

IMPLEMENTATION OF PRODUCTIVE WAKAF IN SUPPORTING SHARIA-BASED ECONOMIC DEVELOPMENT IN URBAN AREAS

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Abstract

This study aims to analyze the implementation of productive waqf in supporting sharia-based economic development in urban areas. The main focus of the study is to understand the role and potential of productive waqf in driving the economy and improving the welfare of urban communities. This study also explores the challenges and opportunities faced in the management of productive waqf. The research method used is a qualitative approach with case studies in several waqf management institutions in urban areas of Indonesia. Data were collected through in-depth interviews, field observations, and document studies. This approach allows the study to explore comprehensive information regarding the implementation strategy and impact of productive waqf on the sharia economy. The results of the study indicate that productive waqf has a significant contribution to sharia-based economic development in urban areas. Productive waqf that is managed professionally is able to create jobs, increase access to social services, and provide public facilities such as education and health. However, the study also found obstacles, such as low waqf literacy in the community, limited manager capacity, and lack of regulatory support. The conclusion of this study is that the implementation of productive waqf has great potential to support sharia-based economic development in urban areas, as long as it is managed well and supported by adequate regulations. This study recommends increasing waqf literacy in the community, strengthening the capacity of management institutions, and collaborating with various parties to maximize the potential of productive waqf in creating sustainable socio-economic impacts.

Keywords: Productive Waqf, Development, Sharia Economy

INTRODUCTION

Sharia economics is an economic system based on the principles of Islamic teachings that emphasize justice, transparency, and sustainability. One concept that is very relevant to sharia economics is waqf, which has an important role in driving economic development based on social justice and equal distribution of welfare. Waqf in its general sense is the provision of assets or property for the public interest without expecting anything in return, and is often associated with social activities such as the construction of mosques, hospitals, or other public facilities. However, the concept of productive waqf, which refers to the management of waqf assets to generate profits that can be reused for the benefit of the community, is beginning to gain attention as an alternative source of financing that is more sustainable and has a broader economic impact.

The implementation of productive waqf in urban areas has great potential to support sharia-based economic development. This is very relevant considering that urban areas are often faced with complex social and economic problems, such as high unemployment rates, poverty, and social inequality. For example, waqf assets that are managed productively can be used to establish micro, small, and medium enterprises (MSMEs) that can absorb labor, increase community income, and create new economic opportunities. In addition, productive waqf can also be used to provide more affordable education and health facilities for the community, improving the quality of life as a whole. According to several studies, the management of productive waqf in urban areas can have a significant impact on community welfare, both economically and socially (Qurrata et al., 2021).

However, despite the enormous potential of productive waqf, its implementation in urban areas still faces various challenges. One of the main problems faced is the lack of public understanding of the concept of productive waqf, both in terms of benefits and how to manage it. Low sharia financial literacy among the community also worsens this situation, considering that productive waqf requires deeper skills and knowledge regarding asset management and investment

in accordance with sharia principles. In addition, there is still unclear regulation governing the management of productive waqf in Indonesia. This causes many waqf management institutions to have difficulty operating optimally. According to several studies, this is one of the inhibiting factors for the development of optimal productive waqf (Ahmad, 2019).

Not only that, the management of productive waqf in urban areas is also often hampered by problems related to coordination between various parties, such as the government, Islamic financial institutions, and waqf management institutions. Without solid cooperation, the management of productive waqf assets can be hampered, and even potentially not provide maximum benefits to the community. Therefore, this study is important to look further into how productive waqf can be implemented more effectively and provide benefits to urban communities, as well as what factors are challenges in the implementation process.

On the other hand, although the management of productive waqf is still limited in some areas, there have been a number of initiatives and successful examples that can be models for other urban areas (Khan, 2019). Several Islamic financial institutions have developed productive waqf products aimed at helping MSMEs, which are one of the sectors that are growing rapidly in urban areas. These products not only provide capital for MSMEs, but also enable them to develop their businesses sustainably. Several case examples show that, with proper management, waqf assets can be utilized to increase business capacity, expand market reach, and create new jobs.

