

## Reinterpreting Waqf Principles in The Digital and Sustainable Economy

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### ABSTRACT

*Waqf, as an instrument of Islamic economics, is founded on strong normative principles, yet its implementation often remains limited to classical concepts. In the dynamic context of the modern economy, it is essential to develop innovative approaches to reconstruct waqf in terms of its objects, management, and intended purposes. This study aims to explore and analyse new interpretive spaces for the foundational principles of waqf, ranging from cash waqf and productive waqf to emerging ideas such as digital waqf, environmental waqf, and socio-ecological waqf. In addition to reviewing existing innovations that have been implemented in Indonesia and other countries, the study also proposes several novel approaches that remain underexplored both academically and in policy discourse, such as waqf for the circular economy, waqf for public technology, and the integration of waqf with community-based cooperative economics. Employing a qualitative approach, this research uses normative literature reviews and contemporary analysis of waqf practices in Indonesia. The findings suggest that there is significant potential for reinterpreting waqf principles through innovative approaches that align with the values of benefit perpetuity, trustworthy stewardship, and social orientation—recontextualized to meet the inclusive, participatory, and adaptive demands of the modern economy.*

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## INTRODUCTION

Waqf, as one of the pillars of Islamic economics, has long served as a social mechanism aimed at creating justice, welfare, and empowerment for the community. Throughout the history of Islamic civilization, waqf has proven to be a philanthropic instrument that promotes equitable access to education, healthcare, clean water, and other public facilities. In the contemporary context, waqf is no longer merely understood as static land or building assets but has evolved into a dynamic instrument closely tied to contemporary issues such as social finance, digital technology, green economy, and sustainable development.

Attention to the transformational potential of waqf is increasing in line with the complexity of global economic challenges, social inequality, and the urgency of Islamic financial governance reform. In Indonesia, for example, more than 440,000 waqf land locations cover over 57,000 hectares, but most of them are not yet managed productively. This reflects a gap between the theoretical potential and practical realization of waqf as a sustainable economic and social resource (Lutfi et al., 2024; Masruroh et al., 2024).

In line with this, the last two decades have seen the emergence of new forms of waqf, such as cash waqf, stock waqf, waqf-based sukuk, and models integrated with agricultural development, information technology, and digital platforms. These initiatives reflect efforts to reinterpret the basic principles of waqf within a more flexible and responsive modern economic framework tailored to the needs of contemporary society. In fact, experimental forms have also emerged, such as digital waqf, carbon waqf, environmental waqf, and even blockchain-based waqf, which utilize technology to enhance transparency, efficiency, and the scope of public participation (Yusof, 2024; Nuradi et al., 2024).

However, behind this spirit of innovation, there are still fundamental structural challenges. Contemporary literature indicates that obstacles such as weak governance, low digital literacy, limited capacity of waqf administrators, and inconsistent regulations often hinder the optimization of the economic and social benefits of waqf (Nofianti et al., 2024; Choirunnisak & Jihad, 2024; Judijanto et al., 2024). Additionally, there is an ongoing debate regarding the balance between the social mission of waqf and efforts to make it a financially sustainable instrument, including the issue of the legitimacy of developing waqf assets within a commercial framework (Afifi, 2024; Ismail & Possumah, 2015).

In this context, the urgency to expand the conceptual framework of waqf becomes increasingly evident. Not only is a reinterpretation of its foundational principles—such as the perpetuity of benefit, the trust in management, and the social orientation—required, but innovative approaches that consider the dynamics of the times, technology, and the needs of local and global communities must also be developed. The scope for waqf development now includes integration with community economics, cooperatives, digital platforms, and socio-ecological ecosystems. Concepts such as waste waqf, clean water waqf, or even waqf to support public

technology (open-source waqf) reflect the breadth of innovation that can be explored.

On the other hand, the development of these new models must remain grounded in the principles and core values of sharia. Therefore, there needs to be a balance between innovation and normative caution, so that waqf does not lose its spiritual and social identity. In many cases, the success of modern waqf is greatly influenced by the ability to adapt classical principles to contemporary instruments and mechanisms—such as the use of fintech platforms for fund mobilization, or the use of spatial data in mapping waqf assets.

A critical review of these approaches is important in order to explore the potential for a broader and more progressive reinterpretation of the concept of waqf. Previous studies have highlighted the importance of integrating cash waqf and sukuk, utilizing blockchain in waqf asset management, and developing productive waqf models that synergize with the agricultural or renewable energy sectors (Afrina, 2024; Alma'amun et al., 2018; Pramono et al., 2022). However, there is still a gap in systematic, cross-sectoral, and international studies that comprehensively compare, evaluate, and formulate innovative waqf frameworks that can be replicated and scaled up.

