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Productive Waqf Paradox: How Misconceptions lead to the Wrong Practices

Ahmad Rodzi Pawanteh[1], Rubai Ahmad Munawar[2], Sudin Haron[3*]
[1,2] Asian Islamic Economics Research Centre, Indonesia
[3] Director General of Asian Islamic Economics Research Centre, Indonesia

**Corresponding Author: datodrsudin@gmail.com*

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ABSTRACT

Purpose of this study is to address public confusion and miconceptions regarding the mechanism of productive waqf, ensuring it does not echo the trajectory of the Islamic banking system where the original philosophy was hijacked by profitability motives. To achieve this, the paper utilizes a Method of a detailed review of the true meaning, nature, and differences between various kinds of waqf. The Results provide clear distinctions among these waqf types alongside professional opinions to ensure the sustainable prosperity of productive waqf. Consequently, the Implications of this research serve as a vital guideline for those wishing to establish a productive waqf that effectively benefits the Muslim community.

INTRODUCTION

Waqf is one of the most highly recommended practices in Islam. Muslims believe that the concept of waqf originates directly from the teachings and traditions of the Prophet Muhammad (pbuh) rather than being borrowed from other civilizations. While three primary categories of waqfreligious, philanthropic, and posterity (family) are widely discussed in the literature, many scholars argue that religious waqf was the first to emerge in Islamic history. According to Kahf (1992), the earliest waqf was the construction of the Quba Mosque, established upon the Prophet's (pbuh) arrival in Medina in 622 CE. Following this precedent, early Islamic missionaries consistently prioritized the erection of prayer houses when spreading Islam throughout the world.

In the Malay Archipelago, for example, the earliest waqf properties in the Malay Peninsula include Masjid Lama Macap in Melaka (circa 1511 CE), Masjid Kampung Hulu in Melaka (1728 CE), and Masjid Jamek Batu Uban in Penang (1734 CE). In Indonesia, the oldest recorded mosque is Masjid Saka Tunggal in Banyumas, Central Java, built in 1288 CE. Other historic Indonesian waqf mosques include Masjid Agung Demak (1474–1479 CE), Masjid Menara Kudus (1549 CE), and Masjid Tuo Kayu Jao in Solok, West Sumatra (1599 CE).

Beyond setting an example through religious infrastructure, the Prophet (pbuh) also guided his companions, such as Umar (the second Caliph) and Uthman (the third Caliph), in establishing waqf. Umar consulted the Prophet (pbuh) regarding the utilization of his prime land in Khaibar; the Prophet (pbuh) advised him not to sell the property, but rather to dedicate its agricultural proceeds to charity. Similarly, Uthman was encouraged to purchase the well known as *Bir Rumah* so that the Muslim community could access free water.

Over time, as Islam expanded across continents, the Arabian Peninsula, North Africa, the Balkans, the Indian subcontinent, Southeast Asia, and territories along the Silk Road to Western China embraced the faith. Driven by its societal benefits, these newly converted communities established numerous waqf properties in their homelands. Several of these iconic institutions endure today, including Al-Azhar University in Egypt, the University of al-Qarawiyyin in Morocco, and the Süleymaniye Complex in Turkey. Notably, the institutional framework of these early waqf properties was later emulated by other civilizations; for instance, Oxford University's foundational structure was inspired by the concept of Islamic madrasas and universities like Al-Azhar (Cizakca, 2000).

Re-examining the original objectives of early Islamic waqf reveals that they were heavily anchored in religious and social welfare. In the case of Caliph Umar's waqf, the revenue from the harvest was designated entirely for charity. Likewise, Caliph Uthman's acquisition of the well from a merchant ensured that water was distributed freely to the residents of Medina. Similarly, the Süleymaniye Complex, constructed in the 1550s, was designed to fulfill a comprehensive social agenda, housing a mosque, four madrasas, a public kitchen (*imaret*) that fed the poor daily, a hospital, a pharmacy, and a bathhouse. Al-Azhar University similarly institutionalized free education for students worldwide.

Consequently, it is clear that early waqf frameworks primarily served the needy and fulfilled immediate social requirements. However, Argun (2013), in his extensive scholarly work, notes that wealthier individuals during the Ottoman Empire also utilized waqf for alternative motivations, such as preventing a son's prodigality or safeguarding personal assets from state confiscation.

