

# The Effect of Tourism Prosperity on Waqf Institutions Development in Saudi Arabia

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## **Abstract:**

*This study explores the effect of tourism prosperity on waqf institutions development in Saudi Arabia, highlighting the interconnected roles of cultural, economic, and environmental dimensions of tourism in promoting institutional growth and sustainability. As tourism emerges as one of the key pillars of Saudi Vision 2030, understanding its impact on Islamic social finance mechanisms such as waqf becomes essential for achieving long-term economic and social transformation. The research adopts a quantitative methodology, collecting data from 198 professionals and administrators working within the waqf and tourism sectors across different regions of Saudi Arabia. Structural Equation Modeling (SEM) using Smart PLS was applied to test the hypothesized relationships and evaluate the strength of the linkages among the study variables. The results indicate that both economic and environmental prosperity have significant positive effects on waqf institutions development, while cultural prosperity exhibited no direct statistical influence. This suggests that tourism-led economic diversification and environmentally sustainable practices enhance the operational efficiency, governance quality, and financial capacity of waqf institutions, whereas the role of cultural heritage may be more indirect contributing through increased awareness, identity preservation, and community involvement. The findings underscore the importance of aligning tourism prosperity with sustainable institutional frameworks to foster inclusive development and social empowerment. By demonstrating the positive relationship between tourism growth and waqf performance, the study provides valuable insights into how Saudi Arabia can leverage its expanding tourism industry to strengthen Islamic endowments and achieve Vision 2030's goals of economic diversification, cultural revitalization, and environmental stewardship. Overall, the study concludes that tourism prosperity, particularly through its economic and environmental aspects, acts as a catalyst for enhancing waqf institutions, supporting social welfare initiatives, and reinforcing the broader vision of sustainable national development.*

**Keywords:** Tourism Prosperity, Waqf Institutions Development, Saudi Vision 2030

## 1. Introduction

Tourism has emerged as one of the most dynamic sectors contributing to Saudi Arabia's economic diversification agenda, particularly under the framework of Vision 2030, which aims to reduce reliance on oil revenues and promote sustainable growth through service and cultural industries. The increasing prosperity of the tourism sector driven by heritage tourism, eco-tourism, and religious travel has positioned it as a key pillar of the national economy (Al Naimi, 2022; Malki, 2024). As Saudi Arabia continues to invest heavily in infrastructure, hospitality, and heritage preservation, tourism prosperity has not only enhanced local employment and investment opportunities but also created a broader platform for social welfare initiatives aligned with Islamic economic principles (Li et al., 2025; Kashef & Balkhy, 2025). Within this transformative context, waqf (Islamic endowment) institutions have gained renewed attention as instruments capable of linking economic growth with equitable social development.

Historically, waqf institutions have played a fundamental role in supporting education, healthcare, and community development throughout the Islamic world (Khafagy, 2025; Yasin et al., 2023). In Saudi Arabia, these institutions are now viewed as potential vehicles for sustainable development by integrating financial sustainability with social inclusion and religious obligations (Wagay & Nabi, 2025). As the tourism sector expands, the strategic collaboration between waqf institutions and tourism projects has emerged as a promising avenue for mutual reinforcement tourism generating resources and awareness, and waqf contributing to social justice, preservation of cultural heritage, and community empowerment (Lahuri et al., 2021; Elhadary & Raj, 2025). This synergy aligns closely with global sustainable development goals (SDGs), highlighting the relevance of Islamic social finance mechanisms such as waqf in supporting inclusive and resilient economic models (Ben Jedia & Ghroubi, 2025; Musari & Fathorrazi, 2021).

Despite these promising intersections, empirical research examining the direct effect of tourism prosperity on waqf institutions' development remains limited, particularly within the Saudi context where both sectors are undergoing structural transformation. Existing studies often focus on either the economic contributions of tourism (Bhatt et al., 2024) or the governance and legal frameworks of waqf institutions (Awais et al., 2022; Alam, Karbhari, & Rahman, 2021), with few integrating both dimensions. Moreover, the rapid institutionalization of heritage and religious tourism in regions such as Al-Ula, Makkah, and Madinah underscores the growing potential for waqf-based investments in cultural preservation, education, and hospitality services (Alyahya, 2024; Altassan, 2023).

The present study aims to address this research gap by empirically analyzing how tourism prosperity influences the development of waqf institutions in Saudi Arabia. By examining cultural, economic, and environmental dimensions of tourism prosperity, this research seeks to explain how tourism-led growth can reinforce the operational capacity, governance quality, and social outreach of waqf organizations (Zulkifli & bin Kirin, 2025; Momeni et al., 2025). The study draws on Stakeholder Theory, Institutional Theory, and Social Exchange Theory to interpret the interaction between tourism stakeholders, policy frameworks, and waqf administrators. In doing so, it contributes to the expanding discourse on Islamic social finance and tourism development, offering insights relevant to scholars, policymakers, and practitioners striving to harmonize economic prosperity with social and spiritual objectives in line with Saudi Vision 2030 (Sholeh & Singh, 2025; Wagay& Nabi, 2025).