Furthermore, it is also important to evaluate how these forms of innovation can address various contemporary socio-economic challenges, including issues of poverty, inequality in access to public services, the climate crisis, and technological disruption. In many cases, waqf has the potential to serve as a bridge between community-based solutions and systemic national needs, such as in infrastructure financing, strengthening village cooperatives, or empowering Small and Medium Enterprises (SMEs) based on social assets.

Thus, this study aims to explore and analyse innovative approaches to the basic principles of waqf in the modern economy. The main focus is on mapping new conceptual spaces and practical initiatives that seek to reconstruct waqf to make it compatible with the challenges and opportunities of the 21st century. Through this study, it is hoped that a comprehensive and reflective understanding can be presented of how waqf is not only relevant in the classical normative framework but also transformative in the realm of modern, inclusive, digital, and sustainability-oriented economics.

## **RESEARCH METHODS**

This research uses a qualitative approach with a systematic literature review method to examine and critique innovative waqf models in the context of the contemporary economy. The development of digital technology is changing the way institutions and society interact, including in the management of social assets such as waqf. The principle of digital marketing sustainability emphasizes efficiency and long-term impact (Kemora et al, 2024). This approach was chosen because it is suitable for comprehensively identifying, evaluating, and synthesizing various concepts and practices that have developed in the field of Islamic economics, particularly those related to innovation in waqf instruments (Snyder, 2019; Torracco, 2005).

Digitalization enables the optimization of strategies, increased transparency, and improved management efficiency.

The main research question was developed into several exploratory subtopics to broaden the scope of the literature without losing analytical focus. This transformation allows researchers to explore key themes such as: the integration of waqf with social finance and digital technology; the governance and institutionalization of waqf in modern schemes; and the socio-economic impact of contemporary waqf models based on innovation and sustainability.

Secondary data sources were collected through structured searches of reputable scientific databases. Search keywords included terms such as “innovative waqf,” “productive waqf,” “cash waqf and fintech,” “Islamic endowment and sustainability,” and their equivalents in Indonesian. Selected articles were evaluated based on thematic relevance, contextual accuracy, and source validity.

To enrich the scope and identify seminal works and current trends, citation chaining techniques were used, both backward (tracking references used in articles) and forward (tracking articles that cite the core article). This approach is commonly used in literature studies to ensure that important and emerging works are not overlooked (Booth, Sutton, & Papaioannou, 2016).

The search results were analysed thematically through qualitative content analysis, focusing on patterns, categories, and relationships between concepts (Mayring, 2000). Findings were grouped into clusters such as: models of waqf innovation (financial, digital, and environmental), institutional design and governance, and socio-economic implications. Critical assessment was conducted using the Benefit-Opportunity-Cost-Risk (BOCR) framework to understand the dynamics of benefits, opportunities, risks, and challenges of each model, and reviewed from the normative framework of Islamic finance based on the principles of maqāṣid al-sharī‘ah.

Using this method, this study aims to develop a conceptual synthesis that not only reflects theoretical developments but also offers a practical map of a modern waqf ecosystem that is adaptive and oriented toward inclusive development.

## **RESULTS & DISCUSSION**

**Grand Theory: Maqāṣid al-Sharī‘ah as a Paradigm for Innovative Waqf Development.** In Islamic scholarly tradition, maqāṣid al-sharī‘ah, or the main objectives of sharia, constitute the framework of Islamic legal philosophy that guides every legal product and policy to always be oriented towards the benefit of humanity (maṣlaḥah al-‘āmmah). The five main principles of maqāṣid agreed upon by classical and contemporary scholars include the protection of religion (ḥifẓ al-dīn), life (ḥifẓ al-nafs), intellect (ḥifẓ al-‘aql), lineage (ḥifẓ al-nasl), and property (ḥifẓ al-māl). These five principles not only function as normative pillars, but have also become epistemological tools in reconstructing contemporary Islamic economics, including in the development of innovative and adaptive waqf systems (Chapra, 2000).

Waqf, as one of the instruments of Islamic philanthropy, has a strong normative basis in sharia. Waqf requires the retention of wealth from commercial transactions for sustainable social and

spiritual purposes. However, in the context of modern economics, which is fraught with social, technological, and ecological challenges, the forms and mechanisms of conventional waqf need to be thoroughly re-examined. This is where maqāṣid plays a central role as a grand theory in the development of contemporary waqf theory and practice. It not only acts as a compass of values but also as a structural analysis tool to test the compatibility of innovations with Islamic values.

