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Measuring Intellectual Capital in Non-Profit Organizations: An Exploratory Study of Waqf Institutions in Malaysia

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Abstract. In the era of knowledge-based economies, successful organizations are those that recognize, manage, and leverage intellectual capital (IC) to enhance their activities and improve organizational performance, thereby gaining a competitive advantage. This study aims to identify and examine the role and significance of IC components within Malaysian waqf institutions. Data were collected through structured questionnaires administered to 202 waqf employees across five State Islamic Religious Councils (SIRCs) in Malaysia. The data were analyzed using Partial Least Squares Structural Equation Modelling (PLS-SEM) to test the path relationships among the study constructs.The findings indicate that human capital, technological capital, and spiritual capital are positively and significantly associated with organizational performance. In contrast, relational capital, structural capital, and social capital were not found to have a significant impact within the context of Malaysian waqf institutions. This study offers novel insights into the strategic role of IC in the performance of waqf institutions, particularly in a non-profit Islamic context. By integrating knowledge and IC concepts, the study provides a foundational framework to better understand and address long-standing challenges in waqf institutions, such as mismanagement and lack of accountability. The findings have practical implications for both Malaysian and global waqf administrators.

Keywords: Intellectual Capital; Organizational Performance; Non-Profit Organizations; Waqf Institutions; Malaysia.

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INTRODUCTION

The rise of the knowledge-based economy (k-economy) has brought about a fundamental transformation in contemporary business practices. In this new economic paradigm, knowledge-based resources play a pivotal role in shaping organizational wealth and long-term sustainability. As the k-economy continues to expand, intellectual capital (IC) has emerged as a critical factor in enhancing organizational competitiveness—applicable to both profit and non-profit entities (Laallam et al., 2020).

Intellectual capital is a comprehensive concept that encompasses knowledge, learning capabilities (Salehi et al., 2022), and organizational skills. These intangible assets are increasingly viewed as drivers of economic development, often replacing the traditional reliance on physical and financial resources (Dong & Doukas, 2025; Gumbau-Albert & Maudos, 2022). In non-profit and mission-driven organizations, intellectual capital is particularly important, as value creation extends beyond financial outcomes to include social impact, trust, accountability, and long-term institutional sustainability (Harb et al., 2026).

Despite its growing relevance, only a limited number of studies have examined the role or impact of intellectual capital on the performance and effectiveness of religious non-profit organizations (NPOs), such as zakat and waqf institutions (Adnan, Kamaluddin, et al., 2013; Laallam et al., 2022; Zakiy & Falikhatun, 2024). Waqf institutions, in particular, are recognized as non-profit entities tasked with managing endowment properties and funds in Muslim countries (Al-Daihani et al., 2025). Unlike conventional organizations, waqf institutions operate under a dual accountability framework—accountability to society and accountability to Allah—which places greater emphasis on ethical governance, trust (amanah), and value-based management (Ayub et al., 2025; Hassan & Yusoff, 2020).

Existing literature on waqf institutions often highlights various challenges, including the underutilization of waqf assets, limited transparency and accountability, inadequate regulatory frameworks, ineffective organizational structures, and the absence of systematic reporting and disclosure mechanisms. Other common issues include a lack of organizational vision, poor information systems, insufficient innovation and talent development, and the overall failure to achieve both institutional and societal objectives (Ascarya et al., 2022; Laallam, Kassim, Ali, et al., 2020; Maulina et al., 2026; Mustaffa et al., 2022; Shabbir, 2018). These challenges are often exacerbated by the absence of a comprehensive waqf governance system and a general neglect of knowledge management and intellectual capital (Laallam et al., 2020). Recent studies on Malaysian waqf institutions further reveal governance fragmentation, weak reporting practices, and limited human and technological capacity, despite ongoing reform initiatives and increasing public expectations for transparency and performance (Kamaruddin et al., 2024). In this context, intellectual capital offers a systematic lens through which internal organizational capabilities, governance practices, and value-creation mechanisms within waqf institutions can be more effectively understood and evaluated. Given this context, intellectual capital becomes a vital asset for waqf institutions and other NPOs, as it can enhance their ability to achieve their objectives more efficiently and effectively.

There is a pressing need to investigate the role of intellectual capital in waqf institutions, particularly in terms of how its various components influence organizational performance (OP). This study focuses on Malaysian waqf institutions and is grounded in the theoretical perspective that intellectual capital serves as a strategic management tool for NPOs (Kong & Prior, 2008). It also draws upon prior studies—such as Khalique et al. (2020)—which examine key IC components: human capital (HC), structural capital (STC), relational capital (RC), social capital (SC), technological capital (TC), and spiritual capital (SPC), in relation to organizational performance. Adopting a comprehensive IC framework enables a more granular assessment of organizational strengths and weaknesses that may otherwise remain obscured in traditional performance evaluations. However, existing IC studies—particularly those applied to waqf institutions—largely adopt conventional frameworks and provide limited discussion on how Islamic values, governance principles, and institutional objectives shape the nature and effectiveness of intellectual capital.

Building on and extending prior empirical work on intellectual capital in waqf institutions (e.g., Laallam et al., 2022), this study does not seek to replicate earlier findings, but rather to contextualize and deepen the understanding of intellectual capital by embedding it within the unique institutional, governance, and ethical environment of Malaysian waqf institutions. By applying an established IC construct in a different national and governance setting, the study facilitates cross-contextual insight into waqf management practices and supports the development of more comparable and transferable analytical frameworks for future research across Muslim countries. In this regard, intellectual capital in waqf institutions is conceptualized not merely as a collection of intangible resources, but as a value-driven system rooted in Islamic principles such as amanah (trust), shura (consultation), taqwa (God-consciousness), and maqasid al-shariah (Choudhury et al., 2019; Sarif et al., 2026).

Accordingly, the novelty of this study lies in its contextual-theoretical extension of intellectual capital theory to Islamic social finance institutions, rather than in claiming the introduction of entirely new constructs or relationships. The study contributes to ongoing efforts to refine and adapt IC-based models in waqf institutions by empirically examining how established IC dimensions operate within the Malaysian waqf ecosystem. By empirically examining a comprehensive IC model within Malaysian waqf institutions, this research contributes to a more nuanced understanding of how intellectual capital operates in religious non-profit settings characterized by strong ethical, spiritual, and social imperatives.