This traditional perception of waqf as an exclusive vehicle for social welfare continues to shape contemporary Muslim thought. Modern intellectuals have long focused on waqf primarily as a mechanism for addressing socioeconomic issues. Prominent contemporary scholars like Monzer Kahf (1992, 2003), Kuran (2003, 2004), and Sadeq (2002) have widely analyzed waqf through this social lens. It was Cizakca (2000) who pioneered the discussion of waqf from a macroeconomic perspective, demonstrating its historical role in market mobilization during the Ottoman era. According to Cizakca (2000, p. 2):

'The waqf system can contribute significantly towards that ultimate goal of so many modern economists: massive reduction of government expenditure, which leads to a smaller budget deficit, which in turn lowers the need for government borrowing thus curbing the ‘crowding-out effect’ and leads to a reduction in the rate of interest, consequently reining in a basic impediment to private investment and growth."

Undeniably, waqf plays a vital role in country-level economic development at both the micro and macro levels. Reports by the Islamic Research and Training Institute (IRTI/IDB) indicate the existence of vast inventories of waqf properties globally including mosques, dormitories, business centers, hotels, caravanserais, shops, and apartmentswhich generate employment and possess high commercial value. In countries like Egypt, Libya, Morocco, Jordan, and various Balkan states, these properties provide substantial economic benefits.

A legendary example is the *Bir* Rumah waqf established by Caliph Uthman. Currently managed by the General Authority for Awqaf in Saudi Arabia, this waqf stands as a monumental success in asset management. Evolving from a single water well into a diversified portfolio, it now actively invests in agriculture and real estate (hotels), generating approximately USD 13.3 million annually to assist the poor and needy. This demonstrates how historical waqf assets can appreciate into priceless resources that offer modern financial sustainability and employment.

This paper aims to shift the reader's attention from viewing waqf strictly through a religious or social lens toward a "Productive Waqf" perspective. We begin by contextualizing the historical shifts that triggered this conceptual evolution. Next, we elaborate on the precise definition of "productivity" from a Sharia viewpoint to ensure future research remains aligned with authentic Islamic legal and economic frameworks. Finally, we offer professional insights regarding the foundational rules for establishing new productive waqf ventures, alongside remedial strategies for realigning existing properties currently designated as productive waqf.

RESEARCH METHODS

This study employs a qualitative literature review and content analysis methodology by conducting a focused evaluation of 31 academic works authored by Indonesian researchers that explicitly feature the term "productivity" in their titles. Indonesian literature was intentionally selected as the primary sample because Indonesia is the pioneering nation to formally define and regulate "productive waqf" through legislative frameworks. To systematically evaluate the researchers' comprehension and the overall scholarly contribution of the articles toward the advancement of waqf knowledge, the authors developed an evaluation framework consisting of seven distinct parameters. Furthermore, the Delphi method was applied to assign specific measurement unit values to each parameter, allowing for a structured analysis of the trends, strengths, and conceptual ambiguities within the existing literature

DISCUSSION

The Islamic resurgence which took place at the end of the 1960s and in the early 1970s awakened many Muslim thinkers and scholars. They started to believe that the capitalist system does not conform to Islamic foundations. This is because the backbone of this system is *riba*; and *riba*, or interest, is prohibited by the Al-Quran and Hadith. Therefore, the Islamization of the economy can only be initiated when interest is abolished. Thus, it is natural that discussions on the establishment of interest-free banks were given more attention (Khan and Mirakhor, 1987). The Mit Ghamr Local Savings Bank in Egypt, which was established in 1963, is considered a pioneer in the Islamic banking system. In 2019, the number of commercial Islamic banks worldwide amounted to 428 banks with total assets of USD 1.99 trillion (Mirza, 2021).

We are really grateful and very much indebted to many great classical scholars such as Sami Hassan Homoud (1985) for his *Islamic Banking: The* Adaptation *of Banking Practice to Conform with Islamic Law*, and Muhammad Nejatullah Siddiqi (1983), who wrote the eye-opening book entitled *Banking* Without *Interest*. Additionally, the first textbook in accordance with the academic requirements of higher institutions was written by Sudin Haron and Bala Shanmugam (1997), titled *Islamic Banking System: Concepts & Applications*. Since then, there have been numerous publications published by young researchers. Today, almost every frontier of Islamic banking knowledge has been explored and the Islamic banking industry is considered to be at a mature stage.