According to Muhammad Hashim Kamali (2008), maqāṣid is not merely a legal-formal framework but becomes the “moral vision of Islamic law” that enables the Islamic legal and economic system to address contemporary issues without losing its essential spirit. In this view, maqāṣid opens the door to reconstructive thematic ijtihad. One of its contributions is in providing sharia legitimacy to new forms of waqf previously unknown in classical practice, such as monetary waqf, digital waqf, environmental waqf, and circular waqf based on waste or wastewater management.

In the development of maqāṣid thought, al-Ghazālī and al-Shāṭibī are two important figures who laid the foundation. Al-Ghazālī in *al-Mustaṣfā* emphasizes that maqāṣid aims to preserve “human existence” and societal stability through the five basic needs mentioned earlier. Al-Shāṭibī, in *al-Muwāfaqāt*, expands the scope of maqāṣid into the social dimension, making it a dynamic principle of collective life for Muslims. This thinking serves as an important foundation for developing innovative approaches to endowments that consider not only the physical form of assets but also the social, spiritual, and ecological benefits derived from them.

The modern and dynamic conception of maqāṣid opens space for reinterpreting classical principles of waqf. For example, the principle of *ta'bīd al-manfa'ah* (perpetuity of benefit), traditionally understood as a prohibition on selling or altering waqf assets, can be interpreted in the broader context of maqāṣid as a commitment to the continuity of the social value of the waqf. This means that innovations in the form of waqf assets—such as intellectual property rights, digital platforms, or financial assets—remain valid as long as their social benefits are sustainable and consistent with the principle of justice (Abu Zahrah, 1997).

Chapra (2000) also emphasizes that maqāṣid al-sharī'ah must be the foundation for designing an Islamic economic system that is compatible with global dynamics. In his view, it is not enough to merely enforce formal Islamic law; rather, its ethical values must be brought to life to address inequality, poverty, and exploitation. In the context of waqf, this means shifting the focus from the management of inanimate objects (land, buildings) to the management of progressive social benefits oriented towards community empowerment.

As a grand theory, maqāṣid also opens up epistemological space for collaboration between Islamic law and modern social sciences. For example, the maqāṣid approach can be used to evaluate the impact of waqf on poverty alleviation (*ḥifz al-nafs* and *ḥifz al-māl*), education (*ḥifz al-‘aql*), and family development (*ḥifz al-nasl*). Empirical research on waqf should include a

maqāṣid evaluation framework to measure the extent to which this instrument is not only legally halal, but also socially beneficial.

In the context of public policy, the use of maqāṣid as a theoretical framework has also been adopted in various waqf reform initiatives in Muslim countries. For example, the Integrated Waqf-based Development model in Malaysia combines the principles of maqāṣid with community-based economic planning, or the Green Waqf Model in Turkey, which integrates environmental protection into Islamic philanthropy schemes. All of these approaches demonstrate that maqāṣid is not static, but rather adaptive and evolutionary in response to the challenges of the times.

It is also important to emphasize that maqāṣid is not merely a theoretical justification but also an ethical guideline for nāzir (waqf administrators). In the digital age, where waqf can take the form of virtual assets or be integrated into the technology economy ecosystem, the moral integrity and social orientation of managers become crucial. In this context, maqāṣid does not only evaluate the results but also the process: does the process of collecting, managing, and distributing waqf reflect the values of trustworthiness, transparency, and justice.

Thus, maqāṣid al-sharī'ah is not only a normative value framework in the discourse on waqf but also a grand theory underpinning this research in developing an analytical framework for various innovative waqf models. Maqāṣid enables researchers to assess the compatibility of new models—such as digital waqf, ecological waqf, and cooperative waqf—with the basic principles of Islam, while also providing space for the exploration of more relevant and transformative forms of waqf in responding to contemporary socio-economic challenges.

In addition to being a theoretical framework, maqāṣid al-sharī'ah also functions as a transformative action paradigm in the development of waqf. In this context, maqāṣid can be operationalized as an evaluative parameter for the social impact of waqf programs. For example, the implementation of waqf that contributes to poverty alleviation or improving the quality of education can be considered successful if it can demonstrate a direct link to the principles of ḥifẓ al-māl and ḥifẓ al-'aql. In other words, the success of waqf is not only seen from the amount of assets collected, but from how far it is able to touch and improve the dimensions of people's lives in accordance with maqāṣid.

In addition, it is also important to understand maqāṣid as a dynamic principle that does not stop at the five classical main objectives. Contemporary thinkers such as Jasser Auda have expanded the scope of maqāṣid to include human rights, gender justice, environmental sustainability, and governance transparency. This provides sharia justification for expanding the functions of waqf to support modern issues such as social inclusion, green economy, and digital transformation. In this sense, maqāṣid becomes a kind of living framework that bridges the gap between the normative idealism of Islam and the pragmatic needs of community development.