The study contributes to the literature on intellectual capital in several key ways. First, it advances IC theory by empirically confirming the relationship between IC components and organizational performance in the non-profit sector while explicitly accounting for the institutional and ethical characteristics of waqf organizations. Second, it brings focused attention to intellectual capital in the waqf sector—a domain that remains largely underexplored, particularly in Southeast Asia. Third, it supports the growing interest in IC innovation beyond traditional corporate settings, highlighting its potential socio-economic and developmental impact. Fourth, it tests the integrated IC model developed by Khalique et al. (2020) within Malaysian waqf institutions, offering deeper insights into often-overlooked components such as social, technological, and spiritual capital in an Islamic governance context. Fifth, it provides empirical data on religious NPOs, a field typically dominated by qualitative research. Lastly, it offers practical insights for waqf managers and policymakers in Malaysia on the necessity of incorporating robust, value-driven IC strategies into waqf sector planning and execution.

The remainder of this study is structured as follows: Section 2 reviews the relevant literature and develops the research hypotheses. Section 3 outlines the methodology and presents the findings. Section 4 discusses the results. Finally, Section 5 concludes with the study's implications and key recommendations for future research.

LITERATURE REVIEW

Waqf institutions in Malaysia

In Malaysia, the administration of waqf affairs falls under the jurisdiction of the Islamic Religious Council of each state. These State Islamic Religious Councils (hereafter referred to as "the Council") are vested with the authority to manage and oversee waqf properties in accordance with Shari'ah principles. Malaysia, an Islamic country comprising 13 states and three Federal Territories, has a total of 14 such Councils—one for each state and one representing the Federal Territories—formally recognized as waqf trustees. The Council holds a distinctive position as a waqf institution, serving as the sole trustee of all waqf properties within its respective state. The designation "sole trustee" indicates that the Council is legally mandated, through specific state legislation, to supervise, manage, and develop all waqf assets under its jurisdiction (Norinah, 2020).

While this centralized governance structure is intended to safeguard waqf assets and ensure Shari'ah compliance, prior studies have documented several institutional challenges within Malaysian waqf administration. These include governance fragmentation across states, limited standardization in reporting practices, weak disclosure mechanisms, and varying levels of managerial and technological capacity (Kamaruddin et al., 2024; Kamaruddin & Hanefah, 2021). Despite policy reforms and increasing public attention toward waqf revitalization, many waqf institutions continue to struggle with operational inefficiencies, underdeveloped human resources, and inadequate knowledge management systems (Arshad & Zain, 2017; Hassan & Noor, 2025). This institutional context makes Malaysian waqf institutions a particularly relevant setting for examining the role of intellectual capital in enhancing organizational performance and accountability.

Intellectual capital and its sub-components

Intellectual capital (IC) is widely recognized as a set of intangible resources, capabilities, skills, technologies, and customer relationships that contribute to organizational performance (OP), value creation, and the development of sustainable competitive advantage (Harandi et al., 2026). Often referred to as the "new invisible asset," IC is commonly defined as "knowledge that is of value to an organization." This definition implies that effective knowledge management is the foundation for generating IC.

Over time, scholars have proposed various definitions and classifications of IC. However, the majority converge on three interrelated and non-financial core components: human capital (HC), relational capital (RC), and structural capital (STC) (Aghel & Azam, 2026; Aslam et al., 2024; Rehman et al., 2022). This study adopts the classification framework of Khalique et al. (2020) to examine intellectual capital within the context of waqf institutions in Malaysia.

In waqf institutions, intellectual capital extends beyond conventional efficiency- and profit-oriented objectives. As Islamic social finance institutions, waqf organizations are guided by religious, ethical, and social imperatives rooted in Islamic teachings, including amanah (trust), mas'uliyyah (accountability), shura (consultation), and maqasid al-shariah (Choudhury et al., 2019; Hassan & Yusoff, 2020). Accordingly, IC in waqf institutions embodies not only technical knowledge and organizational routines, but also value-based leadership, stakeholder trust, spiritual motivation, and mission-centric governance (Ayub et al., 2025; Sarif et al., 2026; Sharip et al., 2023).

Human Capital (HC) refers to professional development initiatives such as education, training, and other strategies aimed at enhancing employees' knowledge, skills, competencies, and values. These efforts lead to improved employee performance and satisfaction, which ultimately enhance the overall performance of the organization (Al-Romeedy & Adekoya, 2025; Al Frijat & Elamer, 2025). From an Islamic perspective, HC development is viewed as a holistic process encompassing intellectual, moral, and spiritual dimensions, where work is regarded as a form of worship ('ibadah) and individuals are entrusted with the role of khalifah (vicegerent) on earth (Abdullah, 2012; Khan et al., 2010; Yusmazida et al., 2025).

Relational Capital (RC)—also known as customer or external capital—encompasses the organization's external relationships and networks. This includes insights into customer profiles, satisfaction levels, loyalty, and long-term associations with suppliers, potential clients, and strategic partners. RC also covers marketing channels and business relationships developed through commercial activities (Abd-Elrahman & Ahmed Kamal, 2022). In waqf institutions, RC is particularly critical, as public trust, donor confidence, and stakeholder engagement directly influence the sustainability of waqf assets and fundraising activities (Asrori et al., 2026).

Structural Capital (STC) comprises non-human assets that support organizational processes and infrastructure, such as databases, manuals, organizational charts, innovation systems, communication networks, and strategic frameworks (Khalique et al., 2020). As an enabler of both HC and RC, STC plays a critical role in facilitating efficient operations and enhancing overall performance (Kong & Prior, 2008). For waqf institutions, STC also includes Shari'ah governance mechanisms, internal controls, reporting systems, and standardized procedures that ensure transparency and accountability to both stakeholders and divine authority (Hassan & Yusoff, 2020; Yusmazida et al., 2025).

Social Capital (SC)—also known as cultural capital—refers to shared organizational values and norms that influence the quality and quantity of social interactions. It is instrumental in fostering social cohesion and enabling community-based development and well-being (Singh, 2024). SC is often described as the "glue" that binds social institutions together, and it is grounded in principles of corporate social responsibility, including fairness, transparency, honesty, and ethics (Listiana et al., 2026). In Islamic organizations, SC is closely linked to concepts such as *ukhuwwah* (brotherhood), *thiqa* (trust), *rahmah* (mercy) and social solidarity, which are essential for mobilizing community support and achieving socio-economic objectives (Majeed, 2019; Sharip et al., 2023).