Of late, many scholars have started to discuss other instruments within the parameters of Islamic economics which are considered superior to instruments in the Islamic banking system. This instrument is called waqf (plural: awqaf—in this article we use waqf interchangeably for *singular* and plural) and is regarded by many as a mechanism that is more suitable not only in mobilizing the wealth of Muslims, but at the same time is a powerful mechanism in poverty alleviation (Sadeq, 2002).

There are three notable contemporary scholars who have produced new insights into knowledge pertaining to waqf. Kahf (1992) produced a rudimentary work which highlighted the impact of waqf on socio-politics. Murat Çizakça (2000) made a great contribution to knowledge by publishing a comprehensive book on cash waqf. Çizakça's book also covers the practices of waqf in various Muslim countries. Kuran (2001) made a rigorous effort in analyzing the mechanism of waqf and its role toward providing public goods and utilities. It is also worthy to mention that the book by Siti Mashitoh Mahamood (2006) is very beneficial to those who want to know the regulatory aspects of waqf in Malaysia.

The publications on waqf have been mushrooming during the decade of the 2000s and onward. Atan and Johari (2017) made a review of waqf literature from 2006 to 2016. There were 289 articles under review. They found that the most popular topics were cash waqf, followed by property waqf, and the concept of waqf. Interestingly, 71.3% of the authors were from Southeast Asian countries including Malaysia, Indonesia, Brunei, Singapore, and Thailand. *Yusuf* A.O, et al. (2021) used a bibliometric technique in reviewing 476 articles on waqf between 1914 and 2020. They found that 2017 and 2018 were the most productive years. Similar to Atan and Johari, they too found that most works were done by Malaysian researchers.

Of late, researchers and scholars are more inclined to use the term known as "Productive Waqf" (and its Arabic counterpart *Waqf al-Istithmari*). Monzer Kahf and M.A. Mannan, the two famous contemporary, eminent Islamic scholars, started to link waqf as a productive tool in *investing* wealth. However, it was the Kuwait Awqaf Public Foundation that started to use the standard term of *Waqf al-Istithmari* (Investment/Productive Waqf) in the Arab world, which then trickled into English academic literature.

Credit and acknowledgment should be given to the scholars and the regulators of the Ministry of Finance, Republic of Indonesia, as well as the staff of the Central Bank of Indonesia for mooting the *idea* of using the term ‘productive’ in explaining the superiority of waqf in Islamic economics. The promulgation of Law No. 41 of 2004 on waqf serves as a comprehensive set of guidelines and procedures on every aspect of waqf in Indonesia. The clauses in Law No. 41 related to the term ‘productive’ are presented below:

Law No 41- Clause No 43:

1. The management and development of *waqf* assets by the Nazhir* as referred to in Article 42 shall be carried out in *accordance* with Sharia principles. Endowment manager or administrator
2. The management and development of waqf assets as referred to in paragraph (1) shall be conducted productively. Explanatory Notes on Law N0 41: General
3. The allocation of waqf assets is not intended solely for the benefit of worship and social facilities, but is also directed toward advancing public welfare by realizing the economic potential and benefits of said assets. This allows the management of waqf assets to enter the realm of economic activity in a broad sense, provided that such management aligns with Sharia management and economic principles. Clause 43 (2)

The management and development of wakaf assets shall be conducted productively through, among others, collection, investment, capital investment, production, partnerships, trade, agro-business, mining, industry, technological development, the construction of buildings, apartments, low-cost flats (rumah susun), supermarkets, shops, offices, educational facilities or health facilities, and other business ventures that do not contravene Sharia principles.

A close examination of Clause 43(2) reveals the explicit mandate that the "waqf asset shall be managed productively through.". Consequently, "productively" serves as the operational keyword. Since the promulgation of this law, scholars and researchers have increasingly used the term "productive waqf" to describe waqf assets tied directly to *commercial* and economic activities. The majority of the literature on this subject has been produced by researchers from Malaysia and Indonesia, a trend corroborated by the bibliometric findings of Atan and Johari (2017) as well as Yusuf A.O.,et al. (2021).