### **Waqf and Social Institution Theory: Relevance in the Digital Age and Circular Economy.**

Within the framework of Islamic economic sociology, waqf can also be viewed as a social institution with collective, long-term, and non-profit characteristics. This intersects with the

common theory developed by Elinor Ostrom (1990), where the management of shared resources can be carried out independently by communities based on principles of trust, active involvement, and internal regulation. In the Islamic context, these values have long been embedded in the waqf system as a form of ongoing charity.

Early literature, such as that by Cizakca (2000), confirms that in Islamic history, waqf was once an institution that supported education, health, and public services independently of the state. However, in the modern context, institutional stagnation has hampered the revitalization of waqf. Therefore, there is a need to redesign waqf models and approaches to be adaptive to contemporary financial and social dynamics. Younger generations are more likely to choose electronic waqf payment methods because they are more practical, align with their digital lifestyles, and can be done anytime. Additionally, a cashless payment system makes the waqf process faster, more efficient, and more convenient for the public, thus increasing waqf participation in waqf (Pasaribu & Kemora, 2024).

The relevance of this approach is evident in innovations such as community waqf, ecological waqf, or waste cooperative waqf, where communities collectively donate labor, resources, or property to be managed productively. Such models challenge the individualistic paradigm that often dominates modern philanthropic practices and emphasize the principles of solidarity and long-term benefit distribution.

The circular economy—an economic development approach based on the principles of recycling, resource regeneration, and efficient use—also opens new possibilities for endowment practices. For example, household organic waste collected through a cooperative system is processed into fertilizer, and the resulting product is managed as an endowment asset for community food security. This practice is not only economically driven but also addresses environmental sustainability, intergenerational justice, and the strengthening of community-based institutions.

Studies such as those by Purnomo et al. (2022) and Novita (2023) note that ecological waqf models have great potential for development in urban areas with high population density and acute environmental problems, such as waste management, water flow, and air pollution. In this context, the concept of “green waqf” or green waqf emerges, which fundamentally remains rooted in the principles of maqāṣid al-sharī‘ah, particularly in terms of protecting life (ḥifẓ al-nafs), protecting property (ḥifẓ al-māl), and protecting offspring (ḥifẓ al-nasl).

**Waqf Collaboration with Financial Institutions and Public Technology.** In the context of institutional modernization, collaboration between waqf institutions and Islamic banking, Islamic Financial Institution (LKS), fintech, and digital platforms is becoming increasingly important. A study by Hasbulah, et.al. (2024) shows that the integration of waqf and Islamic banking in the form of cash waqf and waqf shares can increase the liquidity of Islamic social funds and expand their scope of benefit. Thus, waqf is no longer synonymous with immovable

assets (such as land and buildings), but can also take the form of cash capital, bonds, shares, and even intellectual property.

Furthermore, the emergence of public technologies such as geographic information systems (GIS), blockchain, and mobile applications opens up opportunities to strengthen transparent and accountable waqf governance. The concept of smart waqf management or digital waqf governance enables the public to monitor the implementation of waqf programs in real-time, make digital donations, and participate in decision-making processes through digital voting mechanisms.

One example of an emerging implementation is blockchain waqf, which uses distributed ledger technology to record transactions, benefit distribution, and asset management audits. Such projects have been piloted in the United Arab Emirates and Malaysia as solutions to the trust deficit that has long hindered waqf collection.

Meanwhile, innovations in artificial intelligence (AI) and big data also have the potential to be used in mapping the social needs of the community, determining priority locations for waqf development, and optimizing the allocation of funds for the highest social impact. In digital philanthropy literature, this is known as impact intelligence, where data is used as the basis for making results-based policies.

Next, the Benefit, Opportunity, Cost, and Risk (BOCR) analysis related to the reinterpretation of waqf in the modern/digital era is as follows:

**Table 1. Benefit, Opportunity, Cost, and Risk Analysis**

<b>Benefit</b>	<b>Opportunity</b>
<ul style="list-style-type: none"> <li>- Waqf is a socio-economic instrument relevant to contemporary needs</li> <li>- Digitalization facilitates access, increases waqif participation, and expands the scope of beneficiaries</li> <li>- It enhances transparency, accountability, and public trust</li> <li>- It contributes to sustainable development (education, health, environment, productive economy).</li> </ul>	<ul style="list-style-type: none"> <li>- Utilizing financial technology (shari'a fintech) and digital platforms for cashless waqf</li> <li>- The potential to attract young generations, the middle class, and urban communities as new waqif</li> <li>- Integrating waqf with the Sustainable Development Goals (SDGs) program</li> <li>- Innovation in waqf models (cash waqf, productive waqf, digital asset waqf, green waqf).</li> </ul>