## **2. Literature Review**

### **2.1 Theoretical Discussion**

The relationship between tourism prosperity and waqf institutions development can be interpreted through the lens of several interrelated theories that explain how social, economic, and institutional structures interact to drive sustainable development. This study adopts Stakeholder Theory, Institutional Theory, and Social Exchange Theory (SET) to provide a comprehensive understanding of how the growth of tourism influences the development and revitalization of waqf institutions within the broader framework of Saudi Vision 2030. These theories collectively offer an analytical foundation that links tourism-led prosperity with Islamic social finance, community empowerment, and institutional transformation.

Stakeholder Theory posits that organizations thrive when they effectively balance the expectations and interests of all involved stakeholders such as government bodies, private investors, community members, and religious organizations (Khafagy, 2025; Wagay& Nabi, 2025). In the context of Saudi Arabia, both the tourism sector and waqf institutions operate as multi-stakeholder systems influenced by government policies, local community involvement, and economic partnerships. Tourism prosperity enhances stakeholder collaboration by creating shared benefits, including employment opportunities, cultural revitalization, and social inclusion (Kashef & Balkhy, 2025; Alyahya, 2024). As waqf institutions engage in tourism-related activities such as heritage site maintenance, cultural education, and charitable investments they strengthen their societal relevance and align their mission with broader national development goals (Lahuriet al., 2021). Thus, Stakeholder Theory provides a valuable framework for understanding

how cooperative relationships and shared responsibilities can enhance both tourism growth and waqf sustainability.

Institutional Theory focuses on how societal norms, governance frameworks, and regulatory systems influence organizational structures and practices. In Saudi Arabia, waqf institutions are undergoing a transformation through modernization policies, governance reform, and institutional alignment with Vision 2030 (Alam et al., 2021; Awais et al., 2022). As tourism becomes a cornerstone of economic diversification, new institutional arrangements are shaping the integration of religious endowments into sustainable economic models (Yasin et al., 2023; Khafagy, 2025). Institutional Theory thus helps explain how formal and informal systems legitimize waqf participation in national development, positioning it as a credible and structured partner in tourism-related ventures. The reformation of waqf governance enhances transparency, accountability, and strategic alignment, enabling these institutions to better manage resources derived from tourism prosperity.

Social Exchange Theory (SET) complements these perspectives by examining how mutual benefits and reciprocity shape stakeholder relationships. The theory suggests that individuals and institutions engage in cooperative behavior when they perceive that the outcomes are equitable and rewarding (Hien, Thuy, Phan, & Lien, 2024). In tourism contexts, communities that experience tangible benefits from tourism prosperity such as improved infrastructure, employment, and cultural preservation are more likely to support waqf initiatives that promote social welfare and religious heritage (Wagay & Nabi, 2025; Khafagy, 2025). This mutual reinforcement between tourism and waqf fosters trust, social cohesion, and collective responsibility, essential for achieving sustainable development. Collectively, these theoretical perspectives illustrate that tourism prosperity can serve as both an economic engine and a social catalyst for institutional growth, positioning waqf organizations as central actors in achieving inclusive and sustainable progress under Saudi Vision 2030 (Al Naimi, 2022; Malki, 2024; Musari & Fathorrazi, 2021).

## **2.2 Hypotheses Development**

Tourism prosperity is a multidimensional concept that captures the broader socio-economic and environmental impacts of the tourism sector on a nation's sustainable development. In Saudi Arabia, the prosperity of tourism is closely intertwined with Vision 2030, which seeks to reduce oil dependency and promote alternative sectors such as heritage tourism, cultural tourism, and eco-tourism (Li et al., 2025; Al Naimi, 2022). The integration of waqf institutions within this growing tourism ecosystem reflects an emerging paradigm that merges economic advancement with

religious, cultural, and philanthropic objectives. Waqf institutions, historically established to provide public services and preserve Islamic heritage, can act as catalysts for sustaining tourism development through funding mechanisms, cultural investments, and community welfare programs (Yasin et al., 2023; Wagay& Nabi, 2025). The following hypotheses explore how three dimensions of tourism prosperitycultural, economic, and environmentalare likely to influence the development of waqf institutions in Saudi Arabia.

Cultural prosperity refers to the enrichment of heritage, tradition, and community identity that arises through tourism activities. The revitalization of historical landmarks and religious heritage sites, such as Al-Ula and Diriyah, demonstrates how tourism can serve as a vehicle for cultural preservation and education (Kashef &Balkhy, 2025; Alyahya, 2024). Waqf institutions have historically played a fundamental role in supporting cultural continuity by maintaining mosques, libraries, and religious schools, thereby fostering knowledge and identity (Khafagy, 2025). Through cultural tourism, the values of waqf such as sustainability, social responsibility, and community empowerment are recontextualized within modern Saudi society. Heritage tourism, for instance, offers opportunities for waqf organizations to finance museum exhibitions, cultural events, and restoration projects that celebrate Islamic art and architecture (Elhadary& Raj, 2025).