Furthermore, the enactment of Law No. 41 acted as an impetus for various institutional bodies in Indonesia to initiate productive waqf projects. This development has been championed by prominent waqf institutions, including Dompet Dhuafa, Global *Wakaf*, Rumah Wakaf, Wakaf Al-Azhar, Sinergi Foundation, Wakaf Daarut Tauhiid, Yayasan Wakaf Bina Nurani Bangsa, Wakaf Nahdlatul Ulama, and Wakaf Muhammadiyah. Additionally, productive waqf frameworks have been adopted by nearly all *pesantrens* (traditional Islamic boarding schools) across Indonesia. A notable example is Pondok Modern Darussalam Gontor, which has established numerous waqf-based enterprises to achieve institutional self-sufficiency while providing affordable goods and services to the surrounding community (Ascarya et al., 2021).

The Concept and Meaning of Productivity

We conducted a focused review of 31 literary works authored by Indonesian researchers and scholars that explicitly included the term "productivity" in their titles. Indonesian literature was purposely selected because Indonesia was the first country whose authorities formally defined the term "productive waqf." Most of these articles were published in Indonesian-domiciled journals. Our primary objective was to assess whether these authors accurately understood the core concept of "productivity" as well as the specialized framework of "productive waqf." To achieve this, we developed seven parameters to evaluate the researchers' comprehension, alongside the overall contribution and quality of their articles toward expanding the frontiers of waqf knowledge. We applied the Delphi method to assign a specific measurement unit value to each parameter. Our findings are summarized in Table 1.

Based on our evaluation, rather than adopting a case-study approach or examining specific, operational waqf assets across Indonesia—or those developed by distinct organizations—the majority of researchers (65%) preferred to author general papers. Consequently, these general papers tended to elaborate on waqf primarily from theoretical perspectives (58%). Conversely, focusing on empirical, existing waqf assets could yield valuable insights and lessons to optimize the societal benefits of productive waqf.

Another compelling finding from our review is that, despite focusing their work on productive waqf, 45% of the researchers failed to define the meaning of productivity, while 32% offered only a vague definition. Surprisingly, despite all authors being Indonesian, 68% of the analyzed papers did not highlight Law No. 41 of 2004 (UU 41/2004), and only 3% provided a complete reference to this landmark legislation. Omitting such a foundational regulatory source within the literature is a critical scholarly oversight.

Table 1 Findings of the Review (%)

Particular	Finding		
1. Referring to definition of UU 41, 2004	Completely (3)	Partially (29)	No (68)
2. Define the meaning of productivity waqf	Clearly : (23)	Obscure : (32)	No : (45)
3. Nature of the paper	Specific : (35)	General : (65)	
4. Promoting new ideas and suggestions	Many ideas : (16)	Some ideas : (55)	No idea: (29)
5. Types of paper	Theoretical : (58)	Practical : (42)	
6. Potential implementation	Highly : (10)	Likely : (55)	Unlikely : (35)
7. Appealing to read	Appealing : (26)	Indifferent : (32)	Dreary : (42)

N= 31, percentage is in parentheses.

Additionally, we found that 26% of the reviewed papers were highly compelling and engaging. In terms of practical application, these studies are particularly valuable because their proposed frameworks demonstrate a high likelihood of successful implementation. Based on the data presented in Table 1, we argue that the divergent opinions among researchers stem primarily from the definitional ambiguity within Law No. 41 of 2004. Consequently, authors frequently rely on subjective interpretations when navigating this subject.

To clarify this discourse for our readers, it is necessary to examine the etymological origins of the word "productive" and its profound implications for developing productive waqf models. The word "productive" derives from "product" or "produce." Originating in the 1610s from the French *productif* ("serving to produce"), the term stems from the Medieval Latin *productivus* (Etymonline, n.d.). Modern definitions denote it as "resulting in or providing a large amount or supply of something" (Cambridge Dictionary, n.d.). Applying this etymological framework to waqf implies that a productive waqf must yield a multiplier effect—meaning it must actively generate a greater volume of wealth or output relative to the initial principal asset.

This raises a critical question: how should this economic definition intersect with our understanding of "productive waqf". In many instances, researchers trace the origins of the concept back to the prophetic tradition (Hadith) where the Prophet Muhammad (pbuh) instructed Umar to retain his land and distribute its agricultural yield as charity. However, since this original asset no longer exists, this particular Hadith is less suitable for anchoring the contemporary narrative of productive waqf. Instead, the Hadith detailing Uthman's acquisition and optimization of the *Bir Rumah* (the Well of Rumah) provides a far more accurate historical precedent. As noted earlier, this specific waqf has evolved to generate approximately USD 13.3 million annually.