Cost	Risk
- Investment needs for digital technology infrastructure	- Digital security risks (cybercrime, fraud, data breaches)
- Operational costs for building a secure and transparent system	- Risk of low trust if transparency is not maintained
- Digital education and literacy for the community to understand modern waqf schemes	- Regulations and policies that are not fully adapted to digital waqf
- Potential resistance from some members of the community or traditional waqf managers.	- Potential for excessive commercialization that obscures the spiritual value of waqf

**Potential and Obstacles in Indonesia.** Indonesia, as the country with the largest Muslim population in the world, has enormous potential for waqf. According to data from the Indonesian Waqf Board (BWI), the annual potential for cash waqf is estimated to exceed Rp180 trillion, yet the annual realization remains very low. One of the factors contributing to this gap is the lack of waqf literacy among the public, low trust in managing institutions, and the absence of widely accepted innovative models.

Some programs, such as Productive Waqf by Dompét Dhuafa, Global Waqf ACT (before it was suspended), and Bandung Waqf House, have attempted to initiate this reform by developing productive assets such as hydroponic farming, hospitals, and waqf-based schools. However, most of these initiatives still rely on traditional philanthropy, with few adopting transformational approaches such as digital technology, ESG principles (Environmental, Social, Governance), and collaborative economics.

Yet, in urban and vulnerable areas, wakaf could be directed toward funding public spaces, green transportation, affordable housing, and even research centers for technological innovation. This requires proactive public policy intervention, the establishment of new regulations, and the involvement of the private sector and communities.

**Reinterpreting the Principle of Perpetuity: Preserving Value, Not Form.** One of the crucial issues in the discourse on waqf innovation is the principle of perpetuity of waqf assets. In classical fiqh, perpetuity is understood as a prohibition on selling, donating, or transferring waqf assets. However, in the highly dynamic modern economy, a literal interpretation of this principle actually hinders the optimal utilization of waqf.

Contemporary thinkers such as Monzer Kahf and Jasser Auda suggest a more contextual approach. The perpetuity of waqf need not be understood as the perpetuity of physical form, but rather as the perpetuity of value and benefit. In other words, as long as the social purpose of the waqf remains intact, waqf assets can be reconstructed, modified, or replaced with other forms that are more relevant and productive.

For example, unproductive endowment land in the city centre can be sold (subject to legal

provisions) to purchase other assets that can generate sustainable benefits. Or in the digital context, website domains, open-source software, and even technology licenses can be made objects of endowment as long as their value and benefits can be sustained.

Dusuki and Abozaid (2007) state that Islamic financial instruments, including waqf, should be developed not only based on sharia validity but also on principles of social justice, wealth distribution, and the common good. In this context, reinterpreting waqf through innovative approaches such as digital waqf, ecological waqf, and community-based cooperative waqf is not considered a deviation but rather a dynamic effort to bridge the normative and practical dimensions in addressing contemporary challenges. This reinterpretation is important so that fiqh principles do not conflict with maqāsid values, but rather reinforce each other in forming a dynamic and solution-oriented Islamic economic system.

Based on all of the above literature and theory, it can be reaffirmed that the main hypothesis of this study is:

“The modern and dynamic concept of maqasid al shari'ah opens up space for reinterpretation of the classical principles of waqf. Referring to maqasid as a living framework, it bridges the gap between the normative idealism of Islam and the pragmatic needs of community development. The form of waqf can be interpreted with various dynamic innovations in accordance with the needs of society while remaining firmly rooted in the principles of fiqh.”

This hypothesis is based on the idea that the basic principles of waqf, such as the perpetuity of benefits, value, amanah (professionalism in management), and social objectives, make it possible to reinterpret them in accordance with the needs of the times. For example, technology can now be used as an intermediary medium and maqashid al shari'ah as a value foundation. Waqf can be carried out and function as a bridge between worship and real solutions to contemporary problems.

**Analysis of the Waqf Innovation Model within the Framework of Maqāsid al-Sharī‘ah and Contemporary Economic Transformation.** Based on the results of a systematic literature review, five main aspects were identified as characteristics and challenges in developing an innovative waqf model, namely: (1) the form of waqf innovation, (2) integration with digital technology and social finance, (3) institutional governance models, (4) normative and regulatory challenges, and (5) social and economic impacts. Each of these aspects will be analysed within the framework of maqāsid al-sharī‘ah and linked to the needs of modern economic transformation.

