education without charge because they serve students from economically disadvantaged communities. Although this approach supports educational access and social

justice, it limits the schools' capacity to generate sufficient internal revenue. As a result, operating expenditures are often financed through repeated fundraising campaigns rather than through stable and productive institutional assets. This situation reflects a broader structural problem rather than a temporary shortage of funding. The existing financing system is dominated by short-term charitable consumption, in which donations are directly used to cover immediate expenses. While such support is essential, it does not necessarily create assets capable of generating continuous income. Consequently, the same financial needs reappear each year, requiring schools to repeatedly seek external assistance. Resource Dependence Theory provides an appropriate theoretical perspective for understanding this condition. The theory explains that organizations become vulnerable when they depend heavily on external actors for resources essential to their survival. The more concentrated and externally controlled these resources are, the more limited the organization's autonomy may become. In the context of Cambodian Islamic education, schools depend on donors whose funding decisions, time frames, and priorities are beyond the direct control of school administrators. This dependence may influence institutional planning and decision-making. School administrators may focus on satisfying immediate donor requirements rather than developing long-term financial strategies based on local educational priorities. They may also experience difficulties in preparing multi-year plans because future income remains uncertain. Therefore, donor dependence may weaken institutional autonomy, reduce financial resilience, and encourage short-term and reactive management. The central issue is not that donations are inappropriate or unnecessary. Charitable giving remains an important expression of Islamic solidarity and has made significant contributions to Muslim education in Cambodia. The concern is that temporary donations are rarely transformed into protected and productive assets that can generate recurring income. A sustainable financing system should therefore preserve the positive role of philanthropy while improving the way donated resources are mobilized, managed, invested, and distributed. Productive waqf provides a potential solution to this problem. Waqf is an Islamic social-finance institution in which an asset is permanently or substantially preserved while its benefits or income are allocated to religious, educational, charitable, or public purposes. The principal asset is protected, whereas the returns generated from it may be used continuously to finance social services. This feature distinguishes waqf from direct charitable consumption, where funds are normally exhausted after being spent. Historically, waqf contributed significantly to the financing of schools, universities, libraries, hospitals, mosques, water systems, and welfare institutions across Muslim societies. Educational waqf supported teachers, students, learning materials, accommodation, and institutional maintenance. Land, commercial property, agricultural assets, and cash were endowed and managed to generate recurring benefits for educational and social purposes.



In the Cambodian context, productive waqf may enable Islamic educational institutions to convert selected donations, cash contributions, land, buildings, and other underutilized resources into income-generating assets. Instead of using all charitable contributions for immediate operational expenses, a portion may be preserved and invested through Sharia-compliant activities. The returns may then be used to finance teacher salaries, scholarships, maintenance, student welfare, educational materials, and other recurrent costs. Productive waqf should not be limited to one type of investment. A diversified model may include commercial property leasing, agricultural activities, student accommodation, educational services, vocational training, school-based enterprises, halal businesses, renewable energy projects, and other locally appropriate investments. Diversification may reduce financial risk and protect schools from dependence on a single source of income. Agriculture may represent an important component of such a model, particularly for schools located in rural and semi-rural areas. Some institutions possess underutilized land or have access to land through community partnerships. These assets could potentially be developed through horticulture, crop production, irrigation, livestock, food processing, and local agricultural value chains. Sharia-compliant contracts such as Muzara'ah, Musaqah, and Salam may support cooperation between waqf institutions, schools, farmers, investors, and community members.

Nevertheless, establishing productive waqf requires more than the identification of investment opportunities. Its effectiveness depends on sound governance, legal clarity, professional management, Sharia compliance, financial transparency, risk control, and stakeholder trust. Weak governance may result in poor asset performance, misuse of resources, conflict among stakeholders, or failure to achieve the intended educational objectives. Digital reporting and transparent financial management may strengthen accountability by enabling donors, school administrators, waqf managers, beneficiaries, and regulatory institutions to monitor the collection, investment, performance, and distribution of waqf resources. Transparent systems may also reduce information asymmetry, increase donor confidence, and support broader participation through digital waqf contributions and crowdfunding. Prior studies on productive waqf, cash waqf, agricultural waqf, Islamic crowdfunding, and integrated Islamic social-finance models provide an important conceptual foundationfor using waqfas as a sustainable development instrument. However, much this research has been conducted in Muslim-majority countries where waqf legislation, Islamic financial institutions, and administrative systems are more developed, conditions that may not transfer directly to Cambodia, where Muslims constitute a minority and the institutional, legal, financial, and socioeconomic environment differs significantly.

Furthermore, previous studies have not sufficiently examined how temporary foreign donations received by Cambodian Islamic educational institutions can be systematically transformed into protected productive assets. Limited

research has explored how productive waqf can be governed, invested, monitored, and adapted to the specific circumstances of Cambodian Islamic schools. There is also insufficient understanding of how such a model may balance donor expectations, school needs, community participation, Sharia requirements, investment risk, and long-term educational sustainability. This study is therefore situated at the intersection of Islamic social finance, educational sustainability, institutional governance, and Resource Dependence Theory. It seeks to move the discussion from repeated charitable consumption toward a structured financing model in which philanthropy contributes to the establishment of productive assets capable of generating continuous educational benefits.

Research Problem

Islamic educational institutions in Cambodia perform essential educational, religious, and social functions, yet many lack reliable and sustainable sources of operational financing. Their dependence on foreign donations exposes them to sudden financial disruptions when donor priorities change, funding agreements end, or international economic and political conditions affect charitable flows. This dependence creates several interconnected difficulties:

- Schools cannot reliably predict future income, making long-term budgeting and institutional planning difficult.
- They may be unable to maintain basic services when donations decline.
- Reliance on external actors may reduce institutional autonomy and influence programme priorities.
- Direct consumption of most donations prevents schools from accumulating productive assets that could generate recurring income.
- Weak governance, limited financial expertise, and insufficient reporting mechanisms may discourage donors from contributing to long-term waqf-based arrangements.