Because this study focuses specifically on the Indonesian landscape, our primary regulatory benchmark is Law No. 41 of 2004. The law defines waqf as "a legal act by a waqif (donor) to separate and/or transfer a portion of their property or assets to be utilized permanently or for a specified period, in accordance with their interests, for the purpose of worship and/or public welfare according to Sharia." While we intentionally bypass alternative definitions from other jurisdictions, we concur with Miftahul et al. (2025) that Law No. 41 of 2004 does not explicitly define *productive* waqf. Nonetheless, Article 16 of the Law explicitly categorizes the types of assets that may be managed productively. Therefore, our analysis centers on how Indonesian researchers conceptualize productive waqf within this legal boundaries.

Miftahul et al. (2025) highlighted the conceptualizations offered by Jaih Mubarok (2008) and Monzer Kahf (2006). Mubarok characterizes productive waqf as a paradigm shift from conventional, static management toward a professional framework aimed at maximizing utility and generating the highest output of goods or services with minimal capital. Similarly, Kahf notes that productive waqf shifts assets away from purely consumptive usage toward active production and investment. By channeling assets into productive capital, it simultaneous drives savings and investment to secure future individual and collective benefits.

Correspondingly, Azmi et al. (2021) reference the Indonesian Ministry of Religious Affairs, which defines productive waqf as a shift from traditional, rudimentary custody to professional, managerial oversight aimed at expanding asset yields. Ishom (2014) similarly argues that productive waqf entails developing core waqf assets to optimize their socio-economic value for the Muslim community, thereby generating a sustainable surplus. This surplus serves as a self-sustaining endowment fund capable of financing crucial social services, such as high-quality education and healthcare.

Roihan and Kholili (2025) provide a clear distinction between the two primary modalities of waqf. They categorize them into *consumptive* and *productive* waqf. While consumptive waqf directly serves immediate community needs by funding static religious infrastructure (such as mosques, tombs, or madrasas), its direct impact on broader economic welfare is constrained. Conversely, productive waqf dynamically develops assets to generate revenue, which is then reallocated according to the donor’s intent. Though various Indonesian researchers offer slightly different phrasing, their core underlying principle remains identical: the continuous generation of economic surplus for public benefit.

Building upon these existing frameworks, we conclude that a true productive waqf requires three foundational elements. First, the underlying asset must generate a tangible output or service possessing distinct economic value. Second, the operation must be scalable, continuously expanding in terms of size and economic capacity. Finally, the entire administrative process must remain strictly within Sharia boundaries. Consequently, we propose the following definitive conceptualization:

"Productive waqf is a strategic mechanism that continuously mobilizes wealth through commercial and business ventures to create and enhance the socio-*economic welfare of the Muslim community. This framework ensures that the principal asset steadily appreciates while its operations remain strictly aligned with the parameters of Sharia principles."*

Cardinal Rules within the Mechanism of Productive Waqf

Prior to extending this discussion, it is necessary to reiterate that the concept and operational definition of "productivity" have been established in the preceding sections. A precise understanding of this term is paramount to maintain analytical focus and establish clear parameters for the subject matter. Conversely, this paper intentionally refrains from a lengthy exploration of the general definition of waqf, as the existing literature on the subject is already exhaustive. However, to provide conceptual clarity for the reader, it is useful to recall that the validity of any *waqf* rests upon four fundamental pillars (*arkan*):

1. The *Waqif*: The donor or endower, who must be a compos mentis (sensible) and legally competent individual.
2. The Mauquf: The dedicated asset, which must be under the absolute and legal ownership of the *waqif* prior to its endowment.
3. The Mauquf *'Alaih*: The designated beneficiaries or objectives of the endowment, which must be clearly specified in the *waqf* pledge (*ikrar waqf*).
4. The Sighah: The formal pledge or declaration of the *waqf*.

Aligned with our proposed framework, the operational core of productive waqf centers on its structural "mechanism" and its underlying "process." The process of establishing a productive waqf begins with the capital assets utilized in the venture, which must be tangible, sustainable, and strictly compliant with Sharia principles. This constitutes the first cardinal rule. The second rule mandates that the managing authority ensure the preservation of the asset's principal value; consequently, the investment screening and venture selection processes must be highly rigorous. The third ru**le** dictates that the underlying commercial project must possess structural continuity and perpetuity, requiring robust supervisory and monitoring frameworks to mitigate mismanagement. The fourth rule requires that Sharia governance guide every dimension of the venture's administrative and opera tional management. Finally, the fifth rule governs the trilateral relationship between the three core stakeholders: the donors (*waqif*), the asset managers (*nazhir*), and the beneficiaries (*mauquf 'alaih*).