**1. Forms of Waqf Innovation: Transformation from Physical Assets to Multifunctional Schemes.** The forms of waqf innovation found in the literature show a shift from the traditional paradigm based on land and buildings toward more multifunctional and portable schemes. These forms include cash waqf, stock waqf, waqf through sukuk, and hybrid models such as agricultural waqf and digital-based educational waqf. For example, studies by Mohd Yusof (2013) and Alma’amun et al. (2018) show that cash waqf can serve as a flexible and measurable

foundation for microfinance and community-based social development.

This transformation reflects efforts to contextualize the principle of perpetual benefit (*istibqā' al-manfa'ah*) in new forms that are not tied to physical assets but remain socially and financially productive. In terms of *maqāṣid*, these forms reflect the implementation of the principles of *ḥifẓ al-māl* and *ḥifẓ al-nafs*, as they facilitate the utilization of wealth for the welfare of the community on a broader and more dynamic scale (Auda, 2010).

Additionally, experiments such as green waqf and carbon waqf—which emerged in the study by Nuradi et al. (2024)—also demonstrate a shift in the orientation of waqf toward environmental sustainability issues. This marks the expansion of *maqāṣid* from its original focus on protecting basic human needs to also include the ecosystem as a key element in the survival of humanity (*ḥifẓ al-bi'ah*).

**2. Digital Technology Integration: Blockchain, Fintech, and the Platformization of Islamic Philanthropy.** The second finding highlights the importance of digital technology integration as a catalyst in the management and mobilization of waqf assets. Studies by Osman and Mohammad (2017) and Yusof (2024) present concrete examples of blockchain-based waqf implementation, where smart contract technology is used to improve transparency, accountability, and efficiency in the distribution of waqf funds.

This innovation aligns with the *maqāṣid* in the aspects of *ḥifẓ al-māl* and *ḥifẓ al-dīn*, as technology helps ensure the trustworthiness and accountability of waqf management as a religious instrument. Technology also enables new participation models through sharia-based crowdfunding platforms, such as waqf marketplaces, which expand public access to strategic waqf projects.

In the Indonesian context, Nofianti et al. (2024) state that there are still challenges related to digital literacy and technological infrastructure limitations at the local *nazhir* level. Therefore, technological development must be accompanied by efforts to enhance human resource capacity and inclusive regulatory support. Unequal digital integration risks exacerbating regional disparities in waqf access.

**3. Governance and Institutions: Towards Collaborative and Multisectoral Design.** Institutionally, it was found that conventional waqf governance models tend to be hierarchical, centralized, and lacking in accountability. Studies by Judijanto et al. (2024) and Choirunnisak and Jihad (2024) emphasize that many *nazhir* institutions in Indonesia still lack the managerial and financial capacity to run productive waqf programs.

In contrast, the innovative waqf model encourages collaborative governance between philanthropic institutions, sharia fintech, pesantren cooperatives, and local governments. For example, in community-based waqf practices, the community is given space as direct managers of waqf for clean water and sanitation projects in villages (Masruroh et al., 2024). This model actualizes the principles of *ḥifẓ al-nafs* and *ḥifẓ al-'aql* because it strengthens the community's

capacity to address basic needs through waqf schemes.

However, a study by Alma'amun et al. (2018) warns that institutional innovation must be accompanied by a strong sharia and social audit system so that the principles of trust and sustainability are not distorted by profit-oriented managerial practices. Therefore, a governance framework based on maqāṣid is needed as a guideline for the development of fair, inclusive, and transparent waqf institutions.

**4. Normative and Regulatory Challenges: Between the Firmness of Values and the Need for Adaptation.** This section discusses the tension between innovation and normative caution in the development of waqf. Some of the issues that arise include the sharia legitimacy of using waqf assets for productive (commercial) activities, the flexibility of fatwas regarding new forms of waqf, and the gap between the national legal framework and the practical needs of digital waqf management.

Afifi (2024) notes that there is still debate among scholars regarding the limits of perpetuity when waqf assets are developed in short-term investment schemes. On the other hand, Ismail and Possumah (2015) show that openness to new interpretations is essential to prevent waqf from becoming trapped in legal stagnation that hinders its potential.

In the context of maqāṣid, the normative approach must be able to transform into maqāṣid-oriented fiqh, where the welfare of the community becomes the primary benchmark for assessing the validity of innovations. This allows for the approval of new models such as waqf sukuk, waqf REITs, or even crowdfunded waqf, provided they do not contradict the fundamental principles of Sharia. This approach is also consistent with the maqāṣidī ijtihād framework developed by Kamali (2008) and Auda (2010).

**5. Social and Economic Impact: Evaluation through the BOCR and Maqāṣid Framework.** Finally, these findings are critically evaluated using the BOCR (Benefit, Opportunity, Cost, Risk) approach combined with the maqāṣid dimension. In general, innovative waqf models demonstrate benefits in the form of increased Islamic financial literacy, community participation, and non-commercial development financing alternatives (Chapra, 2000; Snyder, 2019).