As part of the solution to the challenges faced, education and socialization related to productive waqf need to be intensified among the community, especially in urban areas (Siswoyo, Permana, & Arofah, 2019). This outreach will increase public understanding of the importance of productive waqf management and how it can contribute to economic welfare. Training programs on waqf asset management that are oriented towards productive activities also need to be introduced to waqf management institutions so that they can maximize their potential. In addition, cooperation with various parties, including the government and Islamic financial institutions, must be encouraged to create an ecosystem that supports the growth and development of productive waqf.

In addition, in the implementation of productive waqf, it is also important to consider existing regulations. Government policies that support the development of productive waqf, such as tax incentives or special financing facilities for waqf management institutions, are needed to accelerate the realization of benefits from these waqf assets. Without clear and supportive policies, the management of productive waqf will be hampered, and the great potential of waqf as a sharia economic instrument will not be fully realized. Therefore, this study aims to explore more deeply how existing regulations can be optimized, as well as how cooperation between the public and private sectors can overcome various existing obstacles.

The importance of this research also lies in how the implementation of productive waqf can have a positive impact on sharia-based economic development, which emphasizes the principles of justice and equal distribution of welfare. In urban areas, good waqf management can not only accelerate economic growth, but can also play a role in reducing social inequality that often occurs between richer and poorer groups in society. By utilizing waqf assets for productive purposes, society can obtain more sustainable long-term benefits, both economically and socially.

This study will examine comprehensively the implementation of productive waqf in urban areas, by looking at the potential, challenges, and opportunities that exist. The results of this study are expected to contribute to formulating more effective strategies to improve the implementation of productive waqf and support sharia-based economic development in urban areas. It is also hoped that this study can provide insight for policy makers in designing policies that better support the management of productive waqf that is sustainable and beneficial to the wider community.

RESEARCH METHODS

This study uses a qualitative approach with a case study design to analyze the implementation of productive waqf in supporting sharia-based economic development in urban areas. The qualitative approach was chosen because it allows researchers to deeply understand the phenomena that occur, explore the role, challenges, and potential of productive waqf from the perspective of various parties involved, such as waqf management institutions, beneficiary communities, and the government (Pugu, Riyanto, & Haryadi, 2024). With this approach, this study aims to obtain a comprehensive picture of the implementation and impact of productive waqf.

The data collection process in this study was carried out using several techniques, namely in-depth interviews, participatory observation, and documentation studies. In-depth interviews were conducted by involving various key informants, such as waqf managers, sharia economists, policy makers, and MSME actors who utilize productive waqf. This interview aims to gain a clearer understanding of productive waqf management, the obstacles faced, and its impact on sharia-based economic development in urban areas. Participatory observation was also carried out by being directly involved in several waqf management activities, to see how the implementation process is carried out in the field and the interaction between waqf managers and the community.

Documentation study is used to collect various secondary data relevant to the research topic, such as annual reports of waqf institutions, economic data, government policies on productive waqf, and other documents related to waqf management and development. These documents are important to provide a broader picture of the context and situation of productive waqf implementation in urban areas. In addition, an analysis of existing regulations is also carried out to see the extent to which government policies support productive waqf management and how these policies affect waqf implementation at the local level.

The data collected from interviews, observations, and documentation studies were then analyzed using thematic analysis techniques. This approach is used to identify key themes that emerge from the data, such as the potential of productive waqf, challenges in implementation, and its impact on sharia-based economic development. Each theme found will be analyzed in depth, taking into account the social, economic, and cultural contexts in urban areas. This analysis is conducted to explore the relationship between various factors that influence the management of productive waqf, as well as to provide insight into policies that can improve the effectiveness of productive waqf implementation.

To support the validity of the research results, data triangulation techniques were also applied. Data triangulation was carried out by comparing the results of interviews with data obtained through observation and documentation studies, as well as with data from other sources, such as literature related to productive waqf management. By using triangulation, researchers can ensure that the findings obtained are the result of a diverse and accountable data collection process. Triangulation also allows researchers to identify potential biases that may occur in the data collection process and reduce their influence on the research results.