The problem is therefore not simply a lack of donations. Rather, it is the absence of a context appropriate financing mechanism capable of converting part of the existing philanthropic flow into protected, professionally managed, Sharia-compliant, and income-generating assets. Although productive waqf has been widely discussed in Islamic-finance literature, no sufficiently developed model currently addresses the specific needs of Islamic educational institutions in Cambodia. Existing studies do not adequately explain how such institutions can transition from dependence on unstable donations toward a diversified productive-waqf system while maintaining transparency, donor trust, community participation, institutional control, and Sharia compliance. Accordingly, the principal research problem is: How can a context-sensitive productive-waqf financing model be developed to reduce donor dependence and strengthen the long-term financial sustainability of Islamic educational institutions in Cambodia? The study also addresses the practical problem of



determining which assets, governance arrangements, investment activities, contractual mechanisms, reporting systems, and stakeholder roles are most appropriate for the Cambodian context.

Research Questions

This study is guided by the following principal research questions. How can a productive waqf financing model reduce donor dependence and improve the financial sustainability of Islamic educational institutions in Cambodia? The supporting research questions are:

What are the major sources of income currently used by Islamic educational institutions in Cambodia? To what extent are these institutions dependent on foreign donations?

What financial and operational consequences arise when external funding declines or ends?

How should the responsibilities of donors, school administrators, waqf managers, Sharia advisers, investment partners, communities, and regulators be structured? What accountability, transparency, risk management, and digital reporting mechanisms are required to build stakeholder trust?

What components should be included in a sustainable productive waqf financing model for Cambodian Islamic educational institutions?

Research Objectives

The general objective of this study is to develop a sustainable productive waqf financing model for Islamic educational institutions in Cambodia.

The specific objectives are:

To examine the existing financing structures and the extent of donor dependence among Islamic educational institutions in Cambodia.

To identify the financial, institutional, governance, legal, and operational challenges affecting the sustainability of these institutions.

To investigate the perceptions and expectations of school administrators, donors, community leaders, waqf practitioners, farmers, and other relevant stakeholders regarding productive waqf.

To identify suitable waqf assets, Sharia-compliant investment activities, and income-generating mechanisms that can support Islamic educational institutions.

To analyze the governance, accountability, risk management, and digital reporting requirements necessary for an effective productive waqf system.

To develop and validate a context-sensitive productive waqf financing model capable of reducing donor dependence and generating recurring income for Islamic educational institutions in Cambodia.

Research Hypotheses and Propositions

Because this study is primarily intended to explore an under-researched institutional context and develop a financing model, research propositions may be more appropriate than strictly statistical hypotheses during the qualitative



phase. The central proposition is A professionally governed, transparent, diversified, and Sharia-compliant productive waqf financing model can reduce the dependence of Islamic educational institutions in Cambodia on temporary foreign donations and improve their long-term financial sustainability. The study is further guided by the following propositions: Higher dependence on a limited number of external donors is associated with greater financial vulnerability among Islamic educational institutions. The conversion of selected charitable contributions and underutilized institutional resources into productive waqf assets can generate more predictable and recurring institutional income. Diversification across several productive activities can reduce the financial risks associated with dependence on a single investment or revenue source. Professional management, Sharia supervision, transparent reporting, and independent accountability positively influence donor and stakeholder confidence in productive waqf. Stakeholder participation and local adaptation increase the feasibility and acceptance of a productive-waqf financing model. Where the quantitative phase requires statistical testing, these propositions may be converted into formal hypotheses.

2. LITERATURE REVIEW

Islamic educational institutions in Cambodia perform educational, religious, cultural, and welfare functions for Muslim communities. However, institutions that rely heavily on external donations may face financial uncertainty when donor priorities, economic circumstances, or project commitments change.

2.1 Resource Dependence Theory in Non- Profit Education.

This section reviews four thematic pillars underlying the study: the vulnerabilities of donor dependence under Resource Dependence Theory(RDT), the institutional mechanice of productive and cash waqf, the adaptation of waqf within muslim minority contexts, and governance frameworks for operational transparency and Sharia compliance. In Resource Dependence Theory, organizations are vulnerable when they depend on external actors for resources that are necessary for their survival, this dependence can constrain institutional autonomy and influence decision-making (Pfeffer & Salancik, 1978). The conceptual and empirical foundation of this study rests upon four major thematic pillars the vulnerabilities of donor dependence under RDT Hillman, Withers, and Collins (2009). To enhance waqf that use to use to depend on donor from oversea to support in institution in Cambodia. The previous research about waqf it shows up only Muslim majority that guide many ways that how to develop waqf institutions Nuradi, (2025)&Hj. Ismail, (2019)&Abdu, Musa; 2023). When an organization relies on external actors for critical resources without possessing counter-balancing power, it experiences heightened strategic vulnerability. In the domain of Islamic education within Muslim-minority countries like Cambodia, private educational institutions face significant structural dependence.In the context of



Islamic education, Chapra (2000) and Kahf (1999) note that institutions relying primarily on short-term philanthropic donations (*infaq* and *sadaqah*) fall into a perpetual cycle of financial vulnerability. Donations are inherently volatile, fluctuating with macroeconomic cycles, international donor priorities, and geopolitical shifts. As applied to Cambodian Islamic educational institutions, RDT explains how reliance on foreign non-governmental organizations and transnational donors forces school administrators into reactive, short-term planning rather than long-term capacity building. To mitigate these external power dynamics and resource dependencies, RDT suggests that organizations must alter their resource environment by internalizing revenue generation a role fulfilled by establishing institutional productive endowments (*waqf*).