Technological Capital (TC) consists of intangible assets derived from innovation, research, and development (R&D). TC is a key element of IC in the knowledge-based economy, contributing significantly to improved organizational performance and long-term sustainability (Khalique et al., 2020). Recent studies highlight the growing importance of digital platforms, blockchain, and artificial intelligence in waqf management, particularly in enhancing transparency, efficiency, and stakeholder engagement (Maretaniandini et al., 2025).

Spiritual Capital (SPC) refers to religious and ethical beliefs, values, and practices that influence individuals, institutions, and communities in measurable ways. It encompasses intangible knowledge, faith, vision, principles, culture, and emotional intelligence embedded within individuals and organizations (Vasconcelos, 2021). SPC contributes to corporate performance by enhancing well-being, satisfaction, and ethical behavior among stakeholders, and plays a pivotal role in fostering organizational harmony and purpose (Rahman et al., 2021). In waqf institutions, SPC represents a foundational resource that aligns organizational actions with the pursuit of *al-falah* (holistic success in this world and the hereafter), reinforcing mission integrity and long-term sustainability (Sarif et al., 2026).

Theoretical framework and research hypotheses

In the context of non-profit organizations (NPOs), human capital (HC) holds particular significance due to its strong association with achieving organizational goals. The competencies, formal education, personality traits, and knowledge embodied by human resources serve as a foundation for innovation and the development of new capabilities, thereby enhancing the organizational performance (OP) of NPOs (Haron et al., 2023). Conversely, the inability to attract skilled and experienced volunteers—those who are motivated and passionate about learning and service—can severely hinder an NPO's development and its ability to fulfill its mission (Bloice & Burnett, 2016). As noted by Oliveira et al. (2021), HC is a critical determinant of success or failure for actors in the Holy Houses of Mercy in Portugal. Empirical studies have consistently reported a significant and positive relationship between HC and OP in the nonprofit domain (Laallam et al., 2022; Sharip et al., 2023; Zakiy & Falikhatun, 2024).

In waqf institutions, HC assumes an even more strategic role, as employees and managers are expected to possess not only technical and managerial competencies but also Shari'ah knowledge, ethical commitment, and a strong sense of *amanah* (Sharip et al., 2023; Zafar &

Jafar, 2024). Such integrated human capital enhances service quality, governance effectiveness, and the achievement of waqf's socio-religious objectives. Accordingly, the following hypothesis is proposed:

H1. Human capital has a positive and significant relationship with the organizational performance of waqf institutions in Malaysia.

Relational capital (RC) refers to the flow of knowledge and relationships between an organization and its external environment. This includes its reputation, influence within distribution channels, and connections with customers, suppliers, governments, and professional associations (Abd-Elrahman & Ahmed Kamal, 2022). In the nonprofit sector, organizational effectiveness and performance are heavily dependent on RC. Several studies have shown that mutual collaboration, shared resources, and inter-organizational learning enhance performance and support mission achievement (Dzhengiz, 2020; Laallam et al., 2022; Zakiy & Falikhatun, 2024). In the waqf sector, researchers emphasized the importance of volunteer campaigns, field trips, and communication by the waqf institution in spreading the culture of waqf and building relationships with various segments of society (Lahsasna, 2018).

Given that waqf institutions rely heavily on donor trust, community legitimacy, and inter-institutional cooperation, strong RC is essential for sustaining financial inflows and social impact (Asrori et al., 2026; Bonang et al., 2026). Empirical findings consistently confirm a positive and significant relationship between RC and OP in NPOs (Adnan et al., 2013; Mohd Noor et al., 2015; Zakiy & Falikhatun, 2024). Thus, the following hypothesis is proposed:

H2. Relational capital has a positive and significant relationship with the organizational performance of waqf institutions in Malaysia.

Structural capital (STC) represents the non-human knowledge embedded within an organization, such as databases, procedures, policies, and systems that support operations (Khalique et al., 2020). These structures serve as enablers of performance by facilitating efficient internal processes. However, some research has indicated that NPO managers often prioritize HC while undervaluing STC, potentially weakening the organization's overall knowledge management framework (Benevene et al., 2017). Previous studies on STC's influence on OP in NPOs have produced mixed results.

In the waqf context, STC—including standardized reporting, Shari'ah governance mechanisms, and internal control systems—is critical for ensuring accountability, minimizing mismanagement, and enhancing institutional credibility (Hassan & Yusoff, 2020; Kamaruddin & Hanefah, 2021). Given these considerations, the following hypothesis is formulated:

H3. Structural capital has a positive and significant relationship with the organizational performance of waqf institutions in Malaysia.

As socio-economically driven entities, most NPOs—including waqf institutions—require social capital (SC) to succeed in both their operations and in building strong relationships with stakeholders (Laallam et al., 2020). Stakeholder engagement is central to the nonprofit context, and the cultivation of such relationships contributes to the accumulation of SC (Lumpkin & Bacq, 2019). SC is built upon values such as transparency, trust, communication, honesty, fairness, corporate social responsibility, and concern for employee well-being (Sharip et al., 2023; Listiana et al., 2026).

For waqf institutions, SC is deeply embedded in Islamic notions of social solidarity and collective responsibility, which facilitate community participation, fundraising, and effective distribution of waqf benefits (Majeed, 2019). Empirical studies have confirmed the significant role of SC in fostering innovation and improving the performance of NPOs (Marques et al., 2025; Sanzo et al., 2015; Weerakoon et al., 2020). To assess the contribution of SC to Malaysian waqf institutions, the following hypothesis is proposed:

H4. Social capital has a positive and significant relationship with the organizational performance of waqf institutions in Malaysia.

Technological capital (TC) pertains to the extent to which NPOs adopt and integrate technology to develop innovative products and services that meet community needs. It involves IT innovation, data literacy, and research and development (R&D) activities (Khalique et al., 2020). In the knowledge-based economy, the strategic use of technology is essential for NPOs to fulfill their missions (Álvarez-González et al., 2023; Zakariyah et al., 2022).