The main opportunity is the opening of synergies between the public, private, and philanthropic sectors in waqf-based projects such as education, renewable energy, and public technology. However, several risks need to be considered, including digital access inequality, the possibility of misuse of funds due to a lack of transparency, and resistance from conservative groups to new forms of innovation.

Within the maqāṣid framework, the waqf model will be transformative if it can demonstrate tangible impacts on ḥifẓ al-nafs (health, education), ḥifẓ al-'aql (knowledge), and ḥifẓ al-māl (distributive justice). This study recommends that future evaluations of waqf projects should not only measure the quantity of assets, but also the quality of contributions to sharia objectives.

**Theoretical Implications.** The findings of this study make a significant contribution to the

development of waqf theory in the context of modern Islamic economics. First, from an epistemological perspective, the transformation of the concept of waqf from a traditional asset-based form to a dynamic instrument—such as cash waqf, digital waqf, and waqf-based sukuk—indicates an evolution in waqf theory. This challenges the classical narrative that has long viewed waqf as a static, non-productive instrument limited to the religious sphere (Afrina, 2024; Yusof, 2024). This concept aligns with contemporary Islamic economic theories that emphasize the social function and productivity of asset distribution through waqf institutions.

The integration of Islamic financial instruments such as sukuk and mudharabah contracts with cash waqf strengthens a new theoretical foundation that positions waqf as a means of intermediation between philanthropy and investment (Majid & Rahmatussyifa, 2024). For example, the cash waqf-based sukuk model developed in Malaysia and Qatar has provided empirical evidence that waqf can be synergized with the formal financial sector without losing the principle of perpetual benefits. This model expands the theoretical boundaries that have separated the social and profit spheres in Islamic finance.

Second, the emergence of technology-based innovations such as blockchain, smart contracts, and wakaf crowdfunding platforms is driving a paradigm shift in waqf governance. The theory of institutional modernization developed in organizational science can be applied in this context, where technology is seen as a tool to create transparency, efficiency, and accountability in the management of waqf assets (Choirunnisak & Jihad, 2024; Hasbulah et al., 2024). For example, WaqfChain in the Middle East, which uses blockchain technology to track fund distribution, enables the emergence of a new, more open and participatory governance model (Nuradi et al., 2024).

Third, the hybrid approach between waqf and the concept of social business strengthens the theoretical framework regarding the potential of waqf as a pillar of inclusive economic development. In this context, waqf does not merely function as a passive donation but as a sharia-based social business model that enables the sustainability of social programs while enhancing the well-being of beneficiaries (Afifi, 2024; Intan et al., 2024). Cooperative models based on waqf or waqf for SMEs that combine entrepreneurial principles with distributive justice values serve as concrete illustrations of this approach.

Furthermore, the emergence of green waqf and waqf for environmental conservation (green waqf) practices expands the theoretical scope by incorporating ecological sustainability aspects into the waqf discourse. The contemporary maqāṣid al-sharī‘ah paradigm developed by Auda (2010) opens space to consider environmental dimensions and intergenerational justice as part of the objectives of sharia. This shows that waqf can be an instrument compatible with the sustainable development agenda (Duasa & Munir, 2025; Alfarisi & Huda, 2023; Akhtar, 2024).

Finally, the results of this study also emphasize the importance of strengthening waqf governance through institutional and regulatory development. The literature reviewed shows

that the failure to implement many innovative models is often not due to product design, but rather to weak nazhir capacity, overlapping regulations, and the absence of a mature institutional ecosystem (Nofianti et al., 2024; Masruroh et al., 2024; Choiriyah et al., 2024). Thus, institutional theory is important for explaining the dynamics of the success and failure of waqf innovation in practice.

**Practical Implications.** The practical implications of this research target policymakers, Islamic financial institutions, waqf managers, as well as the technology sector and civil society. First, the government and Islamic financial regulators need to prioritize the development of innovative waqf-based financial products, such as waqf sukuk, waqf mudharabah, and blended finance instruments that enable the optimization of community fund collection without compromising sharia principles. In this context, Micro Waqf Banks and Non-Bank Islamic Financial Institutions can play a strategic role as facilitators of waqf financial products aimed at developing marginalized communities (Afrina, 2024; Majid & Rahmatussyifa, 2024; Khalifah & Aslan, 2023).

Second, digital innovation is an urgent need in waqf management. Blockchain-based platforms, crowdfunding, and big data analytics can not only expand public participation but also enhance the efficiency and transparency of management. A study by Alma'amun et al. (2018) shows that the use of information technology in waqf management can reduce transaction costs by up to 35% and significantly increase public trust (Yusof, 2024; Hasbulah et al., 2024).