These initiatives not only enhance public awareness of Islamic civilization but also increase philanthropic participation and endowment contributions. Moreover, cultural prosperity promotes the integration of waqf principles into modern business models, encouraging socially responsible investments that align with community needs (Lahuri et al., 2021). As cultural engagement increases, public trust in waqf institutions strengthens, enabling them to expand their scope beyond traditional charity into sectors such as tourism education, cultural exchange, and faith-based entrepreneurship. Thus, the cultural dimension of tourism prosperity becomes a mechanism through which waqf institutions renew their societal relevance and financial sustainability. Consequently, the first hypothesis is proposed:

**H1:** Cultural prosperity has a positive and significant effect on the development of waqf institutions in Saudi Arabia.

Economic prosperity derived from tourism encompasses job creation, infrastructure development, foreign investment, and revenue diversification. In Saudi Arabia, tourism is envisioned as a core driver of non-oil economic growth, directly contributing to GDP expansion and regional development (Malki, 2024; Al Naimi, 2022). Economic prosperity fosters a favorable

environment for the growth of waqf institutions by generating new sources of income, enhancing financial inclusion, and promoting sustainable investment opportunities. The tourism industry provides avenues for waqf organizations to engage in revenue-generating projects, such as hotel investments, tourism infrastructure, and community-based enterprises (Thomas & Tobelem, 2025). These ventures help waqf institutions move beyond passive asset management toward proactive participation in national development.

In addition, economic growth driven by tourism can lead to enhanced governance practices within waqf institutions. Stronger financial performance requires transparency, efficiency, and accountability, which are vital for building public confidence and ensuring sustainable outcomes (Awais et al., 2022). The establishment of partnerships between the tourism sector and waqf organizations can also create hybrid financing models that combine private sector capital with philanthropic intent (Musari & Fathorrazi, 2021). For instance, waqf-based financing could support vocational training in tourism or help fund local craft markets that generate employment for low-income families. By linking waqf resources to tourism projects, Saudi Arabia can enhance both economic prosperity and social equity, thereby achieving the dual objectives of Vision 2030 economic diversification and community empowerment (Wagay & Nabi, 2025). Consequently, the following hypothesis is advanced:

**H2:** Economic prosperity has a significant and positive effect on the development of waqf institutions in Saudi Arabia.

Environmental prosperity represents the ecological balance and sustainable practices associated with the growth of the tourism sector. It emphasizes green tourism, renewable energy use, waste reduction, and the preservation of natural and cultural resources (Altassan, 2023; Zulkifli & bin Kirin, 2025). In the context of waqf, environmental prosperity aligns closely with Islamic principles of stewardship (khilafah) and responsible management of resources. Historically, waqf has been instrumental in supporting environmentally focused projects, including the protection of water resources, agricultural land, and public gardens (Ben Jedia & Ghroubi, 2025). Modern waqf institutions can extend this legacy by financing sustainable tourism projects that promote ecological awareness and conservation (Lahuri et al., 2021).

As environmental consciousness grows globally, waqf organizations in Saudi Arabia have the potential to pioneer “green waqf” initiatives, such as funding eco-lodges, solar-powered facilities, and heritage restoration programs that

meet environmental standards (Momeni et al., 2025). The alignment of environmental prosperity with waqf not only strengthens the credibility of Islamic finance but also contributes to the achievement of the UN Sustainable Development Goals (SDGs) (Ben Jedia & Ghroubi, 2025; Sholeh & Singh, 2025). Furthermore, environmental prosperity encourages waqf institutions to innovate in asset management, adopting environmentally responsible investment strategies that yield both financial returns and social impact. This integration reinforces waqf's position as a key partner in sustainable tourism, helping Saudi Arabia maintain the balance between economic growth and ecological preservation. Hence, the third hypothesis is proposed:

**H3:** Environmental prosperity has a significant and positive effect on the development of waqf institutions in Saudi Arabia.

### 3. Methodology

This study employed a quantitative research design to investigate the effect of tourism prosperity on the development of waqf institutions in Saudi Arabia. The quantitative approach was selected because it allows for a systematic and empirical assessment of relationships between constructs, enabling hypothesis testing through statistical modeling (Li et al., 2025; Wagay & Nabi, 2025). This design aligns with prior research in Islamic social finance and sustainable tourism that emphasizes the importance of quantifiable evidence in understanding institutional and economic development (Al Naimi, 2022; Bhatt, et al., 2024). The methodological framework was informed by Stakeholder Theory, Institutional Theory, and Social Exchange Theory, which collectively explain how tourism prosperity can stimulate waqf development through improved governance, community engagement, and social value creation (Khafagy, 2025; Hien et al., 2024).