Recent literature emphasizes that effective managerial practices form the backbone of successful productive waqf strategies. Umu Syaidah and Bambang Suyadi (2026) note that these strategies depend heavily on transparent financial reporting, strategic asset development, active cash waqf mobilization, and strict jurisprudential compliance. Similarly, Setiawan et al. (2021) emphasize that *nazhirs* must master comprehensive managerial functions to cultivate and maintain harmonious relationships with both donors and beneficiaries. Proper governance and institutional accountability ensure that *waqf* administrations not only satisfy legal and religious imperatives but also generate measurable social impact, thereby reinforcing institutional legitimacy and encouraging long-term capital commitments from the public.

Ardiyansyah et al. (2021) highlight the perspectives of Professor Dr. Syafi'i Antonio, a leading contemporary Indonesian Islamic economic thinker, who argues that the optimization of productive waqf relies on three core operational pillars: an integrated asset management pattern, the professional welfare of the *nazhir*, and strict institutional transparency.

Regarding structural implementation, Ascarya et al. (2021) utilized the Analytic Network Process (ANP) to identify two primary models for productive waqf execution within Indonesia: a self-managed cash waqf model and an external-partnership cash waqf model. While their findings offer highly sophisticated academic insights, their frameworks remain largely theoretical and require further operational refinement to achieve broad industry adoption and practical buy-in.

Despite the strategic value of these models, several Indonesian waqf institutions face notable execution constraints. Syafik Muhammad and Imam Purnomo Aji (2024) identify several systemic barriers that hinder the performance of productive waqf initiatives, including widespread conceptual misconceptions, limited managerial capacity, deficits in transparency and accountability, capital scarcity, and burdensome administrative procedures.

Nonetheless, significant recognition belongs to the pioneering institutions advancing this agenda while the ecosystem matures. Dompet Dhuafa Republika (DDR) serves as an exemplary institution dedicated to positioning productive waqf as a powerful economic catalyst to combat socioeconomic vulnerability in Indonesia. The initiative was conceptualized in 1993 by four journalists from the *Republika* daily newspaper: Parni Hadi (then Editor-in-Chief), Haidar Baghir, Sinansari Ecip, and Eri Sudewo. Witnessing severe rural poverty in Gunungkidul, they launched a public donation column on the front page of *Republika* on July 2, 1993. The initiative gained momentum when the newspaper's staff voluntarily committed to a 2.5% salary deduction to seed the fund. Following an overwhelming public response, the initiative was formally incorporated in September 1994 as the Yayasan Dompet Dhuafa Republika.

This corporate formalization enabled DDR to optimize its management across the entire Islamic social finance spectrum, collectively known as ZISWAF (Zakat, Infaq, Sadaqah, and Waqf). Philosophically, DDR deliberately shifted away from traditional, consumptive handout charity. Instead of distributing short-term cash grants for immediate survival, DDR reallocates its capital into structured social development projects. This model is explicitly designed to transform wealth consumers (*mustahik*) into self-reliant, independent economic agents who can eventually transition into wealth donors (*muzakki*). In alignment with this empowerment philosophy, DDR has streamlined its developmental operations into five core sectors:

1) Economic Development: Financing small and medium enterprises (SMEs), establishing community-owned farms (DD Farm), and providing interest-free micro-loans to the unbanked.
2) Health: Building free or highly subsidized clinics and hospitals for the underprivileged (such as the *Gerai Sehat* network and the Tipe C RS Hasyim A syari).
3) Education: Funding scholarships and running specialized free schools for bright but marginalized children, such as SMART *Ekselensia Indonesia*, as well as teacher-training programs.
4) Social & Disaster Management: Deploying immediate humanitarian aid, rescue operations, and long-term reconstruction through the Dompet Dhuafa Disaster Management Center (DMC).
5) Da'wah & Culture: Promoting Islamic values, community harmony, and sending "Da'i Ambassadors" globally to serve Indonesian migrant worker communities.