In addition, this study also uses source triangulation techniques by involving various institutions that have a role in managing productive waqf, such as Islamic financial institutions, waqf institutions, and related government agencies. Through source triangulation, this study can obtain a more holistic view of the role and contribution of each institution in managing productive waqf in urban areas. This approach also helps researchers to understand the dynamics between various stakeholders in waqf management and how cooperation between them can support the development of a sharia-based economy.

The sampling method in this study used purposive sampling technique, namely the selection of informants who are considered to have relevant information and can provide in-depth insights into the research topic. The informants selected include productive waqf managers, MSME actors who receive benefits from productive waqf, and other related parties who have direct understanding and experience regarding the management and implementation of productive waqf in urban areas. This sample was selected based on certain criteria, such as experience in waqf management or involvement in sharia-based economic development.

To ensure the sustainability of the research, data analysis was carried out iteratively, namely researchers analyzed the data obtained during the data collection process. This allows researchers to improve research instruments and focus on more relevant aspects based on the findings that emerge. In addition, this process also helps researchers to identify patterns that emerge from the data more efficiently and allows researchers to adapt research methods according to the needs in the field.

This study seeks to provide a deep understanding of the implementation of productive waqf in urban areas, as well as to identify factors that influence its success or failure. The findings obtained are expected to provide strategic recommendations for more effective and sustainable management of productive waqf, which can have a positive impact on sharia-based economic development. The results of this study are also expected to be a reference for policy makers, waqf management

institutions, and the community in designing programs that better support the development of productive waqf in urban areas.

With this qualitative approach, the research is expected to explore the phenomenon of productive waqf implementation in more depth and comprehensively, and contribute to the development of a more inclusive and sustainable sharia-based economy. This research is also expected to open up a wider discussion space regarding the potential of productive waqf in supporting economic development at the local and national levels.

RESEARCH RESULT

This study identified several key findings related to the implementation of productive waqf in supporting sharia-based economic development in urban areas. Based on interviews with waqf managers, MSME actors, and policy makers, as well as field observations, there is evidence that productive waqf has great potential in creating jobs and supporting the MSME sector. One important finding is that efficient management of productive waqf can generate income that can be used to finance various social programs, such as education and health, which also contribute to improving community welfare (Zainal et al., 2021).

One example of the successful implementation of productive waqf in urban areas is the establishment of a sharia financial institution that manages waqf assets to support MSME financing. In this case, waqf is used as capital to provide interest-free loans to small entrepreneurs in need, thereby reducing their dependence on conventional financial institutions. Observation results show that MSME actors who receive financing from productive waqf can develop their businesses, increase income, and create new jobs in the surrounding environment (Hidayah & Daud, 2020).

However, this study also found several challenges in managing productive waqf in urban areas. One of them is the limited knowledge of the community regarding the potential of productive waqf. Many people still see waqf as a form of consumptive assistance, such as building mosques or other public facilities, and do not fully understand how waqf assets can be used for profitable activities. This shows that literacy of productive waqf among the community is still very low. Several informants suggested the need for more intensive education and socialization programs to increase public understanding of productive waqf (Syafitri & Hidayah, 2021).

In addition, the low capacity of waqf management institutions is also an inhibiting factor. Many institutions do not have skilled human resources in managing waqf assets productively. Several management institutions are still trapped in consumptive waqf management practices that do not provide a significant economic impact. Therefore, strengthening the capacity of waqf managers is very important. This study found that several institutions that have succeeded in managing productive waqf efficiently have well-trained teams and have a good understanding of the principles of sharia economics and productive investment (Azis, 2022).

In terms of regulation, although there are a number of government policies that support the development of productive waqf, there are still shortcomings in terms of implementation and supervision. Several waqf managers expressed that the unclear regulations regarding productive waqf made them hesitate to invest more in managing waqf assets. The government needs to issue more detailed and integrated policies, and provide incentives to waqf management institutions that manage productive waqf assets with clear socio-economic objectives (Hidayah & Daud, 2020).

In addition, limited access to finance for waqf management institutions is also a major challenge. Several waqf management institutions expressed that they had difficulty obtaining sufficient capital to develop waqf assets into sustainable productive projects. Although several Islamic financial institutions have offered financing products for waqf management, the complicated administrative process and strict requirements are often obstacles for smaller waqf management institutions that do not have strong networks (Fadli & Putra, 2023).