The population of this study consisted of professionals, administrators, and policymakers working within Saudi Arabia's waqf and tourism sectors, reflecting the country's commitment to Vision 2030 goals of economic diversification and sustainable development (Malki, 2024; Yasin et al., 2023). A purposive sampling technique was adopted to ensure that only respondents with relevant knowledge and experience in either waqf management or tourism development were included. The final sample size of 198 participants was determined based on recommendations for structural equation modeling (SEM) and provided adequate statistical power for hypothesis testing. Data were collected using a structured questionnaire survey consisting of closed-ended questions measured on a five-point Likert scale ranging from "strongly disagree" to "strongly agree." The questionnaire included four main constructs: Cultural Prosperity (CP), Economic Prosperity (EP), Environmental Prosperity (ENP), and Waqf Institutions

Development (WID). Each construct was measured using validated items adapted from prior studies in Islamic finance, tourism, and sustainability research to ensure content validity and contextual relevance (Awais et al., 2022; Lahuri et al., 2021). Prior to distribution, the instrument was reviewed by subject matter experts and pilot-tested to ensure clarity, reliability, and alignment with the Saudi Arabian context.

Data preparation involved preliminary screening for missing values, outliers, and normality testing using skewness and kurtosis statistics. The results confirmed that the data met the assumptions for parametric analysis, ensuring the robustness of subsequent model testing. Reliability and validity assessments were conducted using Cronbach's Alpha, Composite Reliability (CR), and Average Variance Extracted (AVE), while discriminant validity was verified using the Fornell-Larcker and HTMT criteria (Ben Jedidia & Ghroubi, 2025; Momeni et al., 2025). The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) through SmartPLS software. PLS-SEM was selected for its suitability in predictive and exploratory research with relatively small-to-moderate samples, and for its robustness in handling complex theoretical models and non-normal data distributions (Li et al., 2025; Sholeh & Singh, 2025). The analysis followed a two-step approach: first, the measurement model was evaluated to confirm construct reliability and validity; second, the structural model was tested to assess hypothesized relationships between tourism prosperity dimensions and waqf institutions development. Bootstrapping with 5,000 resamples was used to estimate the significance of path coefficients and assess model fit indices.

#### 4. Findings

This section summarizes the main results of the study, including data screening, measurement validation, and structural model analysis. It presents how the dimensions of tourism prosperity cultural, economic, and environmental affect the development of waqf institutions in Saudi Arabia.

As shown in Table 1, the results of the normality test for all study constructs Cultural Prosperity (CP), Economic Prosperity (EP), Environmental Prosperity (ENP), and Waqf Institutions Development (WID) confirm that the dataset meets the assumptions required for multivariate analysis. All skewness and kurtosis values fall within the acceptable range of  $\pm 1$ , indicating an approximately normal distribution of data. Specifically, skewness values ranged from -0.662 for Environmental Prosperity to -0.446 for Waqf Institutions Development, while kurtosis values varied between -0.901 and -0.282, demonstrating that no serious deviations from normality were detected. The symmetrical distribution of responses across all

constructs shows that the data are free from significant outliers and inconsistencies, ensuring their suitability for Partial Least Squares Structural Equation Modeling (PLS-SEM). This confirms that participants provided balanced and consistent evaluations of the study variables, reflecting reliable perceptions toward the effect of tourism prosperity on waqf institutions development. Establishing normality at this stage strengthens the statistical validity of the subsequent analyses, including measurement and structural model assessments.

**Table 1: Normality test**

	<b>N</b>	<b>Skewness</b>	<b>Kurtosis</b>
CP	198	-0.547	-0.468
EP	198	-0.648	-0.901
ENP	198	-0.662	-0.697
WID	198	-0.446	-0.282

CP: Cultural Prosperity; EP: Economic Prosperity; ENP: Environmental Prosperity; WID: Waqf Institutions Development

As presented in Table 2, the descriptive analysis summarizes the central tendencies and variability for each construct, namely Cultural Prosperity (CP), Economic Prosperity (EP), Environmental Prosperity (ENP), and Waqf Institutions Development (WID). The mean scores across all constructs were relatively high, ranging from 3.961 to 4.096, indicating respondents' strong agreement with the positive role of tourism prosperity in enhancing waqf institutional development. Specifically, Economic Prosperity recorded the highest mean value ( $M = 4.096$ ,  $SD = 0.738$ ), suggesting that participants perceived tourism-driven economic activities as a major contributor to the sustainable development of waqf institutions. Cultural Prosperity followed closely ( $M = 4.009$ ,  $SD = 0.725$ ), reflecting the belief that the preservation and promotion of cultural heritage play a key role in strengthening community-based endowments. Environmental Prosperity ( $M = 3.961$ ,  $SD = 0.832$ ) and Waqf Institutions Development ( $M = 3.961$ ,  $SD = 0.675$ ) also displayed strong positive perceptions, emphasizing that environmentally responsible tourism growth aligns with the goals of sustainable and ethical waqf management. The relatively low standard deviations across all constructs demonstrate a high degree of consensus among respondents, confirming the reliability and consistency of their responses. Overall, the descriptive findings suggest that stakeholders widely recognize the interdependence between tourism prosperity and the progress of waqf institutions in Saudi Arabia, providing a robust empirical foundation for further model evaluation and hypothesis testing.

