

## Variations of Productive Waqf Management Model in Indonesia: A Literature Study

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### Abstract

*This research examines different productive waqf management models in Indonesia. The study used a qualitative approach, focusing on literature. The findings revealed that the most commonly-implemented productive waqf management model was the productive investment one, which involved land and building rentals. In second place was the profit-sharing financing model, which included collaborations with third parties such as cooperatives, outsourcers, and other institutions. The study also identified the social infrastructure development model, by which buildings such as schools and places of worship were built. The variations in productive waqf management models in Indonesia, as found in this study, were still relatively low when compared to the strategic productive waqf land categorization compiled by the Directorate of Waqf Empowerment. This highlights the need for the Indonesian Waqf Board to develop strategies to increase the ratio of productive waqf at national and sub-national levels, which will eventually lead to the rise of the National Waqf Index.*

**Keyword:** Productive waqf, Waqf management model, National Waqf Index

### Abstrak

Penelitian ini mengkaji variasi model pengelolaan wakaf produktif di Indonesia. Metode yang digunakan dalam penelitian ini adalah kualitatif dengan pendekatan studi literatur. Temuan dalam penelitian ini yakni variasi dalam pengelolaan wakaf produktif yang sudah diimplementasikan di Indonesia tertinggi diduduki oleh model investasi produktif dalam bentuk penyewaan tanah/bangunan, selanjutnya model pembiayaan bagi hasil dalam bentuk kerja sama dengan pihak ketiga di antaranya koperasi, *outsourcing*, dan lembaga lainnya. Terakhir, model pengelolaan wakaf produktif yang ditemukan adalah model pengembangan infrastruktur sosial dalam bentuk pembangunan sekolah dan tempat ibadah. Variasi model pengelolaan wakaf produktif di Indonesia yang ditemukan dalam penelitian ini masih tergolong rendah jika dibandingkan dengan kategorisasi tanah wakaf produktif strategis yang disusun oleh Direktorat Pemberdayaan Wakaf. Hal ini dapat menjadi refleksi bagi Badan Wakaf Indonesia untuk menyusun strategi lanjutan guna peningkatan rasio wakaf produktif di tingkat nasional dan subnasional yang berimplikasi pada kenaikan Indeks Wakaf Nasional.

**Kata Kunci:** Wakaf Produktif, Model Manajemen Wakaf, Indeks Wakaf Nasional

## Introduction

There has been a claim that the Indonesian national waqf manager's (Indonesian Waqf Board) performance for the last few years has increased. Based on the 2003 National Waqf Index survey, it managed to score 0.318 which was classified as good. Previously, it only scored 0.274 (sufficient) in 2022, and 0.139 and 0.123 (insufficient) in 2021 and 2020 respectively. The index itself is the one designed to be an instrument to measure the waqf performance in an area from various measurement dimensions (Indonesian Waqf Board, 2023). The National Waqf Index (NWI) Model was built by Sukmana et al. in 2021 as a tool to measure the waqf performance at both national and subnational levels.

Some factors on which the waqf performance is benchmarked are, among other things, regulations (regulation support, state budget support, and guidance support by the authority), institutions (zahir management quality, nazhir status), process (collection, management, reporting), system (land waqf legality, sharia compliance, public information management), and output (productive waqf ratio, mauqf'alaih outreach), and impact (CIBEST index, IPM modification, independence index, infrastructure) (Indonesian Waqf Board, 2023).

Out of these factors against which the national waqf management performance are measured, one emerges as the factor many researchers in Indonesia have paid attention a lot, namely the productive waqf. Studies on productive waqf have been conducted by, among others, Alam et al. (2022), Ira (2022), Mubarak (2013), Munawar (2020), and Selasi and Muzayyanah (2020). Some topics from these previous studies on productive waqf include productive waqf management strategies in certain institutions, the potentials and challenges in productive waqf management, productive waqf beneficiary satisfaction, and share waqf as an alternative productive waqf.

Of all these studies on productive waqf, no one has specifically investigated into the variations of productive waqf development models implemented in Indonesia. It is unfortunate considering that mapping these productive waqf implementation models can aspire waqf managing institutions at national and subnational levels to improve their productive waqf ratio, one of the indicators in the National Waqf Index measurement.

Based on the description above, this article examined how varied were the productive waqf management models implemented in Indonesia. These constituted the fragments from the previous studies on productive waqf.

## **Literature Review**

### **Conceptual Definition of Productive Waqf**

Productive waqf is defined as a waqf where the main assets are invested in income generating projects. This allows waqf to continuously fund various social, educational, and economic projects while ensuring the sustainability and growth of public welfare. Productive waqf focuses on using the waqf assets not only for charity purposes, but also for sustainable long-term development that can benefit the people in general (Kahf, 2003).