2.2 Jorisprudetial and Modern Foundations of Productive Waqf

Historically, waqf functioned as a foundational pillar of Islamic social finance, funding schools , universities, hospitals, and infrastructure across the Muslim world. Traditional jurisprudence (*fiqh al-waqf*) focused heavily on immovable, static real estate assets. However, contemporary scholars advocate for productive waqf (*waqf intajiy*) and cash waqf (*waqf al-nuqud*) to meet modern economic demands (Çizakça, 2000; Mohsin, 2013). A significant gap in the literature is the heavy concentration of waqf research on Muslim-majority countries (e.g., Malaysia, Indonesia, Turkey, and GCC states), where waqf institutions enjoy formal state backing, dedicated legal frameworks, and mature Islamic financial infrastructure (Haneef, 2018; Nuradi et al., 2025). In Muslim-minority contexts such as Cambodia, Islamic institutions operate without comprehensive state subsidies or specific waqf legislation. The Cham Muslim community in Cambodia relies heavily on private, community-funded educational centers. Extrapolating models from Muslim-majority nations without local adaptation often fails because minority institutions face distinct structural constraints: legal ambiguity regarding land titles, limited access to Islamic banking institutions, and information asymmetry between local administrators and international donor networks. In Cambodia, Islamic education is closely associated with Muslim identity, community resilience, and cultural continuity. Studies show that Cambodian Muslim educational institutions have developed under minority-community conditions and may face limitations in institutional resources, facilities, financing, and administrative capacity (Ibrahim, 2011; *Resilience of Muslims Minority and Islamic Education in Cambodia*, 2023). Therefore, a sustainable financing model should be adapted to Cambodia's social, legal, economic, and religious context rather than directly adopting models developed in Muslim-majority countries.

Qur'anic and Prophetic foundations of waqf

Although the word *waqf* is not explicitly stated in the Qur'an, Qur'anic teachings concerning charity, sacrifice, lawful wealth, and public benefit

provide an ethical foundation for waqf. Allah describes charitable spending in His cause as wealth that produces multiplied benefit

مَّثَلُ ٱلَّذِينَ يُنفِقُونَ أَمۡوَٰلَهُمۡ فِي سَبِيلِ ٱللَّهِ كَمَثَلِ حَبَّةٍ أَنۢبَتَتۡ سَبۡعَ سَنَابِلَ فِي كُلِّ سُنۢبُلَةٖ مِّاْئَةُ حَبَّةٖۗ وَٱللَّهُ يُضَٰعِفُ لِمَن يَشَآءُۚ وَٱللَّهُ وَٰسِعٌ عَلِيمٌ ٢٦١

The example of those who spend their wealth in the cause of Allah is that of a grain that sprouts into seven ears, each bearing one hundred grains. And Allah multiplies ˹the reward even more˺ to whoever He wills. For Allah is All-Bountiful, All-Knowing. Al-Baqarah, 2:261 (Dr. Mustafa Khattab) This verse supports the principle that wealth spent for Allah's cause should create continuing benefit. Productive waqf reflects this principle because donated capital is not exhausted in one expenditure. Instead, a waqf asset can produce recurring income to support teachers, students, educational programmes, welfare services, and institutional operations.

يَٰٓأَيُّهَا ٱلَّذِينَ ءَامَنُوٓاْ أَنفِقُواْ مِن طَيِّبَٰتِ مَا كَسَبۡتُمۡ وَمِمَّآ أَخۡرَجۡنَا لَكُم مِّنَ ٱلۡأَرۡضِۖ وَلَا تَيَمَّمُواْ ٱلۡخَبِيثَ مِنۡهُ تُنفِقُونَ وَلَسۡتُم بِـَٔاخِذِيهِ إِلَّآ أَن تُغۡمِضُواْ فِيهِۚ وَٱعۡلَمُوٓاْ أَنَّ ٱللَّهَ غَنِيٌّ حَمِيدٌ

O believers! Donate from the best of what you have earned and of what We have produced for you from the earth. Do not pick out worthless things for donation, which you yourselves would only accept with closed eyes. And know that Allah is Self-Sufficient, Praiseworthy. Al-Baqarah 2:267. (Dr. Mustafa Khattab). This verse is highly relevant to productive waqf. Assets endowed for Islamic education should be halal, legally owned, economically viable, and capable of producing benefit. A school should not accept disputed land, poor-quality buildings, unprofitable commercial spaces, or assets with high liabilities as waqf without legal and financial assessment. Waqf as a 'Religious' Institution, Management and Investment of Waqf Properties, Waqf Governance Accounting, Auditing and Reporting Standards, Separating Religious Waqf from SocioEconomic Waqf, Haneef, M. A. (2018). thoes Waqf has guide many what to make donor productive. Eigther, Purify your intention and have sincerity in dedicating this deed to Allah (SWT). As donors, you need to feel the importance of Waqf in terms of its benefit in this world, and reward in the Hereafter. Then make 'Duaa' (supplication) that it succeeds as Allah (SWT) loves pure intention.

فَتَبَسَّمَ ضَاحِكًا مِّن قَوۡلِهَا وَقَالَ رَبِّ أَوۡزِعۡنِيٓ أَنۡ أَشۡكُرَ نِعۡمَتَكَ ٱلَّتِيٓ أَنۡعَمۡتَ عَلَيَّ وَعَلَىٰ وَٰلِدَيَّ وَأَنۡ أَعۡمَلَ صَٰلِحٗا تَرۡضَىٰهُ وَأَدۡخِلۡنِي بِرَحۡمَتِكَ فِي عِبَادِكَ ٱلصَّٰلِحِينَ

My Lord, direct me to be appreciative of the blessings You have bestowed upon me and my parents, and to do the righteous works that please You. Admit me by Your mercy into the company of Your righteous servants.