To date, Dompet Dhuafa (DDR) has become a benchmark for successful philanthropic activity in Indonesia, earning numerous domestic and international accolades. Since its inception, the organization's social initiatives have benefited over 41.8 million individuals, supported by a dedicated network of 1,400 full-time personnel and 10,000 volunteers. By the end of 2025, DDR managed total assets valued at USD 25.2 million, of which USD 15.6 million was held in the form of waqf assets.

DDR’s success in mobilizing *zakat* (alms) funds and promoting productive waqf has attracted significant scholarly interest. Key researchers exploring the institutional factors behind its leadership in the Indonesian philanthropic sector include Hari Candra and Asmak Ab Rahman (2010); Srinovita et al. (2016); Rahmat Hidayatullah et al. (2024); Hendri Tanjung et al. (2024); Alya Rahma Siregar et al. (2024); M. Rizqi Zain Pratama and Hartutik (2025); and Aufaa Anjani Rasyiedah and Hartutik (2025).

According to Candra and Ab Rahman (2010), DDR’s ability to secure public trust stems from its modern, transparent, accountable, and professional management of ZISWAF (Zakat, Infaq, Sadaqah, and Waqf) assets. The institution's governance framework aims to uplift the *dhu’afa* (the underprivileged), foster brotherhood, and improve work ethics. Within DDR, waqf is valued not only for its financial productivity but also for its socioeconomic contributions, particularly in developing health, education, community facilities, and human capital.

Furthermore, empirical research demonstrates that DDR’s productive *zakat* programs actively stimulate local economic growth. Through these interventions, *mustahik* (zakat recipients) receive support for micro-businesses, such as purchasing production equipment, increasing inventory, and upgrading business facilities. These interventions have resulted in higher sales, expanded customer bases, and increased entrepreneurial confidence. Beyond the macroeconomic impact, these programs improve family welfare—enabling recipients to meet basic needs, save money, and fund their children's education while fostering behavioral shifts toward financial literacy, self-sufficiency, and altruism.

Synthesizing this operational model, Rasyiedah and Hartutik (2025) note that DDR selects productive waqf projects based on three primary criteria: social impact potential, surplus-generating capacity, and financial feasibility. Selected units primarily in education, healthcare, and economic development must demonstrate measurable financial performance or profitability. To guarantee strict adherence to Islamic law, all productive waqf activities must secure approval from the Sharia Supervisory Board (DPS). This oversight serves as the foundation for DDR's social enterprises, ensuring a sustainable balance between Sharia compliance, social impact, and economic viability

CLOSING

It an indisputable fact that productive waqf is a vital mechanism within the broader spectrum of Islamic economics. Ascarya et al. (2021) posit that productive waqf provides socio-economic benefits to society across multiple levels. At the micro level, productive waqf can lower the production costs of goods and services because it does not involve shareholders demanding financial returns. It can also lower financing costs for Islamic financial institutions (IFIs) by utilizing cash waqf as a source of funding or equity. Consequently, productive waqf increases consumer surplus, producer surplus, and the supply of public goods, thereby stimulating socio-economic activities, boosting economic growth, reducing unemployment, alleviating poverty, and ultimately improving social well-being. Furthermore, when integrated into IFIs (including microfinance), productive waqf reduces maturity mismatches, mitigates liquidity risks, and minimizes market bubbles. This enhances institutional stability and sustainability, which subsequently improves macroeconomic and financial stability.

The potential of productive waqf extends far beyond purely financial outcomes. According to Syaidah and Suyadi (2026), strategically allocated waqf assets contribute to broader societal development, including social inclusion, poverty alleviation, and capacity building. For instance, productive waqf initiatives can support micro, small, and medium enterprises (MSMEs) by providing low-cost financing, business training, and infrastructure support creating a multiplier effect that stimulates local economies. Such initiatives also align closely with the United Nations Sustainable Development Goals (SDGs), particularly Goal 1 (No Poverty) and Goal 8 (Decent Work and Economic Growth), highlighting waqf as a viable instrument for integrated socio-economic planning.

In conclusion, stakeholders involved in establishing and managing productive waqf must strictly adhere to its cardinal rules. First, assets dedicated to the venture must be free from encumbrances, tangible, sustainable, and compliant with Sharia law. Second, because these assets must not be subject to depreciation or diminishing value, asset selection must follow stringent screening procedures. Third, the chosen project must inherently possess elements of continuity and perpetuity. Fourth, Sharia principles must be observed at all times.

Fifth and finally, all human capital involved in the venture must strictly adhere to Sharia compliance.

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