Waqf in Indonesia is regulated in Law No. 41 of 2004 concerning Waqf. Article 22 of the law reads that the output of productively-managed waqf can be utilized for such purposes as: 1) religious facilities and projects; 2) educational and health facilities and projects; 3) assistances for the poor and the needy, abandoned children, orphans, scholarship; 4) the public economic advancement and improvement; and/or 5) other public welfare advancements that neither conflict the sharia nor the regulations of law.

Productive waqf must be managed professionally. The professional productive waqf management involves management technique (modern), regular audit, and compliance with the Islamic principles in managing assets to maintain the waqf system integrity and effectiveness (Kahf, 2003).

In regard to the management and development of productive waqf properties, under Article 42 of Law No. 41 of 2004 concerning Waqf, nazhir is allowed to collaborate with third parties such as IDB, investors, sharia banks, NGOs, and others. To prevent any loss, nazhir should insure them to sharia insurers. This is done to prevent all of the waqf properties from missing or shrinking in the slightest. The attempt to support waqf management and development can be done by maximizing the role of Regional Autonomy Law and the issuances of regional regulations that support the empowerment of waqf in a productive fashion (Directorate of Waqf Empowerment, 2013).

### **Productive Waqf Management Models**

Some productive waqf management models according to Ghazali in “Waqf as a Social Instrument for Microfinance: A Survey of Literature” are as follows.

**Productive Investment Model:** In a microfinancial context, waqf can be invested in income generating productive projects, such as micro- and small-scale enterprises. This investment can help improve the access to capital for small-scale entrepreneurs in need of financial support to develop their businesses.

**Profit-Sharing Financing Model:** Waqf can be used as a source of financing for micro- and small-scale enterprises under a profit-sharing scheme. This approach involves sharing profit between the waqif (waqf payer) and mustahik (waqf beneficiaries) under predetermined agreement. Such an approach not only help increase the access to capital, but also share the risks between the involved parties.

**Social Entrepreneurship Support Model:** Waqf can be dedicated to support social entrepreneurship, aiming to achieve positive social impacts in the community in need of them. Investment in social entrepreneurship projects such skill training, women empowerment, or social infrastructure development can be a part of productive waqf management strategies.

**Education and Skill Training Model:** One way to manage productive waqf is by allocating fund for education and skill training. This can help build individual skills and capacities to contribute to the economy, and open new employment opportunities in numerous sectors.

**Social Infrastructure Development Model:** Waqf can also be used to build social infrastructures such as hospitals, schools, or training center, that can help improve the society's overall welfare and creates a more productive environment for local inhabitants.

## **Research Methods**

This research used a qualitative method with literature study approach to explore the variations of productive waqf management models in Indonesia. This approach allowed the researcher to explore and analyze various sources of relevant literature on productive waqf in Indonesia. Using this literature study, the researcher could collected the data from a variety of sources such as academic journals, books, research reports, and documents related to productive waqf in Indonesia.

The first stage in the data collection involved the search for those sources of literature that were relevant with the research topic. The search technique used included online search through journal databases, digital library, and official websites regarding productive waqf in Indonesia. Additionally, a manual search technique was also performed using library catalogues and references from the existing literature. The collected data were analyzed and classified into categories related to productive waqf management models in Indonesia.

Once collected, the data analysis stage started with reading and comprehending the contents of the collected literature sources. The data obtained from the literature were then analyzed critically to identify the variations in productive waqf management models in Indonesia. The steps of analysis taken involved grouping the models based on the categorization designed by Algazhali and Kahf. Furthermore, the findings from this analysis would be narrated in a systematic manner.

Using the literature study approach, this research aims to provide a better understanding of the variations in productive waqf management models in Indonesia. Exploring the relevant sources of literature allowed the researcher to identify the productive waqf management models in Indonesia. The analysis results were expected to provide valuable insight for relevant stakeholders and enrich the available literature on waqf and Islamic finance.

### **Result and Discussion**

This research found three main variations in the productive waqf management models implemented in Indonesia. The *first* variation was the productive investment model in the form of land/building rentals. This model was the most dominant one, where the waqf assets such as lands and buildings were rented to generate income to be used to fund numerous social and charity projects. The *second* variation was the profit-sharing financing model. This model involved collaboration with a wide range of entities such as cooperatives, outsourcers, and other organizations. Under a profit-sharing scheme, the waqf assets were invested in profit-generating businesses, the profit of which was then shared between the involved parties and used for waqf purpose. The *third* variation was social infrastructure development model where schools and places of worship were built. The waqf assets were used to build social infrastructures such as schools and places of worship. Such a model focused on providing social and religious services to the society. The more detailed descriptions of each productive waqf management model in Indonesia can be seen in Table 1 below.