Seek the right action Ensure that what will be done conforms to Sharia in terms of: Waqf ownership: The donation should not be owed to anyone, mortgaged, extorted or owned jointly with others. It should be entirely owned by the donor. Halal Waqf: Donors should ensure that cash or property to be made Waqf is purely 'Halal' and lawful from a Sharia perspective. Allah is good and accepts only good. Waqf is also connected to the concept of *sadaqah jariyah*, or ongoing charity. The Prophet Muhammad ﷺ said:

إِذَا مَاتَ الإِنْسَانُ انْقَطَعَ عَنْهُ عَمَلُهُ إِلاَّ مِنْ ثَلاَثَةٍ إِلاَّ مِنْ صَدَقَةٍ جَارِيَةٍ أَوْ عِلْمٍ يُنْتَفَعُ بِهِ أَوْ وَلَدٍ صَالِحٍ يَدْعُو لَهُ

"When a person dies, his deeds come to an end except for three: ongoing charity, beneficial knowledge, or a righteous child who prays for him.". Educational waqf is particularly important because it can combine ongoing charity with beneficial knowledge. Waqf-funded classrooms, libraries, scholarships, teacher support, student accommodation, and income-generating assets can continue supporting education and community development long after the donor has made the contribution. Thus, establishing productive waqf in Cambodia requires building localized, community-driven governance structures that bridge grassroots agricultural and commercial opportunities with international donor funding. Nuradi et al. (2025) note that while systematic reviews of productive waqf management models are expanding, most studies center on Muslim-majority nations (e.g., Indonesia, Malaysia) with mature Sharia legal frameworks and institutional support. Transitioning from donor dependence to productive waqf requires robust governance systems. According to Haneef (2018), separating socio-economic waqf from purely religious waqf enables professional management (*Nazhir*) focused on commercial yield and asset preservation. The sustainable transition from donor dependence to productive waqf hinges on governance quality and trustee (*nazhir*) professionalization (Hasan, 2011; Abdu et al., 2023). Poor asset management, lack of audit controls, and opaque financial reporting frequently lead to asset decay and loss of donor trust. Haneef (2018) emphasizes the institutional necessity of separating religious/devotional waqf from socio-economic productive waqf to ensure commercial efficiency while maintaining strict Sharia compliance. Furthermore, contemporary literature stresses the role of digital financial reporting, transparent accounting standards, and independent auditing mechanisms in bridging the trust gap between donors, school administrators, and community beneficiaries. To bridge these gaps, literature points to digital financial reporting, transparent governance standards, and diversified revenue portfolios as key mechanisms to mitigate operational risk and build stakeholder trust (Abdu et al., 2023; Shulthoni et al., 2018). In non-profit and private educational sectors, reliance on external donor funding creates what Froelich (1999) and recent empirical studies identify as structural revenue volatility. When applied to Islamic Educational Institutions (IEIs)

operating in Muslim-minority jurisdictions like Cambodia, RDT provides a robust diagnostic framework.

3. METHODOLOGY and CASE STUDY

This study will employ an exploratory sequential mixed-methods design to develop a sustainable productive-waqf financing model for Islamic educational institutions in Cambodia. This design begins with a qualitative phase to explore stakeholder experiences, institutional conditions, donor practices, asset opportunities, and governance challenges. The results of the qualitative phase will then be used to develop a quantitative instrument and financial-feasibility model in the second phase. Finally, the qualitative and quantitative findings will be integrated to propose and validate a context-sensitive productive-waqf model.To examine how Cambodian Islamic educational institutions can transition from volatile overseas donor dependency to a diversified, self-sustaining productive waqf model, this study adopts an exploratory sequential mixed-methods design Qualitative Field Exploration To Quantitative Assessment & Microeconomic Modeling and to Integration (Creswell & Plano Clark, 2018; Hj. Ismail et al., 2019). In this study, it is appropriate because the financing conditions of Cambodian Islamic educational institutions, the structure of foreign donor support, and the feasibility of converting selected donations into productive waqf have not been sufficiently examined. In Muslim-minority jurisdictions such as Cambodia, institutional records concerning informal cross-border philanthropic flows (*sadaqah*, *infaq*, overseas grants) and grassroots asset monetization are fragmented and rarely centralized. Relying solely on deductive quantitative modeling risks ignoring localized socio-religious dynamics, legal land complexities, and donor relations. Conversely, an exclusively qualitative approach fails to provide the mathematical and microeconomic proof required to demonstrate operational cost-recovery and capital preservation. A mixed-methods approach is necessary because empirical data on waqf asset conversion and donor mechanics in Muslim-minority is limited.

3.1 Research setting and focus

The study will focus on Islamic educational institutions in Cambodia that receive financial support from overseas donors, charitable organizations, Islamic foundations, non-governmental organizations, and transnational Muslim networks. The institutions may include Islamic schools, madrasahs, integrated schools, boarding schools, community education centres, and organizations that provide religious education, general education, food assistance, student accommodation, scholarships, and welfare support. The study will examine the following financing problem: overseas donations are important for institutional survival, but the amount and continuity of support are uncertain. In some years, donors may provide more funds, in other years, they may provide less or stop their support. This uncertainty makes it difficult



for schools to plan teacher salaries, staff costs, building rental payments, food provision, electricity, learning materials, student accommodation, and other operating expenditures. The study will therefore investigate a transition model in which a defined portion of suitable donations is voluntarily converted into cash waqf or productive-waqf capital**,** subject to the donor's explicit consent. The productive-waqf capital will be protected and invested in Sharia-compliant income-generating assets, such as rental rooms, rental shops, commercial space, student accommodation, agricultural activities, educational services, or school-based halal enterprises. The income generated from these assets can be used to support the institution's recurring costs. Importantly, not every foreign donation should automatically be converted into waqf. The donor must clearly agree to the waqf purpose, amount, beneficiary, investment arrangement, and use of returns. Funds intended for emergency relief, food assistance, scholarships, salaries, or specific projects should remain ordinary restricted donations unless the donor authorizes a waqf conversion.