Third, strengthening cross-sector collaboration between the government, private sector, civil society organizations, and Islamic educational institutions is key to driving waqf innovation. Collaborative models such as production cooperative waqf or community-based agricultural waqf have proven to create direct socio-economic impacts through job creation, increased purchasing power, and reduction of structural poverty (Lutfi et al., 2024; Anggraini & Rohim, 2024; Sugianto & Mohammad, 2024).

Fourth, research findings indicate that the success of waqf innovation heavily depends on the quality of its human resources. Therefore, training and certification for waqf administrators must be institutionalized to ensure professionalism, accountability, and compliance with sharia principles and national regulations. This capacity development also serves as a bridge to integrate local practices with global best practices in waqf management (Effendi & Maulida, 2021; Nofianti et al., 2024; Masruroh et al., 2024).

Fifth, combining waqf initiatives with the Sustainable Development Goals (SDGs) can make waqf a key instrument in supporting global agendas such as poverty eradication, quality education, gender equality, and climate action. For example, green waqf projects that fund forest conservation and renewable energy can have both social and ecological impacts (Duasa & Munir, 2025; Alfarisi & Huda, 2023; Akhtar, 2024).

Finally, public education and literacy about waqf need to be strengthened through creative and contextual communication strategies, especially to reach young people and urban communities. Digital campaigns, the involvement of Muslim influencers, and gamification approaches in

waqf donation platforms can increase public awareness, trust, and participation in the waqf ecosystem (Maulina et al., 2024).

## CONCLUSION & SUGGESTION

**Conclusion.** This study confirms that waqf, as one of the instruments of Islamic economics, has great potential to be revitalized through innovative approaches that integrate the principles of maqāṣid al-sharī'ah, digital technology, and the social-ecological sustainability agenda. Within the framework of the grand theory of maqāṣid al-sharī'ah, waqf is not merely an instrument for wealth distribution but also a vehicle for social transformation that can address contemporary needs, from poverty alleviation to environmental protection.

An analysis of five aspects of waqf shows that integration with Islamic financial instruments (Majid & Rahmatussyifa, 2024), the use of digital technology (Yusof, 2024; Hasbulah, et al., 2024), institutional collaboration (Nofianti, et al., 2024; Masruroh, et al; 2024), transformation as a social business (Afifi, 2024; Intan et al., 2024), and the development of green and circular waqf (Duasa & Munir, 2025; Alfarisi & Huda, 2023) are considered capable of strengthening the effectiveness and relevance of waqf in the context of sustainable development. These innovations not only increase public participation and management efficiency but also expand the scope of waqf functions from mere social-impact worship to productive instruments aligned with the values of maqasid al shari'ah and contemporary challenges.

Overall, this study concludes that innovation in waqf is not merely a technical modification but a profound conceptual transformation. The principles of maqasid serve as a living framework that enables adaptive and progressive reinterpretation of sharia objectives. On the other hand, the integration of technology, institutional renewal, and a focus on social-ecological impact are pathways that can be pursued to make waqf relevant in addressing modern economic challenges.

**Suggestion.** Based on the findings and conclusions, this study proposes several strategic recommendations for both academic development and practical implementation.

**1. For the Development of Sharia Economics.** Interdisciplinary development by integrating maqasid al shari'ah, social innovation, and digital economics. Further research can assess the impact of waqf innovation on welfare, financial inclusion, and the Human Development Index (HDI), as well as conduct comparative studies across countries.

**2. For Regulators and the Government.** The Indonesian Waqf Board (BWI) and the Financial Services Authority (OJK) should promote the waqf innovation ecosystem through regulatory reforms, fiscal incentives, and strengthening digital infrastructure and waqf asset databases to establish professional and credible governance.

**3. For Islamic Financial Institutions and Nazhir.** Nazhir should enhance managerial capacity and digital literacy. Support is needed in the form of training, access to capital, and

technological collaboration. Islamic Financial Institutions (LKS) are also encouraged to develop innovative waqf investment products such as micro-waqf and sharia social impact bonds.

**4. For Civil Society and the Younger Generation.** The younger generation of Muslims can revive the spirit of waqf through education and the incubation of social projects. Islamic boarding schools and educational institutions can become centers of innovation through digital waqf laboratories and productive waqf pilot projects.

**5. For Further Research.** Further research should focus on evaluating the social impact of innovative waqf, developing a maqasid index, and the contribution of green waqf and digital waqf to the SDGs and changes in donor behavior. International research collaboration is highly recommended.

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