In Malaysian waqf institutions, digital technologies have been increasingly promoted to improve transparency, operational efficiency, and stakeholder engagement; however, adoption remains uneven across states (Maretaniandini et al., 2025). Based on this, the following hypothesis is proposed:

H5. Technological capital has a positive and significant relationship with the organizational performance of waqf institutions in Malaysia.

Spiritual capital (SPC) is increasingly acknowledged as a crucial factor influencing individual commitment and organizational performance in both the for-profit and nonprofit sectors (Khalique et al., 2020; Rahman et al., 2021). SPC comprises intangible and metaphysical resources derived from individuals' religious, ethical, and spiritual values and experiences, which can be applied to economic and organizational contexts (Stokes et al., 2016). Given that waqf institutions are religious and nonprofit in nature, SPC is expected to significantly influence performance.

In the Malaysian waqf context, SPC reinforces ethical conduct, strengthens mission alignment, and fosters intrinsic motivation among employees and stakeholders, thereby supporting sustainable organizational performance (Sarif, 2026). Therefore, this study proposes the following hypothesis:

H6. Spiritual capital has a positive and significant relationship with the organizational performance of waqf institutions in Malaysia.

METHOD

In this study, data were collected using a self-administered survey questionnaire composed of various item formats. The questionnaire was distributed to managers and employees of five State Islamic Religious Councils (SIRCs) in Malaysia, specifically: Selangor, Melaka, Sabah, Terengganu, and Sarawak. These five SIRCs were selected to ensure geographical diversity and institutional variation, representing waqf administrative contexts across Malaysia.

The items were primarily adopted from previous research on intellectual capital (IC), including studies by Kong and Prior (2008), Adnan et al. (2013), Khalique et al. (2020), and Sharabati et al. (2010). This approach ensured content validity and comparability with established IC measurement models while allowing contextual adaptation to the waqf sector. Subsequently, the questionnaire was refined and further developed through expert reviews to better align with the unique characteristics of the waqf sector. Specifically, three experts—two academics specializing in Islamic social finance and one senior waqf practitioner—reviewed the instrument to assess clarity, relevance, and contextual appropriateness. Minor wording modifications were made based on their feedback.

The questionnaire comprises two main components: (1) demographic and professional information of the respondents, and (2) items measuring elements of intellectual capital and organizational performance (OP). The selection of managers and employees as respondents

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was deliberate, as both groups are directly involved in strategic decision-making, operational execution, and knowledge application within waqf institutions. Managers provide insights into governance and strategic IC deployment, while employees reflect day-to-day knowledge utilization and organizational practices.

The OP items were formulated based on the balanced scorecard framework and supplemented with insights from expert interviews (Khalique et al., 2020). This framework was deemed suitable as it captures both financial and non-financial performance dimensions, which are particularly relevant for nonprofit and religious institutions such as waqf. A 5-point Likert scale was used throughout the instrument, allowing respondents to express their level of agreement, ranging from (1) “strongly disagree” to (5) “strongly agree.”

A total of 450 questionnaires were manually distributed to the selected participants. Of these, only 202 responses were deemed valid for analysis, resulting in a usable response rate of 45%. The remaining 248 responses were excluded due to incomplete answers, non-retrieval of some questionnaires, and the identification of potential outliers, which could compromise the accuracy and reliability of the data analysis (Hair et al., 2010). The final sample size exceeds the minimum requirements for PLS-SEM analysis, which is robust even with relatively small samples and complex models.

The questionnaire was structured into three main sections (A–C). Section A collected demographic and background information, including gender, age, education level, job position, work experience, number of employees in the institution, and organizational age. Section B consisted of 89 items related to the six dimensions of intellectual capital. Section C included 20 items designed to capture various aspects of organizational performance.

RESULTS

Data Analysis Technique

The data in this study were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) via SmartPLS version 4. PLS was selected due to its advantages in simultaneously estimating relationships between latent constructs (structural model) and between indicators and their respective latent variables (measurement model) (Hair et al., 2020). Moreover, PLS-SEM is particularly suited for predictive causal analysis in complex research settings, especially when theoretical relationships are still underdeveloped (Hair et al., 2019). Given the exploratory and theory-extension nature of examining intellectual capital in waqf institutions, PLS-SEM was considered methodologically appropriate.

SmartPLS, a software based on the variance-based SEM approach, offers significant advantages over covariance-based SEM (CB-SEM), especially under the following conditions: (a) small sample size, (b) limited theoretical foundation, (c) an exploratory or newly proposed model, (d) high model complexity involving multiple constructs and structural paths, (e) emphasis on predictive accuracy, and (f) potential issues with model specification (Hair et al., 2019). All these conditions apply to the present study.

Although PLS-SEM is considered a "soft modeling" technique that does not require normal data distribution (Vinzi et al., 2010), preliminary data screening was conducted using SPSS to ensure the quality and suitability of the dataset for further analysis (Hair et al., 2020). In this initial stage, the data were subjected to several diagnostic tests, including assessments of normality, multicollinearity, missing values, and outliers (Ringle et al., 2012). No serious violations were detected, confirming the robustness of the dataset.

This study adopted the two-step approach proposed by Henseler et al. (2009) for evaluating and reporting PLS-SEM results. This approach involves: (a) assessment of the measurement model, to evaluate the reliability and validity of constructs; and (b) assessment of the structural model, to test hypothesized relationships between constructs.

Demographic profiles

The demographic characteristics considered in this study include province, gender, age, educational level, number of employees, organizational age, job position, and work experience. As shown in Table 1, the majority of respondents (44.1%) were from Selangor, followed by Melaka (15.8%), Miri, Terengganu (15.3%), Sarawak (14.4%), and Sabah (10.4%).

In terms of gender distribution, the sample was almost evenly split, with 49.5% male and 50.5% female respondents. Regarding age, the largest segment of participants was within the 20–30 years age group, while the smallest group comprised those over 51 years old. With respect to educational background, most respondents held a bachelor’s degree (51.5%), followed by those with a diploma (35.6%). Concerning institutional characteristics, the majority of waqf institutions across Malaysia’s 14 states have been operating for more than 20 years and typically employ between 50 and 100 staff members.