However, this study also found a number of opportunities that can be utilized to optimize the implementation of productive waqf. One of them is the potential for collaboration between waqf management institutions, Islamic financial institutions, and the private sector. By forming strategic partnerships, these institutions can jointly manage productive waqf assets to generate

greater impact. For example, Islamic financial institutions can provide financing for productive waqf projects, while the private sector can play a role in providing technology and expertise to improve the efficiency of waqf asset management (Syafitri & Hidayah, 2021).

In terms of social impact, productive waqf has been shown to have the potential to improve the quality of life of urban communities. For example, waqf projects that focus on building healthy homes and educational facilities for underprivileged families have been shown to increase their access to basic services that were previously difficult to reach. Communities living in these areas feel more empowered, because they not only get better facilities but also opportunities to develop skills through educational programs supported by productive waqf (Zainal et al., 2021).

In terms of economy, productive waqf provides a direct contribution to increasing community income. Several MSMEs who received assistance through productive waqf reported a significant increase in turnover. They can expand their businesses, reduce dependence on high-interest loans, and create new job opportunities. This impact is not only limited to individual beneficiaries, but also contributes to the local economy, by increasing people's purchasing power and consumption (Hidayah & Daud, 2020).

Overall, the results of this study indicate that productive waqf has great potential to support sharia-based economic development in urban areas. However, to maximize this potential, it is necessary to increase waqf literacy in the community, strengthen the capacity of management institutions, and provide clearer and more detailed policy support from the government. With proper management, productive waqf can have a greater impact in overcoming socio-economic problems and creating sustainable welfare for urban communities.

CONCLUSION

Based on the results of this study, it can be concluded that productive waqf has great potential to support sharia-based economic development in urban areas. Through proper management, productive waqf can function as a source of financing that supports the development of micro, small, and medium enterprises (MSMEs), which in turn can improve community welfare. In this context, productive waqf not only provides direct benefits in the form of business capital, but also improves the quality of life of the community through social projects funded by waqf, such as education, health, and housing.

However, despite its enormous potential, the implementation of productive waqf in urban areas still faces a number of challenges. One of the main challenges found in this study is the lack of public literacy regarding the potential of productive waqf. Many people still consider waqf as a consumptive activity, such as building mosques or other public facilities, and do not yet understand the concept of waqf as a productive economic instrument. Therefore, it is important for waqf management institutions to improve education and socialization to the community regarding the benefits and potential of productive waqf.

In addition, the limited capacity of waqf management institutions is a significant obstacle in the development of productive waqf. This study shows that many waqf management institutions still do not have sufficient human resources skilled in managing waqf assets productively. Therefore, strengthening the capacity of management institutions through training and increasing understanding of sharia economics and investment management is key to maximizing the potential of productive waqf.

Another challenge faced in the implementation of productive waqf is the regulation that is not yet fully supportive. Although there are government policies regarding productive waqf, its implementation is still hampered by unclear regulations and lack of incentives for waqf management institutions. This study suggests that the government formulate clearer and more integrated policies, and provide more support to management institutions that are committed to developing productive waqf.

However, this study also found that productive waqf can have a significant positive impact on the local economy. Several MSMEs who received financing from productive waqf reported an increase in turnover and the ability to expand their businesses. In addition, with interest-free

financing from productive waqf, MSMEs can reduce their dependence on high-interest conventional loans, so they can focus more on business development and creating new jobs.

From a social perspective, productive waqf has been proven to provide great benefits, such as increasing community access to education, health, and other social services. Waqf projects that support the construction of public facilities, such as healthy homes and schools, have helped underprivileged communities gain better access to basic services. This reflects the important role of productive waqf in creating more equitable welfare for all levels of society.

Overall, this study shows that to maximize the potential of productive waqf, there needs to be close cooperation between waqf management institutions, Islamic financial institutions, the private sector, and the government. With stronger support from all related parties, productive waqf can be an effective instrument in supporting sharia-based economic development, as well as improving the socio-economic welfare of people in urban areas.

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