**Table 1***Variations of Productive Waqf Management Models in Indonesia*

<b>No</b>	<b>Nazhir</b>	<b>Waqf assets</b>	<b>Development Model</b>	<b>Note</b>	<b>Source</b>
1	Yayasan Muslimin Kota Pekalongan	A plot of land of 1.336 m <sup>2</sup> wide and an old house on it	Productive investment model	Hotel room rental	(Mubarok, 2013)
				Shophouse rental	
				Shophouse rental	
				Meeting room rental	
				Use of some rooms at the hotel for business (internet cafe and restaurant)	
2	Lembaga Wakaf Daarut Tauhid	40 waqf assets spread across some cities	Productive investment model	Rent arrangements (ATM, bazaar shops and kiosks, food courts)	(Munawar, 2020)
			Profit-sharing financing model	Profit-sharing arrangements (Daarul Jannah cottage, shops, super/mini markets, and canteens). The arrangement was with the cooperative of the Islamic Boarding School Daarut Tauhid, in which Yayasan Daarut Tauhid handed over the waqf assets its	

				management to the cooperative in order to generate profits which would be divided annually.	
			Profit-sharing financing model	Outsourcing arrangement (parking lot and plantation) => delegating the daily operation and management of a business process to external parties to gain financial values without having to bear the burden of providing capital and management.	
3	Majelis Wakaf dan Kehartabendaan PDM Surakarta	350 sites of a total 168,480 m <sup>2</sup> wide	Social infrastructure development model	Building schools and places of worship	(Alam et al., 2022)
4	Tgk Azhar (Nazhir managing agricultural productive waqf in Langsa Municipality)	A land of 1,553 m <sup>2</sup> wide	Productive investment model	Land rental for agriculture	(Ira, 2022)

The research findings showed that the productive waqf management models in Indonesia were less varied, especially when compared against the strategic productive waqf land lists prepared by the Directorate of Waqf Empowerment. This showed some implications as follows. *First*, dominant productive investment models; the land and building rental model dominated the productive waqf management in Indonesia. While it was effective in generating income, the less

varied models showed that the potential of the existing waqf assets had not been optimally utilized. *Second*, limitation in an arrangement with third parties; the arrangement with third parties through a profit-sharing financing model had begun to be implemented, yet its scale had not been significant. This showed the need to strengthen strategic partnerships and expand the collaboration outreach to improve the productive waqf benefits. *Third*, social infrastructure limitation; despite the initiative to develop social infrastructures such as schools and places of worship, the number was still limited. Further encouragement to utilize waqf assets to develop infrastructures that could benefit the community in the long run was needed. *Fourth*, reflection for Indonesian Waqf Board (BWI); this finding could be used by BWI to reflect on the further strategy they needed to build to increase the productive waqf ratio at national and subnational levels. It is important to increase the waqf management model variations and diversifications to optimize the social and economic benefits of waqf assets. *Fifth*, implication on National Waqf Index; increased variation and diversification of productive waqf management models will directly contribute to the advancement of National Waqf Index. This underlines the importance of innovating and developing management models that could adapt and respond better to the public needs and current economic challenges.

By implementing better-structured and more innovative strategies, it is expected that the productive waqf managements in Indonesia can fulfill its potential optimally, give positive significant impacts on people's welfare, and contribute to the national development.

## **Conclusion**

This research result showed that the variations of variasi productive waqf management models implemented and studied in Indonesia were relatively low when compared to the strategic productive waqf land categorization complied by the Directorate of Waqf Empowerment. It is unfortunate considering that the Directorate of Waqf Empowerment has issued this *Panduan Pemberdayaan Tanah Wakaf Produktif Strategis* (Guideline for Strategic Productive Waqf Land Empowerment) since 2013 and has compiled development plans, including short-term programs like the establishment of Indonesian Waqf Board, medium-and long-term programs (developing the existing nazhir institutions to make them more credible), and development and empowerment strategies through partnerships with third parties, including business investment institutions in the form of non-



financial business entities, investments of individuals who own enough capital, and sharia banking institutions or sharia financial institutions who have loan funds.

This indicates that a great potential has not been explored in the existing management of waqf assets, which can benefit even greater the community sustainably. To improve the effectiveness and variations of productive waqf management models, further attempts from the Indonesian Waqf Board (BWI) are needed in preparing more innovative and collaborative strategies. Increased management model variations and strengthened partnerships with various parties can significantly contribute to the increase in productive waqf ratio at national and subnational levels. This way, the optimization of productive waqf management will not only improve the National Waqf Index, but also will more positively and significantly affect the social and economic well-being of Indonesian people.

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