Regarding job positions, four managerial levels were represented in the study. Specifically, 5 respondents (5%) were senior managers, and 11 respondents (10.9%) were heads of departments. Additionally, 28 participants (27.7%) were heads of units, responsible for overseeing key waqf-related operations, including daily activities and administrative functions. Furthermore, 15 respondents (14.8%) were executives, and the largest group, 42 participants (41.6%), were administrative assistants, whose responsibilities were directly or indirectly linked to the management of waqf (*awqaf*). In terms of experience, the majority of respondents (61.3%) had less than five years of service within the State Islamic Religious Councils (SIRCs).

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Table 1. Demographic profiles

Variables	*N*	(%)
State Islamic Religious Councils (SIRCs)	89	44.1
Selangor	32	15.8
Melaka	21	10.4
Sabah	31	15.3
Terengganu	29	14.4
Miri Sarawak		
Gender		
Male	100	49.5
Female	102	50.5
Age		
20-30 years	100	49.5
31-40 years	82	40.6
41-50 years	12	5.9
>51 years	8	3.9
Education		
Diploma	72	35.6
Higher diploma	12	5.9
Bachelor	104	51.5
Master	14	6.9
Number of employees		
<50 employees		
50-100 employees	202	100
>101 employees		
Organizational age		
<20 years		
>20 years	202	100
Job position		
Senior manager	10	5
Head of department	22	10.9
Executive	30	14.8
Head Unit	48	23.7
Administrative assistants	92	45.5
Experience		
<5 years	124	61.3
5-10 years	56	27.7
11-15 years	6	3
16-20 years	10	5
>21 years	6	3

Note: This table shows demographic characteristics included in this study, six of which are related to the respondents' profiles, i.e., gender, age, education, job position and experience, whereas three are related to the organizational characteristics, i.e., province, number of employees and organizational age. The number of respondents is n = 202.

Source(s): Author's own work.

Measurement Model Assessment

According to Henseler et al. (2009) and Hair et al. (2019), a convergent validity test is essential for evaluating the measurement model. In this initial stage of the analysis, individual item loadings, average variance extracted (AVE), and composite reliability (CR) were assessed. The results of the convergent validity test are presented in Table 2. As indicated, all individual item loadings exceeded 0.708, consistent with the threshold recommended by Hair et al. (2019). This indicates strong indicator reliability across all constructs.

Regarding AVE, values above 0.50 are considered acceptable (Chin, 1998). In this study, AVE values ranged from 0.594 to 0.682, indicating satisfactory convergent validity. Furthermore, the CR values ranged from 0.898 to 0.943, meeting the criteria for internal consistency reliability. These results confirm that the measurement items consistently represent their intended latent constructs.

Table 2. Evaluation of the Measurement Model

Construct & Items	Loadings	VIF	Cronbach's Alpha	CR	AVE
Human capital (HC)			0.918	0.931	0.602
HC4: Our employees are able to develop new ideas in line with donors' wishes.	0.715	1.923			
HC7: Our employees participate in continuous training programs every year.	0.752	3.089			
HC8: Our employees present research papers on behalf of the organization at national and international conferences.	0.734	3.986			
HC9: Our organization invests considerable time and effort in developing employees' knowledge and skills.	0.708	2.581			
HC10: Our employees generally understand the target markets, client profiles, and the wishes of beneficiaries and donors.	0.804	2.265			
HC11: Our organization recognizes knowledge as a strategic asset.	0.766	2.684			
HC16: Our employees are satisfied with the performance evaluation system.	0.841	3.086			
HC17: Our organization's leadership demonstrates expertise, knowledge, and strong educational qualifications.	0.804	3.105			
HC19: In our organization, employees are satisfied with top management.	0.846	3.669			
Relational capital (RC)			0.914	0.931	0.659
RC1: Our organization is currently engaged in a joint project with several other organizations.	0.751	2.642			
RC3: Our organization is able to learn and create added value through its partners.	0.820	2.932			
RC4: Our organization prides itself on being partnership-oriented.	0.755	2.915			
RC5: Our strategic alliances contribute to improved productivity and profitability.	0.863	3.627			
RC6: Our organization is aware of clients' complaints.	0.801	2.425			
RC7: Our clients and donors are increasingly choosing our services.	0.866	3.410			
RC9: Clients are satisfied with the contract period of our products and services.	0.820	2.645			
Structural capital (STC)			0.890	0.916	0.646
STC1: In our organization, information is always available.	0.771	2.446			
STC2: Our organization uses the best and most integrated management system to serve clients, donors, and beneficiaries.	0.829	2.789			

STC6: Our organizational structure promotes close collaboration among employees.	0.727	2.042			
STC8: Our recruitment department is fully dedicated to hiring the best-qualified employees.	0.797	2.365			
STC12: Client and donor profiles are recorded in the system database.	0.829	2.574			
STC14: Our systems and programs contribute to improved organizational productivity and profitability.	0.862	3.198			
Social capital (SC)			0.864	0.898	0.594
SC1: Our organization works to build and maintain its organizational culture in the industry.	0.801	2.979			
SC2: Our organization prioritizes environmental sustainability and public social benefits in project planning and execution.	0.833	3.157			
SC5: Our employees like to share information and learn from each other.	0.708	2.133			
SC6: Our employees have good relationship with each other in performing their duties.	0.770	2.433			
SC7: Our employees exchange ideas with people from different areas of the organization.	0.720	1.922			
SC9: Our employees have good relationship with customers, suppliers, alliance partners and friends to develop solutions for organization.	0.786	1.804			
Technological capital (TC)			0.881	0.914	0.682
TC5: Our organization adopts the latest high-tech tools and technologies to stay competitive in the market.	0.786	1.983			
TC6: Our organization leverages social media platforms to market and promote its products and services.	0.717	1.507			
TC9: Our organization provides sufficient funding for technological advancement and development.	0.884	3.454			
TC10: Our organization enhances technological knowledge by leveraging technologies from external sources.	0.863	2.982			
TC11: Our employees possess the skills and professionalism necessary for technological innovation.	0.866	2.409			
Spiritual capital (SPC)			0.935	0.943	0.601
SPC2: The organization places trust in its management team to carry out their responsibilities effectively.	0.709	2.000			