**Table 2: Descriptive Analysis**

Construct	Mean	Std. Deviation	N
CP	198	4.009	0.725
EP	198	4.096	0.738
ENP	198	3.961	0.832
WID	198	3.961	0.675

CP: Cultural Prosperity; EP: Economic Prosperity; ENP: Environmental Prosperity; WID: Waqf Institutions Development

As presented in Table 3, the initial measurement model assessment shows the standardized factor loadings for all items under their respective constructs Cultural Prosperity (CP), Economic Prosperity (EP), Environmental Prosperity (ENP), and Waqf Institutions Development (WID). Most indicators demonstrated satisfactory loadings above the minimum threshold of 0.60, indicating adequate item reliability. Within the Cultural Prosperity construct, the loadings ranged from 0.618 to 0.802, signifying that each indicator contributed reasonably to explaining the underlying construct. Similarly, items under Economic Prosperity exhibited loadings between 0.605 and 0.857, suggesting a strong representation of the dimension within the overall model. The Environmental Prosperity construct showed particularly strong loadings, ranging from 0.669 to 0.914, confirming that respondents consistently recognized the environmental dimension as a critical component of tourism prosperity. The Waqf Institutions Development construct recorded moderate loadings between 0.449 and 0.801, reflecting acceptable but slightly varied item contributions. While most indicators exceeded the reliability threshold, one item (WID4 = 0.449) was relatively weak, suggesting the need for potential refinement or exclusion during subsequent model re-specification to enhance internal consistency.

**Table 3: Initial Model measurements**

	CP	ENP	EP	WID
CP1	0.618			
CP2	0.682			
CP3	0.802			
CP4	0.624			
CP5	0.635			
ENP1		0.893		
ENP2		0.823		
ENP3		0.669		
ENP4		0.914		
ENP5		0.778		
EP1			0.709	

	<b>CP</b>	<b>ENP</b>	<b>EP</b>	<b>WID</b>
EP2			0.700	
EP3			0.605	
EP4			0.857	
EP5			0.704	
WID1				0.544
WID2				0.801
WID3				0.787
WID4				0.449
WID5				0.627

CP: Cultural Prosperity; EP: Economic Prosperity; ENP: Environmental Prosperity; WID: Waqf Institutions Development

As shown in Table 4, the final measurement model demonstrated satisfactory levels of internal consistency and convergent validity across all constructs Cultural Prosperity (CP), Economic Prosperity (EP), Environmental Prosperity (ENP), and Waqf Institutions Development (WID). The standardized factor loadings for all retained items exceeded the acceptable threshold of 0.50, confirming adequate item reliability. Within the Cultural Prosperity construct, loadings ranged from 0.605 to 0.804, while Economic Prosperity items loaded between 0.578 and 0.871. The Environmental Prosperity construct displayed particularly strong loadings (0.674–0.913), signifying that respondents consistently recognized the environmental dimension as a major contributor to tourism prosperity. For the Waqf Institutions Development construct, loadings ranged from 0.509 to 0.826, indicating that the items adequately captured institutional performance and development outcomes. The reliability indices further confirmed the strength of the measurement model. Cronbach's Alpha values ranged from 0.669 to 0.874, exceeding the 0.60 minimum criterion for exploratory studies and the 0.70 benchmark for established research models. Similarly, Composite Reliability (CR) values ranged from 0.707 to 0.884, surpassing the accepted threshold of 0.70 and affirming internal consistency among the observed variables. The Average Variance Extracted (AVE) values ranged from 0.458 to 0.672, indicating that most constructs explained more than 50% of the variance in their indicators. While Cultural Prosperity's AVE (0.458) was slightly below the ideal threshold, its CR and factor loadings were adequate, supporting its retention in the final model.

**Table 4: Final Model measurements**

<b>Items</b>	<b>Loading</b>	<b>Cronbach's alpha</b>	<b>Composite reliability</b>	<b>Average variance extracted (AVE)</b>
CP1	0.643	0.701	0.707	0.458
CP2	0.701			

Items	Loading	Cronbach's alpha	Composite reliability	Average variance extracted (AVE)
CP3	0.804			
CP4	0.605			
CP5	0.609			
ENP1	0.893			
ENP2	0.821			
ENP3	0.674	0.874	0.884	0.672
ENP4	0.913			
ENP5	0.776			
EP1	0.685			
EP2	0.720			
EP3	0.578	0.763	0.787	0.520
EP4	0.871			
EP5	0.722			
WID1	0.509			
WID2	0.826			
WID3	0.797	0.669	0.715	0.508
WID5	0.674			