3.2 Proposed financing model

The proposed financing model has three separate funds:

Table 1 This is the proposed financing model has three separate funds

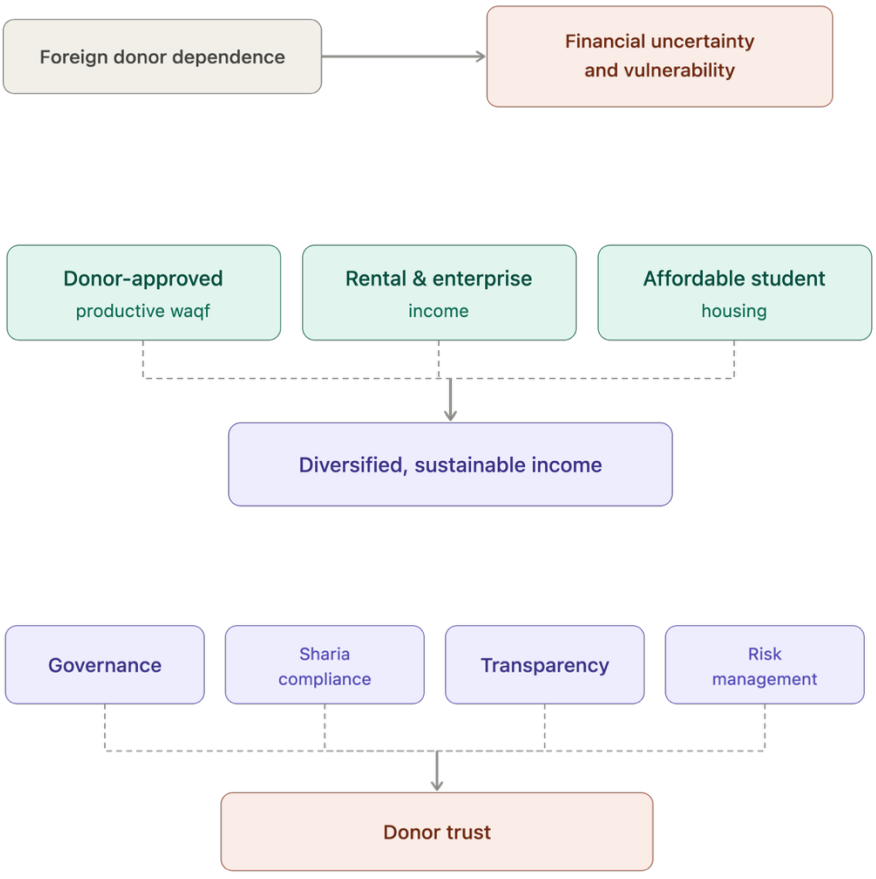
Fund	Source	Main purpose	Treatment
Operational donation fund	Overseas donors, charity, sadaqah, infaq, grants	Teacher salaries, food, utilities, educational materials, immediate needs	Spent according to donor restrictions and annual budget
Productive-waqf fund	Donor-approved waqf contributions, cash waqf, endowed land or buildings	Purchase, construction, or development of income-generating waqf assets	Principal is protected, only net returns support the institution
Student-fee fund	Tuition, registration, boarding, service fees	Supplementary operating income and cost-sharing	Collected based on affordability, may include exemptions and scholarships

This three-fund structure is necessary because student fees alone may not provide sufficient or stable income. Student enrolment can vary each year, and many students may come from low-income households. Therefore, student fees should be treated as a supplementary income stream rather than the main source of sustainability. The proposed model is consistent with nonprofit revenue-diversification research. Evidence suggests that organizations can reduce

revenue volatility by balancing contributions, earned income, and investment income rather than relying on a single funding source (Carroll & Stater, 2009). However, diversification is not automatically successful. It requires appropriate management capacity, cost control, risk assessment, and a realistic understanding of local demand. A meta-analysis found mixed effects of diversification on nonprofit financial health, meaning that institutions should not diversify without careful feasibility assessment and strategic planning.

3.3 Conceptual framework

The study proposes that donor dependence affects institutional financial sustainability. Productive waqf, governance quality, financial transparency, revenue diversification, and student-fee affordability may improve the institution's ability to manage this dependence.



The problem: relying on foreign donors leaves the institution financially uncertain and exposed funding can shrink or stop with little warning.

The fix (income side): three revenue streams donor-approved productive waqf assets, rental/enterprise income, and affordable student housing combine into one diversified, self-sustaining income base, reducing dependence on any single donor.
The fix (trust side): strong governance, Sharia compliance, transparency, and risk management aren't separate boxes to tick together they're what earns and keeps donor trust, which in turn makes the whole model credible enough to attract the funding it still needs. A professionally governed, Sharia-compliant, transparent, and diversified productive-waqf model can reduce dependence on unstable overseas donations and improve the financial sustainability of Islamic educational institutions in Cambodia. To systematically investigate the transition from volatile donor dependence to a resilient, multi sector productive waqf model for Islamic educational institutions in Cambodia, this study will go throght 3 phasese:

Phase 1: Qualitative Data Collection and Analysis

The first phase will use qualitative methods to understand the experiences, perceptions, and expectations of key stakeholders. The objective is to identify actual donor-dependence patterns, institutional expenses, existing assets, local business opportunities, acceptable student-fee practices, and governance requirements.

- Data Collection Procedures: Qualitative data were gathered through semi-structured interviews, focus-group discussions (FGDs), institutional observations, and document analysis. These data collection methods involved key stakeholders, including school administrators, donors, religious leaders, waqf experts, community representatives, government officials, and business or agricultural partners. In addition, institutional case studies were conducted to examine existing local conditions.
- Data Analysis and Construct Identification: The qualitative findings were analyzed to identify the principal constructs and components of the proposed productive waqf financing model. The themes and insights generated during this qualitative phase directly informed the development of a questionnaire and measurement scales for the subsequent quantitative phase.