SPC3: Our organization's profitability and success is enhanced by its adherence to religious beliefs.	0.719	2.669			
SPC4: Our employees uphold key religious values, such as honesty, total commitment, care, and respect for customers.	0.754	3.652			
SPC5: Guided by religious teachings, our employees perform their duties with sincerity and honesty.	0.788	2.948			
SPC6: Guided by religious teachings, our organization's managers and directors perform their duties with sincerity and honesty.	0.784	3.210			
SPC7: Our organization is more profitable due to socially responsible activities.	0.816	3.054			
SPC8: Our organization emphasizes honesty, commitment, and respect for employees as core values.	0.744	3.819			
SPC9: Our employees are honest in carrying out their responsibilities.	0.743	2.526			
SPC10: Our managers and directors are honest in performing their responsibilities.	0.799	3.104			
SPC11: Our organization upholds ethical business practices in its daily operations.	0.813	3.687			
Organizational performance (OP)			0.909	0.927	0.612
OP2: Our organization's profit has been growing continuously.	0.734	2.049			
OP8: Our donors are satisfied with our societal achievements and services.	0.800	2.671			
OP9: Our donors are satisfied with the organization's governance and operational practices.	0.825	4.048			
OP10: Our organization's managers and directors are loyal and committed to fulfilling their duties and organizational objectives.	0.753	2.931			
OP11: Our organization's managers and directors act in the best interests of the organization.	0.841	3.295			
OP14: Our industry is continuously growing and improving.	0.792	3.365			
OP15: Our organization achieves a high success rate in launching new services.	0.772	2.676			
OP19: Our organization has successfully achieved its social objectives and mission while consistently attaining and maintaining superior performance.	0.737	1.990			

Source(s): Author's own work.

Discriminant validity was assessed using both the Fornell–Larcker criterion and the Heterotrait-Monotrait (HTMT) ratio. As shown in Table 3, all constructs satisfied both criteria, indicating adequate discriminant validity and confirming that each construct is empirically distinct.

Table 3. Fornell-Larcker Criterion & HTMT Results

Tests	Fornell-Larcker Criterion							HTMT Results						
Construct and items	1	2	3	4	5	6	7	1	2	3	4	5	6	7
1- HC	*0.776*													
2- OP	0.664	*0.783*						0.701						
3- RC	0.587	0.649	*0.812*					0.603	0.698					
4- SC	0.644	0.630	0.680	*0.771*				0.707	0.690	0.761				
5- SPC	0.230	0.482	0.480	0.557	*0.776*			0.231	0.484	0.524	0.625			
6- STC	0.454	0.661	0.732	0.678	0.622	*0.804*		0.474	0.726	0.810	0.763	0.674		
7- TC	0.593	0.743	0.725	0.643	0.401	0.744	*0.826*	0.637	0.819	0.799	0.734	0.425	0.838	

Source(s): Author's own work.

Structural Model Assessment

Once the measurement model was validated, the structural model was assessed. The coefficient of determination (R^2) for organizational performance was 0.674, indicating that approximately 67% of the variance in OP is explained by the six dimensions of intellectual capital. This reflects a substantial explanatory power and highlights the strategic importance of IC in waqf institutions.

Before evaluating the structural relationships, it is essential to examine collinearity to ensure that the regression results are not biased. According to Hair et al. (2020), this can be assessed using the variance inflation factor (VIF). As per the threshold proposed by Becker et al. (2015), VIF values exceeding 5 may indicate potential collinearity issues among the predictor constructs. As shown in Table 2, the VIF values in this study ranged from 1.507 to 4.048, suggesting no significant multicollinearity concerns.

In addition, Hair et al. (2020) advocate evaluating the effect size (f^2) by examining changes in R^2 when specific exogenous constructs are removed from the model (see Table 4). This procedure helps determine the individual contribution of each construct to the endogenous variable. According to Cohen (1988), f^2 values of 0.02, 0.15, and 0.35 represent small, medium, and large effects, respectively.

Bootstrapping with 5,000 subsamples was conducted to test the significance of the hypothesized relationships. According to Table 4, and Figure 1, the results reveal that human capital, technological capital, and spiritual capital exert a positive and statistically significant influence on organizational performance, while relational, social, and structural capital do not demonstrate significant effects.

The non-significant findings suggest that not all IC components contribute equally to performance in the waqf context, underscoring the sector-specific nature of IC dynamics. These results indicate that performance in Malaysian waqf institutions is primarily driven by people-related capabilities, technology adoption, and spiritual-ethical values, rather than formal structures or external relationships alone.

Table 4. Results of structural model

Hypothesis	Relationship	Std. Beta	Std. error	*t*-value	f^2	Decision
H1	HC -> OP	0.359	0.091	3.928^{***}	0.189	Supported
H2	RC -> OP	0.013	0.106	0.119	0.000	Not supported
H3	STC -> OP	0.105	0.121	0.871	0.010	Not supported
H4	SC -> OP	-0.042	0.133	0.313	0.002	Not supported
H5	TC -> OP	0.392	0.114	3.438^{**}	0.157	Supported
H6	SPC -> OP	0.194	0.077	2.520^{*}	0.062	Supported

Note: This table provides the output of the structural model using partial least squares (PLS). The value of R^2 is 0.674 and the study's sample size is 202. The signs *, **, *** indicate significance at 10, 5, and 1 percent, respectively.

Source(s): Author's own work.