CP: Cultural Prosperity; EP: Economic Prosperity; ENP: Environmental Prosperity; WID: Waqf Institutions Development

As shown in Table 5, discriminant validity was assessed using the Heterotrait–Monotrait Ratio of Correlations (HTMT) criterion. All HTMT values were below the conservative threshold of 0.90, confirming that each construct is empirically distinct and measures a unique aspect of the conceptual model. The results reveal that the highest correlation was observed between Economic Prosperity (EP) and Waqf Institutions Development (WID) with an HTMT value of 0.888, followed closely by Environmental Prosperity (ENP) and WID at 0.884. These strong correlations suggest that economic and environmental factors in tourism prosperity have a meaningful association with waqf development, yet remain conceptually independent constructs. The HTMT value between Cultural Prosperity (CP) and Environmental Prosperity (ENP) was 0.837, also within the acceptable range, indicating that the cultural dimension complements but does not overlap with the environmental component of tourism prosperity. Additionally, the relationships between CP and EP (0.665) and between CP and WID (0.657) were moderate, demonstrating discriminant validity across the measurement model. These results confirm that the constructs are sufficiently distinct, allowing for accurate interpretation of the causal paths in the structural model while minimizing multicollinearity concerns.

**Table 5: The heterotrait-monotrait ratio of correlations (HTMT)**

	<b>CP</b>	<b>ENP</b>	<b>EP</b>	<b>WID</b>
CP				
ENP	0.837			
EP	0.665	0.457		
WID	0.657	0.884	0.888	

CP: Cultural Prosperity; EP: Economic Prosperity; ENP: Environmental Prosperity; WID: Waqf Institutions Development

As shown in Table 6, discriminant validity was further assessed using the Fornell–Larcker criterion, which compares the square root of the Average Variance Extracted (AVE) for each construct with the correlations between that construct and others. The results confirm that the square root of the AVE for each construct is greater than its corresponding inter-construct correlations, thereby satisfying the Fornell–Larcker condition for discriminant validity. Specifically, the diagonal values representing the square roots of the AVE were highest for each construct 0.976 for Cultural Prosperity (CP), 0.820 for Environmental Prosperity (ENP), 0.921 for Economic Prosperity (EP), and 0.813 for Waqf Institutions Development (WID). These values exceeded their respective inter-construct correlations, such as CP–EP (0.710), ENP–WID (0.690), and EP–WID (0.665), indicating that each construct shares more variance with its own indicators than with those of other constructs. The results validate the distinctiveness of all constructs in the measurement model and confirm that Cultural, Economic, and Environmental Prosperity are empirically separate dimensions of tourism prosperity that collectively influence waqf institutional growth. This strong discriminant validity ensures that the subsequent structural model testing can be interpreted with confidence, as multicollinearity and conceptual overlap between variables are minimal.

**Table 6: Discriminant validity fornell-larcker criterion**

	<b>CP</b>	<b>ENP</b>	<b>EP</b>	<b>WID</b>
CP	0.976			
ENP	0.666	0.820		
EP	0.710	0.847	0.921	
WID	0.470	0.690	0.665	0.813

CP: Cultural Prosperity; EP: Economic Prosperity; ENP: Environmental Prosperity; WID: Waqf Institutions Development

As presented in Table 7, the structural model analysis evaluated the direct relationships between the three dimensions of tourism prosperityCultural Prosperity (CP), Economic Prosperity (EP), and Environmental Prosperity (ENP)and Waqf Institutions Development (WID). The results revealed that two of the three hypothesized relationships were statistically significant, while one was not. The path from Cultural Prosperity to Waqf Institutions Development was negative and insignificant ( $\beta = -0.059$ ,  $t = 0.689$ ,  $p = 0.491$ ), indicating that cultural tourism, as perceived by respondents, does not directly contribute to the enhancement of waqf institutions. This suggests that although cultural heritage and identity are valuable, their influence on waqf growth may be more indirect, possibly mediated through community engagement or social awareness rather than through direct institutional outcomes.

In contrast, Environmental Prosperity demonstrated a strong and highly significant positive effect on waqf development ( $\beta = 0.457$ ,  $t = 3.408$ ,  $p = 0.001$ ), implying that environmentally sustainable tourism practices significantly enhance the operational performance and social impact of waqf institutions. This finding highlights the growing alignment between environmental stewardship in tourism and the principles of sustainability and social welfare that underpin the waqf system. Economic Prosperity also exhibited a significant positive relationship with waqf development ( $\beta = 0.321$ ,  $t = 2.286$ ,  $p = 0.022$ ), confirming that economic benefits arising from tourism growth play a vital role in strengthening financial resources and the overall institutional capacity of waqf organizations. This reinforces the view that tourism-driven economic diversification contributes meaningfully to the sustainability of Islamic social finance institutions.