Qualitative data will be analyzed through thematic analysis. Interview transcripts, observation notes, and documents will be coded to identify themes such as donor volatility, operating-cost pressure, asset availability, community acceptance, student affordability, governance challenges, investment opportunities, and risk factors.

Phase 2: Quantitative survey and financial analysis

The second phase will develop a structured questionnaire based on the qualitative findings. The survey will measure the relationships among donor dependence, productive-waqf readiness, governance quality, transparency, student-fee capacity, revenue diversification, donor trust, and institutional sustainability. The survey population may include administrators, teachers, parents, donors, community members, waqf practitioners, and potential business partners. If the study covers several institutions, a target sample of at least 150 to 250 respondents is recommended for basic regression, correlation, factor analysis, or structural equation modelling. The final sample should be determined according to the number of institutions, respondents available, and the selected statistical technique.

Table 2 Possible survey constructs

Construct	**Example indicators**
Donor dependence	Percentage of budget from overseas donors, number of major donors, frequency of funding interruption
Financial vulnerability	Difficulty paying salaries, delayed maintenance, reduction of scholarships, inability to plan long term
Productive-waqf readiness	Willingness to establish waqf, availability of assets, donor support, managerial capacity
Governance quality	Clear roles, waqf board, independent oversight, Sharia advice, written policies
Financial transparency	Regular reports, audit, disclosure of income and expenses, digital access to records
Donor trust	Donor confidence, willingness to contribute regularly, willingness to contribute waqf
Revenue diversification	Donations, student fees, rental income, enterprise income, agricultural income, investment returns
Financial sustainability	Ability to pay recurrent costs, reserves, stable revenue, continuity of educational services
Student-fee affordability	Household income, willingness to pay, fee exemption needs, enrolment sensitivity to fees

The quantitative phase should use three types of analysis:

1. Descriptive analysis
   This will identify the percentage of income from donors, student fees, rental income, and other sources, annual operating expenses, student enrolment trends, and the number of donor-funded programmes.

2. Statistical relationship analysis



Correlation and regression analysis can test whether donor dependence is negatively related to sustainability and whether governance, transparency, productive-waqf readiness, and revenue diversification are positively related to sustainability.

3. Financial feasibility analysis
   This will evaluate each proposed waqf investment, such as rental rooms, rental shops, dormitories, agriculture, or a school-based enterprise.

Exploratory sequential mixed-methods research normally begins with qualitative exploration and uses those findings to develop a quantitative instrument or model for testing in the second phase (Creswell, 2014; Creswell & Plano Clark, 2018)
The second phase also employed quantitative methods to examine the statistical relationships among key organizational and financial variables, thereby assessing the broader applicability of the qualitative findings.
Data Generation and Hypotheses Testing: Quantitative data were generated using a structured questionnaire developed from the qualitative constructs. Statistical analyses were performed to test hypothesized relationships, specifically examining whether higher donor dependence had a negative relationship with institutional financial sustainability, and whether governance quality, financial transparency, and income-source diversification had positive relationships with waqf effectiveness and institutional resilience.
Financial Feasibility Modeling: Quantitative assessment and financial modeling utilized cash flow forecasting, Net Present Value (NPV), Internal Rate of Return (IRR), Benefit Cost Ratio (BCR), break-even analysis, and sensitivity analysis. These analytical techniques evaluated the economic viability, risk controls, and performance of potential productive waqf assets.
Phase 3: Integration and Model Validation
The final phase integrated the qualitative thematic insights, survey results, and financial-feasibility assessments to construct and validate a context-sensitive, productive *waqf* financing model. Designed to transition Cambodian Islamic educational institutions from relying on recurrent charitable consumption toward sustainable, income-generating endowments, the framework delineates the following core operational dimensions:
- Asset Selection & Shariah Compliance: Determining the proportion of voluntary donor contributions suitable for *waqf* designation, alongside identifying financially viable and Shariah-compliant asset classes.
- Revenue Generation & Allocation: Projecting sustainable yields across commercial, rental, agricultural, and service-based activities, with structured allocation schedules for educational funding, operational reserves, asset maintenance, and capital reinvestment.
- Educational Access & Affordability: Establishing balanced tuition structures supported by need- and merit-based scholarship mechanisms.



- Governance & Accountability: Formalizing oversight mechanisms, including internal and external audits, Shariah supervisory boards, risk mitigation frameworks, and transparent digital-reporting protocols.
- Phased Implementation: Formulating a step-by-step adoption sequence tailored to institutional capacity.

Model Validation. The constructed financing model was validated through a structured process involving expert reviews, stakeholder consultations, and a Delphi-based consensus process. This panel comprised Islamic-economics scholars, waqf practitioners, accountants, school administrators, local business experts, legal advisers, and community representatives. The validation process ensured that the final model accommodated practical governance, Sharia compliance, digital reporting, and risk-management requirements specific to the Cambodian minority Muslim context.

3.4 Institutional Case Profile

To ground the framework in empirical reality, baseline institutional data was collected from a representative Cambodian Islamic school. The institution serves a total student cohort of $N = 860$, divided into commuter and residential populations.