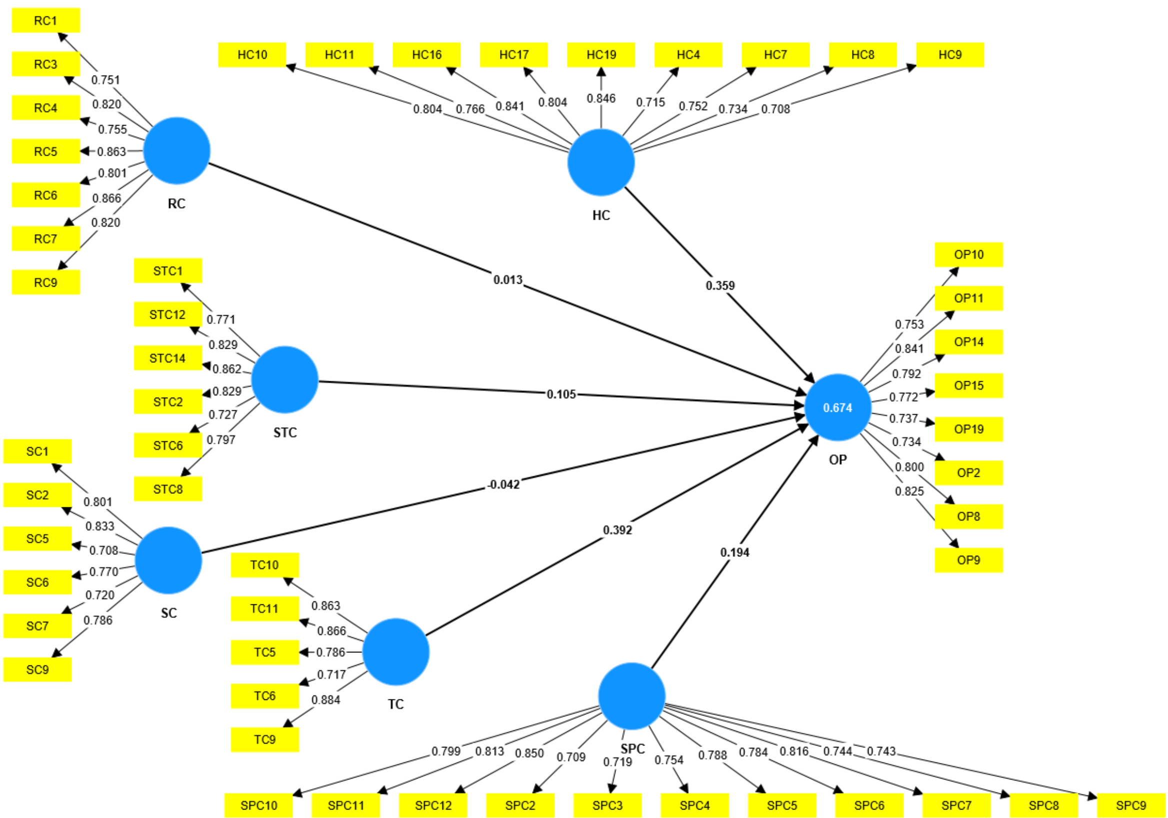

Figure 1: Validated Model

DISCUSSION

The primary objective of this study was to examine the impact of six components of Intellectual Capital (IC) on the organizational performance (OP) of waqf institutions in Malaysia. This investigation is grounded in the theoretical proposition that IC serves as an effective strategic management tool for non-profit organizations (NPOs). Overall, the empirical findings indicate that human capital (HC), technological capital (TC), and spiritual capital (SPC) exhibit significant and positive effects on organizational performance. In contrast, relational capital (RC), social capital (SC), and structural capital (STC) do not demonstrate a statistically significant influence.

These findings collectively suggest that performance enhancement in Malaysian waqf institutions is primarily driven by individual capabilities, technological readiness, and value-based orientation, rather than by organizational systems or external relational mechanisms. This pattern reflects the unique institutional and governance structure of waqf organizations, which differs substantially from profit-oriented entities.

The findings reveal a positive and significant relationship between HC and OP. Prior research in the NPO context recognises HC as one of the most critical components of IC, often cited as a key driver of organizational innovation, strategic renewal, and sustained growth (Haron et al., 2023; Laallam et al., 2020; Zakiy & Falikhatun, 2024). In Malaysian waqf institutions, HC primarily consists of departmental heads, executives, and other staff directly involved in waqf management. The results suggest that these employees perceive HC as a crucial enabler of improved organizational performance.

This finding is strongly aligned with the questionnaire items measuring staff competencies, professional skills, experience, and problem-solving abilities, which indicate that respondents place considerable importance on human expertise in achieving organizational goals.

These findings are consistent with studies by Adnan et al. (2013) and Zakiy and Falikhatun (2024), conducted in the context of zakat institutions in Malaysia and Indonesia respectively. They also align with the perspective of Laallam et al. (2022), who found that the waqf sector in Algeria possesses a sufficiently qualified HC base to execute waqf operations. Similarly, Sharip et al. (2023) revealed that Islamic leaders in Malaysian waqf institutions exhibit a notably high degree of empathy, which fosters trust and appreciation and encourages employees to perform their duties with greater responsibility. Thus, the challenges facing Malaysian waqf institutions appear to stem more from legal and regulatory barriers than from employee inefficiency. The structural limitations of the sector, rather than its workforce, hinder the achievement of its strategic objectives.

This implies that further investments in regulatory reform, governance autonomy, and decision-making flexibility may yield greater performance gains than additional spending on staff training alone.

Additionally, the study finds that TC has a significant positive association with OP. This result supports a growing body of literature advocating for the integration of financial technology (fintech) to improve waqf management in Malaysia (Zakariyah et al., 2022; Minhad et al., 2023).

The questionnaire items relating to digital systems, online platforms, data accessibility, and technological infrastructure suggest that respondents associate technology adoption with efficiency, transparency, and service quality.

Conversely, this finding contradicts Laallam et al. (2022), who reported that waqf institutions in Algeria have yet to leverage technological advancements to address sectoral challenges such as documentation, cash waqf facilitation, and data management.

This divergence may reflect differences in national digital readiness, regulatory support, and government-driven digitalisation agendas, particularly Malaysia's emphasis on e-governance and Islamic fintech innovation.

SPC also shows a significant and positive relationship with OP, reaffirming the importance of religious and ethical values in organizational success. This is consistent with findings from Khalique et al. (2020), Rahman et al. (2021), Laallam et al. (2022), Sharip et al. (2023), and Abdulkareem et al. (2025).

The inclusion of SPC as a distinct IC dimension is particularly relevant in the waqf context, where organizational performance is not solely evaluated based on financial indicators, but also on Shariah compliance, trustworthiness, and the fulfilment of socio-religious objectives.

Questionnaire items related to integrity, accountability, sincerity, and alignment with Islamic values further confirm that spiritual orientation functions as a motivational and governance mechanism within waqf institutions.

This may reflect the strong religious ethos underpinning the Malaysian waqf sector, where spiritual commitment enhances employees' sense of responsibility and mission alignment.