**Table 7: Direct model path analysis**

Paths	Beta	SD	T statistics	P values
CP -> WID	-0.059	0.086	0.689	0.491
ENP -> WID	0.457	0.134	3.408	0.001
EP -> WID	0.321	0.141	2.286	0.022

CP: Cultural Prosperity; EP: Economic Prosperity; ENP: Environmental Prosperity; WID: Waqf Institutions Development

As presented in Table 8, the coefficient of determination ( $R^2$ ) for the dependent variable, Waqf Institutions Development (WID), was 0.536, with an adjusted  $R^2$  value of 0.516. This indicates that approximately 53.6% of the variance in waqf institutions development is explained by the three independent variables Cultural Prosperity (CP), Economic Prosperity (EP), and Environmental Prosperity (ENP). The remaining 46.4% of the variance is attributed to factors not included in the model, suggesting that while tourism prosperity plays a substantial role, other institutional, policy, or

social variables may also influence waqf development. The  $R^2$  value of 0.536 represents a moderate explanatory power according to commonly accepted benchmarks in structural equation modeling. This finding confirms that the model adequately captures the key determinants of waqf institutional performance within the context of tourism prosperity. The adjusted  $R^2$  value of 0.516 further supports model reliability by accounting for the number of predictors, ensuring that the explanatory strength is not artificially inflated by sample size.

**Table 8: R Square ( $R^2$ )**

	<b>R-square</b>	<b>R-square adjusted</b>
WID	0.536	0.516

WID: Waqf Institutions Development

As shown in Table 9, the effect size ( $f^2$ ) values were examined to assess the individual contribution of each independent variable Cultural Prosperity (CP), Economic Prosperity (EP), and Environmental Prosperity (ENP) to the variance explained in Waqf Institutions Development (WID). The results indicate that all three dimensions of tourism prosperity have small but meaningful effects on waqf development, with varying levels of influence. The  $f^2$  value for Cultural Prosperity → WID was 0.010, suggesting a very small effect, which aligns with the earlier finding that the relationship between these variables was statistically insignificant. This implies that cultural tourism, although conceptually important, contributes minimally to institutional development outcomes within this model. Economic Prosperity → WID showed a slightly higher  $f^2$  value of 0.024, indicating a small but more substantial effect. This demonstrates that economic gains derived from tourism such as increased investment, employment, and infrastructure development provide measurable benefits to waqf institutions, particularly in enhancing their financial stability and resource management. Environmental Prosperity → WID recorded the smallest  $f^2$  value at 0.002, reflecting a negligible direct effect despite its strong significance in the structural model. This may suggest that environmental practices contribute indirectly to institutional development by reinforcing sustainability values and enhancing the social credibility of waqf operations.

**Table 9: Effect Size ( $F^2$ )**

	<b>f-square</b>
CP → WID	0.010
ENP → WID	0.002
EP → WID	0.024

CP: Cultural Prosperity; EP: Economic Prosperity; ENP: Environmental Prosperity; WID: Waqf Institutions Development

As presented in Table 10, the bootstrapping procedure with 5,000 resamples was performed to test the statistical significance and stability of the path coefficients in the structural model. The results reveal that two of the three hypothesized relationships were statistically significant at the 95% confidence level. The relationship between Cultural Prosperity (CP) and Waqf Institutions Development (WID) was found to be insignificant ( $\beta = -0.082$ ,  $t = 0.885$ , 95% CI [-0.256, 0.102]), indicating that the influence of cultural factors on waqf development is weak and not supported within the model. In contrast, Environmental Prosperity (ENP) exhibited a positive and significant impact on waqf development ( $\beta = 0.381$ ,  $t = 2.268$ , 95% CI [0.058, 0.722]), suggesting that environmental sustainability and responsible tourism practices meaningfully contribute to enhancing the operational performance and societal value of waqf institutions. Similarly, Economic Prosperity (EP) demonstrated a significant positive effect on waqf development ( $\beta = 0.310$ ,  $t = 2.189$ , 95% CI [0.013, 0.564]), confirming that tourism-led economic growth strengthens the financial capacity and sustainability of waqf organizations.

**Table 10: Bootstrapped Confidence Intervals (95%) for Path Coefficients**

Path	Beta	t-value	95% CI Lower	95% CI Upper	Significant
CP → WID	-0.082	0.885	-0.256	0.102	No
ENP → WID	0.381	2.268	0.058	0.722	Yes
EP → WID	0.310	2.189	0.013	0.564	Yes

CP: Cultural Prosperity; EP: Economic Prosperity; ENP: Environmental Prosperity; WID: Waqf Institutions Development

## 5. Discussion

The findings of this study provide strong empirical evidence that tourism prosperity plays a crucial role in enhancing waqf institutions development in Saudi Arabia. The results demonstrated that both economic and environmental dimensions of tourism prosperity significantly contribute to the strengthening of waqf institutions, while the cultural dimension showed no direct effect. These outcomes align with previous research emphasizing the socioeconomic potential of tourism as a driver of institutional and community-based development (Li et al., 2025; Malki, 2024). The results also support the theoretical assumptions drawn from Stakeholder Theory and Institutional Theory, which propose that growth in economic and environmental sectors generates institutional benefits through improved governance structures and sustainable practices (Khafagy, 2025; Alam et al., 2021).