Institutional Enrollment and Fee Structure ($N = 860$)

Table 3 Students of One Institutional Case

Student Cohort	Enrollment (n)	Share (%)	Annual Tuition	Annual Boarding	Total Fee/Student	Nominal Potential
Day Students	734	85.35%	$675	—	$675	$495,450
Boarding Students	126	14.65%	$675	$700	$1,375	$173,250
Total Institutional Base	860	100.0%	—	—	—	$668,700

3.5 Financial Feasibility Modeling Equations

Proposed productive waqf investments are evaluated using capital budgeting metrics:

$$\text{Net Present Value (NPV)} = \sum_{t=1}^{n} \frac{CF_t}{(1+r)^t} - C_0$$

$$\text{Internal Rate of Return (IRR)} = \sum_{t=1}^{n} \frac{CF_t}{(1+IRR)^t} - C_0 = 0$$

$$\text{Benefit-Cost Ratio(BCR)} = \frac{\sum_{t=1}^{n} \frac{B_t}{(1+r)^t}}{\sum_{t=0}^{n} \frac{C_t}{(1+r)^t}}$$



3.6 Expected Outcomes and Contributions

The study is expected to produce a context-sensitive financing model that explains how Islamic educational institutions in Cambodia may gradually transform selected charitable contributions and institutional resources into productive-waqf assets. The proposed model is expected to identify: Appropriate sources of waqf capital, potential productive assets and investment activities, suitable Sharia-compliant contractual structures, governance and institutional responsibilities, procedures for protecting waqf principal, income-distribution mechanisms, financial and operational risk controls, digital transparency and reporting requirements, and mechanisms for stakeholder participation and model evaluation.The study is also expected to contribute theoretically by extending Resource Dependence Theory into the context of Islamic educational finance and productive waqf in a Muslim-minority country. It may demonstrate how waqf can function as a resource-diversification and dependency-reduction mechanism. Practically, the findings may assist Islamic schools, donors, community leaders, waqf managers, policymakers, and Islamic-finance institutions in designing sustainable financing arrangements. The model may help schools improve financial planning, maintain educational services, support disadvantaged students, retain teachers, and reduce vulnerability to sudden changes in external funding. The study may also contribute to wider community development by connecting educational waqf with local business, agriculture, vocational training, employment creation, and other productive activities. In this sense, productive waqf may operate not only as a source of school financing but also as a protective economic mechanism for Muslim communities in Cambodia.

4 RESULT AND DISCUSSION

4.1 Qualitative Findings and Thematic Analysis

Thematic coding of qualitative interview transcripts and institutional records yielded four primary themes governing the financial dynamics of Cambodian Islamic schools.

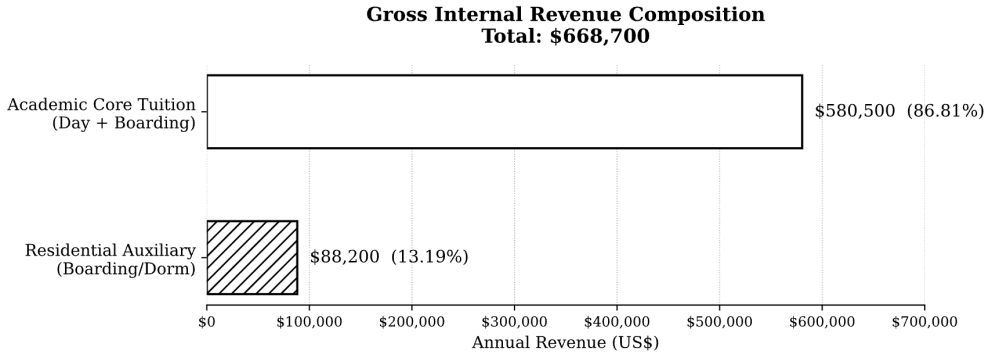
Table 4 Thematic Coding Framework and Qualitative Insights

Identified Theme	Sub-Themes / Codes	Empirical & Stakeholder Insights
Theme 1: Revenue Fragility	Donor volatility, project termination, payroll delays.	School administrators reported that 65% to 85% of annual operating budgets depend on discretionary overseas donations. Shifts in foreign donor priorities create sudden, severe operational shortfalls.
Theme 2: Asset Availability	Underutilized land, frontage commercial lots, dormant assets.	Institutions possess physical land plots entrusted by communities that generate zero recurring income due to a lack of seed capital and structured commercial management.
Theme 3: Fiduciary Trust & Oversight	Sharia compliance, digital reporting, dual audits.	Transnational donors express willingness to contribute to cash waqf endowments only if real-time digital reporting and independent audits eliminate information asymmetry.
Theme 4: Social Affordability	Hardship waivers, fee limits, community resilience.	Cham Muslim communities require that productive waqf yields cross-subsidize student tuition rather than transforming schools into fully commercialized private entities.

4.2 Empirical Analysis of Institutional Revenue Structure

The baseline data reveals a gross nominal internal revenue ceiling of 668,700$ annually:
Academic Core Revenue (Day + Boarding Tuition)
Academic Tuition Potentail 860 x $675.00=$580,500.00 (86.81% of gross revenue)
Residential Auxiliary Revenue (Boarding Operations)
Accommodation Potential is 126 x $700 = $88,200 (13.19% of gross revenue)





In practice, because Educational Muslim Cambodian serve socioeconomically disadvantaged communities, actual revenue realization is significantly lower due to targeted scholarship discounts, hardship waivers, and payment defaults.

If the institution were to rely exclusively on tuition, operating deficits would quickly emerge, forcing the school back into emergency overseas appeals.

4.3 Institutional Case Analysis & Baseline Revenue Deficit

Empirical operational data from a representative Cambodian Islamic educational institution serving N = 860 students (734 commuter day students and 126 boarding students) illustrates the underlying revenue deficit.

Table 5 Baseline Student Cohort and Nominal Revenue Potential (N = 860)

Student Cohort	Enrollment (n)	Share (%)	Annual Tuition	Annual Boarding	Nominal Revenue Potential
Day Students	734	85.35%	$675.00	—	$495,450.00
Boarding Students	126	14.65%	$675.00	$700.00	$173,250.00
Total Institutional Base	860	100.00%	—	—	$668,700.00

While the nominal gross revenue ceiling is $668,700.00 annually (Academic Tuition: $580,500.00; Boarding: $88,200.00), the socio-economic profile of the Cham Muslim community requires an institutional 40% hardship waiver and scholarship rate. Consequently, realized fee collection is only $401,220.00. Against total annual operational expenditures of $520,000.00 (faculty salaries, utilities, student meals, and maintenance), the school faces an annual recurring deficit of $118,780.00, which was historically bridged through uncertain overseas donations.