In contrast, three IC components—RC, STC, and SC—were not found to have a significant effect on OP. RC, which encompasses an organization's external relationships and networks (Abd-Elrahman & Ahmed Kamal, 2022), is typically viewed as vital for organizational development, as it connects IC components with stakeholders to enhance value creation (Alshukri et al., 2024). However, the findings suggest that respondents perceive RC as non-essential to their organizations.

This perception may indicate a limited level of strategic engagement with donors, beneficiaries, financial institutions, and community stakeholders, despite waqf's inherently social and participatory nature.

This supports Lahsasna's (2018) recommendation that waqf administrators adopt more proactive strategies, such as outreach activities, effective communication tools, and adaptive guidelines to increase public awareness and build donor trust.

Similarly, STC did not exhibit a significant relationship with OP. This result aligns with the findings of Mohammad (2008), suggesting that databases, information systems, and other non-human knowledge assets are underutilised within waqf institutions.

Responses to questionnaire items on documentation systems, standard operating procedures, and organizational manuals further indicate weaknesses in institutionalised knowledge management.

Mustaffa et al. (2022) attribute this to the absence of a comprehensive database detailing waqf property status, size, type, and geographic location, which has impeded the development and effective management of waqf assets in Malaysia.

This highlights a structural paradox in which individual competence exists, but is not adequately embedded within organizational systems.

Lastly, SC—representing the social interactions and collaborative environment within an organization (Singh, 2024)—also demonstrated a non-significant and negative relationship with OP.

This result suggests that internal collaboration, teamwork, and knowledge-sharing practices may not be sufficiently institutionalised to contribute meaningfully to performance outcomes.

These findings mirror those of Laallam et al. (2020), who observed that many waqf institutions under direct government supervision rely heavily on administrative personnel with long tenures in public service. As a result, tasks are often performed in a routine, non-innovative manner, which stifles creativity and organizational development. Furthermore, the absence of performance-based incentives for these administrative roles may limit the pursuit of excellence, thereby undermining the strategic objectives of the waqf sector.

This situation underscores the need for cultural and managerial reforms aimed at fostering innovation, teamwork, and performance-oriented organizational climates within waqf institutions. Additionally, the weak role of SC may be partly attributed to a high power-distance culture in Malaysia, where employees tend to maintain social distance and defer to authority due to historical colonial and feudal influences. As noted by Sharip et al. (2023), empathic leadership can help bridge this gap by making employees feel safe and valued, rather than merely complying with instructions out of fear.

CONCLUSION, IMPLICATIONS, LIMITATIONS, AND FUTURE RESEARCH

In today's increasingly competitive environment, intangible resources have emerged as the most critical and valuable assets for all types of organizations. Non-profit organizations (NPOs), given their expanding role in society, have started to focus more intently on leveraging intangible resources, particularly intellectual capital (IC). Despite the growing recognition of IC in other sectors, its application within waqf institutions remains relatively underexplored. This study provides empirical evidence that IC plays a significant role in enhancing the organizational performance (OP) of waqf institutions in Malaysia. While previous research has identified several structural and managerial challenges hindering the development of the waqf sector in Malaysia, this study offers a novel perspective by examining these challenges through the lens of IC and strategic management.

By empirically validating the IC–performance nexus in a faith-based non-profit setting, this study extends IC theory beyond its conventional application in profit-oriented organizations and contributes to the growing body of literature on Islamic social finance and non-profit governance.

To the best of the author's knowledge, this is one of the few empirical studies to examine the influence of IC components on the performance of waqf institutions. Notably, it is the first to assess the impact of specific IC dimensions such as social capital (SC), technological capital (TC), and spiritual capital (SPC) within the waqf context in Malaysia. The findings suggest that human capital (HC), TC, and SPC significantly contribute to the organizational performance of waqf institutions, whereas relational capital (RC), structural capital (STC), and SC did not exhibit a significant effect.

These results highlight the distinctive nature of waqf institutions, where individual competencies, technological readiness, and value-based orientations outweigh formal structures and external relational mechanisms in driving performance outcomes. They also underscore the relevance of incorporating non-traditional IC dimensions, such as spiritual capital, when analysing performance in Islamic and mission-driven organizations.

From a practical perspective, the findings offer several important implications for waqf administrators and policymakers. First, investment in human capital development—through targeted training, professional certification, and leadership development—should remain a strategic priority, as HC was found to be a key driver of performance.

Second, the positive role of technological capital suggests that greater emphasis should be placed on digital transformation initiatives, including the adoption of fintech solutions, integrated waqf databases, and digital platforms for cash waqf collection and reporting. These initiatives may enhance transparency, efficiency, and public trust.

Third, the significant influence of spiritual capital implies that ethical values, integrity, and Shariah-oriented governance should be formally embedded within performance management systems, rather than being treated as implicit or informal organizational attributes.

At the policy level, regulators and State Islamic Religious Councils (SIRCs) may consider revisiting existing governance frameworks to provide waqf institutions with greater operational flexibility, autonomy, and incentives for innovation, while maintaining robust Shariah oversight.

Despite its valuable contributions to both the literature and practice, this study is not without limitations. First, the sample size was relatively limited, and the study employed only a quantitative approach. Due to budgetary constraints, surveys could not be retrieved from certain State Islamic Religious Councils (SIRCs), such as those in Kelantan and Kuantan. Future studies should aim to include these and other SIRCs to enhance generalizability. Additionally, this research represents a case study confined to Malaysian waqf institutions and is cross-sectional in nature, relying on self-reported data. Consequently, the findings may not be applicable to other contexts or sectors.

Moreover, the cross-sectional design restricts the ability to infer causal relationships between IC components and organizational performance over time.

Nevertheless, the study's theoretical framework and methodological approach remain robust and provide a reliable foundation for future research. From a practical standpoint, the findings offer valuable insights for policymakers and waqf administrators seeking to enhance institutional performance through strategic management of intangible resources.

Future research should consider employing mixed-methods or qualitative approaches, such as interviews and case studies, to capture deeper insights into organizational culture, leadership dynamics, and governance practices within waqf institutions. Longitudinal studies could further explore how IC components evolve over time and how reforms in governance and digitalisation influence performance sustainability. Comparative studies across countries or between waqf, zakat, and other Islamic social finance institutions may also help to contextualize the findings and enhance their external validity. Finally, future work could examine the mediating or moderating roles of knowledge management, organizational culture, or regulatory quality in the relationship between IC and organizational performance.

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