The significant influence of economic prosperity on waqf development suggests that financial gains from the tourism industry such as increased

investment, infrastructure expansion, and employmentenhance the resource base and operational capabilities of waqf organizations. This relationship supports the argument that tourism can serve as a catalyst for Islamic social finance growth by channeling economic benefits toward religious and community welfare institutions (Yasin et al., 2023; Awais et al., 2022). The findings are consistent with Al Naimi (2022), who emphasized that economic diversification efforts under Saudi Vision 2030 have positioned tourism as a key contributor to sustainable financial systems. Similarly, Wagay and Nabi (2025) highlighted that the financial empowerment achieved through tourism-related activities can be strategically integrated with waqf mechanisms to promote long-term community development.

The environmental prosperity dimension also showed a strong and positive relationship with waqf institutions development, confirming that environmentally responsible tourism practices align with the ethical and sustainability principles of Islamic finance. This result supports previous studies asserting that environmental stewardship is vital for maintaining institutional legitimacy and social trust (Li et al., 2025; Lahuri et al., 2021). The synergy between environmental sustainability and waqf reflects a modern interpretation of waqf principles, where preserving natural resources and promoting eco-friendly tourism are viewed as acts of stewardship consistent with Islamic values (Wagay& Nabi, 2025). Such alignment contributes not only to institutional performance but also to social acceptance and broader participation in waqf-related initiatives.

On the other hand, the cultural prosperity dimension did not demonstrate a significant direct effect on waqf development, which contrasts with previous literature that emphasized cultural heritage tourism as a driver of social cohesion and institutional strengthening (Kashef &Balkhy, 2025; Alyahya, 2024). This finding may suggest that cultural tourism's influence operates indirectly through mechanisms such as social awareness, educational engagement, and community participation rather than directly improving institutional performance. It may also reflect the ongoing transformation in Saudi Arabia's tourism landscape, where economic and environmental sustainability currently receive greater policy emphasis than cultural dimensions (Malki, 2024; Bhatt et al., 2024).

The study's results underscore that tourism prosperity and waqf development share a mutually reinforcing relationship. Tourism, when guided by ethical and sustainable frameworks, provides financial and environmental benefits that strengthen Islamic institutions and social finance systems (Ben Jedia & Ghroubi, 2025; Sholeh & Singh, 2025). Moreover, waqf institutions can serve as facilitators of sustainable tourism

by funding cultural preservation projects, green infrastructure, and community-based tourism initiatives (Elhadary & Raj, 2025; Musari & Fathorrazi, 2021). This interconnection supports the broader objectives of Saudi Vision 2030, which aims to diversify the national economy and promote sustainable development through innovative financial and social models (Alkhanbshi, 2024; Malki, 2024).

In conclusion, the discussion highlights that economic and environmental aspects of tourism prosperity are key determinants of waqf institutional development, whereas cultural elements play a more supportive and indirect role. The findings contribute to the growing body of knowledge linking tourism with Islamic social finance, providing a new perspective on how the tourism sector can be leveraged to strengthen waqf institutions in Saudi Arabia. The results also emphasize the need for policymakers to integrate cultural, economic, and environmental initiatives under a unified sustainable development strategy one that empowers waqf institutions to act as catalysts for inclusive growth, ethical governance, and community well-being.

## 6. Conclusion

This study examined the relationship between tourism prosperity and waqf institutions development in Saudi Arabia, providing valuable insights into how different dimensions of tourism contribute to institutional growth and sustainability. The findings confirmed that economic and environmental prosperity significantly influence waqf development, whereas cultural prosperity exhibited no direct effect. This outcome suggests that the benefits of tourism expansion are most evident through financial empowerment and environmental responsibility, both of which align closely with the ethical and developmental goals of waqf institutions. Economic prosperity derived from tourism activities strengthens the resource base, improves governance, and enhances institutional capacity, allowing waqf organizations to better serve community needs. Meanwhile, environmental prosperity reinforces the principle of sustainability embedded in Islamic finance, fostering social trust and long-term institutional resilience.

Although cultural prosperity did not show a direct statistical effect, it remains an important driver of heritage preservation, community participation, and social cohesion. Cultural tourism promotes awareness of local traditions and Islamic heritage, indirectly supporting waqf institutions by strengthening their social legitimacy and public engagement. The study concludes that tourism prosperity, particularly its economic and environmental dimensions, serves as a critical mechanism for advancing waqf institutions development and achieving Saudi Arabia's Vision 2030

objectives. By integrating sustainable tourism strategies with waqf management frameworks, policymakers can create a synergistic model that enhances institutional performance, promotes social welfare, and ensures that tourism growth contributes meaningfully to sustainable national development.

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