4.4 Financial Feasibility Modeling of Productive Waqf Deployment

To eliminate the $118,780.00 structural deficit, the model evaluates the conversion of $250,000.00 in donor-approved seed capital into a diversified productive waqf portfolio comprising: (1) Commercial Real Estate ($150,000.00 for a 10-unit street-front retail complex), and (2) Semi-Rural Agricultural Waqf ($100,000.00 allocated to high-yield horticulture under Muzara'ah and Salam contracts). A 10-year pro-forma discounted cash flow analysis was conducted at a conservative discount rate of 8.0%.

Table 6 10-Year Pro-Forma Cash Flow Forecast & Discounted Cash Flow Analysis (Discount Rate = 8.0%)

Year	Initial Outlay	Commercial Rental	Agricultural Yield	Total Net Cash Flow	Present Value (PV 8%)
0	($250,000.00)	—	—	($250,000.00)	($250,000.00)
1	—	$48,000.00	$22,000.00	$70,000.00	$64,814.81
2	—	$50,400.00	$23,500.00	$73,900.00	$63,357.34
3	—	$52,920.00	$25,000.00	$77,920.00	$61,855.43
4	—	$55,566.00	$26,800.00	$82,366.00	$60,541.67
5	—	$58,344.30	$28,500.00	$86,844.30	$59,104.22
6	—	$61,261.52	$30,200.00	$91,461.52	$57,636.21
7	—	$64,324.59	$32,000.00	$96,324.59	$56,189.92
8	—	$67,540.82	$34,000.00	$101,540.82	$54,860.03
9	—	$70,917.86	$36,000.00	$106,917.86	$53,485.49
10	—	$74,463.76	$38,200.00	$112,663.76	$52,185.34

1. Sources of Funding and Donor Dependence: Islamic educational institutions in Cambodia are predominantly dependent on foreign donations, which are often volatile and unpredictable. This dependence creates financial instability and limits long-term planning.
2. Potential for Productive Waqf: The study identifies that converting existing assets such as land, buildings, and donations into income-generating waqf assets can provide a more stable and sustainable revenue stream. Diversified investments, including agricultural activities, property leasing, and small enterprises, are feasible options.
3. Model Development: Through qualitative and quantitative analysis, a comprehensive productive waqf financing model was developed. This model incorporates professional management, clear governance, Sharia compliance, digital financial reporting, and stakeholder participation.
4. Financial Feasibility: Financial analyses, including cash flow forecasts and risk assessments, suggest that the model can generate recurring income, reduce reliance on external donors, and improve financial resilience.
5. Validation: The model was validated through expert reviews and stakeholder consultations, affirming its practicality and suitability for the Cambodian Islamic educational context.

- The findings underscore that traditional reliance on charitable donations exposes Islamic schools to significant financial vulnerabilities due to external shocks and donor priorities.
- Transforming donations into productive waqf assets offers a viable strategy to achieve sustainable financing, aligning with Islamic social finance principles.
- Effective governance, transparency, and stakeholder trust are vital for successful implementation, especially in a minority Muslim context with legal and institutional challenges.



- The model's diversification approach reduces risk and enhances the institutions' capacity for self-sufficiency.
- Though promising, implementation requires addressing legal ambiguities, building management capacity, and fostering community engagement to ensure acceptance and success.

5 CONCLUSIONS

This study demonstrates that transitioning Cambodian Islamic educational institutions from volatile foreign donor dependence to a structured productive waqf framework offers a sustainable solution for institutional resilience and operational continuity. Lacking comprehensive state support in a Muslim-minority setting, private Islamic schools are structurally vulnerable when relying exclusively on short term philanthropic transfers. Grounded in Resource Dependence Theory (RDT), the proposed framework alters this resource environment by establishing an internal, asset-backed revenue base while preserving the core philanthropic intent of benefactors.

By instituting a Three-Fund architecture segregating consumable operational donations, ring-fenced productive waqf capital, and supplementary student fees institutions can preserve endowed principal in perpetuity and channel audited operational yields directly into recurrent school expenditures. Empirical modeling of a representative Cambodian Islamic school $860 students; $580,500.00 core academic tuition potential and $88,200.00 residential auxiliary potential) demonstrates how self-sustaining student housing and commercial/agricultural waqf yields can cross-subsidize vulnerable learners, retain qualified educators, and buffer schools against sudden international funding cutbacks. To ensure successful implementation within Cambodia's distinct legal and socioeconomic landscape, the model highlights the necessity of:

1. Legal Anchoring: Anchoring endowments under national Civil Law trust and property deeds to secure asset ownership in the absence of dedicated statutory waqf acts.
2. Management Professionalization: Professionalizing trustee (*Nazhir*) management by separating commercial asset operations from devotional and religious administration to safeguard commercial yields.
3. Digital Transparency: Deploying cloud-based digital financial reporting to eliminate information asymmetry and sustain transnational donor confidence.
4. Phased Development: Adopting a phased investment approach, beginning with low-risk commercial leasing and dormitory self-sufficiency prior to complex agricultural partnerships.

Ultimately, this study contributes theoretically by extending Resource Dependence Theory into Islamic social finance within minority settings, and practically by offering a viable blueprint for school rectors, waqf trustees, donors, and community leaders. Through disciplined governance and productive asset mobilization, Cambodian Islamic educational institutions can achieve long-term financial autonomy, safeguard their pedagogical mission, and strengthen community resilience.



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