

THE ROLE OF ISLAMIC ENDOWMENTS (WAQF) IN MITIGATING ECONOMIC INEQUALITY: EVIDENCE FROM THE INDONESIAN CONTEXT

Muhammad Putra Aprullah¹, Wida Fadhli², Cut Afrianandra³, Rulfah M. Daud⁴
^{1,2,3,4}Universitas Syiah Kuala, Jl. Teuku Nyak Arief, Banda Aceh, Indonesia
Email: aprullahmuhammad145@gmail.com

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Abstract. This study aims to analyze the potential of waqf as a strategic mechanism for addressing economic inequality in Indonesia through a Systematic Literature Review (SLR) approach. This study examines relevant academic literature and institutional reports from various sources, including BAZNAS, LAZIS, Bank Indonesia, OJK, and other related institutions, using a methodological approach based on PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses). The literature selection process was conducted systematically to identify, screen, and evaluate studies that discuss the relationship between waqf—particularly cash waqf—and the reduction of economic inequality in the Indonesian context. The analysis was conducted using a theoretical framework of income distribution and governance. The results of the study indicate that waqf, particularly in the form of productively managed cash waqf, has significant potential to support wealth redistribution, economic empowerment of vulnerable communities, and strengthen the Islamic social finance ecosystem in Indonesia. However, challenges in governance, waqf literacy, and synergy between institutions remain significant obstacles to realizing this potential. This study recommends strengthening waqf governance, integrating waqf and formal financial institutions, and increasing the capacity of communities to participate as waqif (donors) actively.

Keywords: Waqf, Economic Inequality, Systematic Literature Review, Indonesia

Abstrak. Penelitian ini bertujuan untuk menganalisis potensi wakaf sebagai mekanisme strategis dalam mengatasi ketimpangan ekonomi di Indonesia melalui pendekatan Systematic Literature Review (SLR). Penelitian ini meninjau literatur akademik dan laporan institusional dari berbagai sumber, termasuk BAZNAS, LAZIS, Bank Indonesia, OJK, dan lembaga terkait lainnya, menggunakan pendekatan metodologis berdasarkan PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses). Proses seleksi literatur dilakukan secara sistematis untuk mengidentifikasi, menyaring, dan mengevaluasi studi yang membahas hubungan antara wakaf—terutama wakaf tunai—dan pengurangan ketimpangan ekonomi dalam konteks Indonesia. Analisis dilakukan menggunakan kerangka teoritis distribusi pendapatan dan tata kelola. Hasil penelitian menunjukkan bahwa wakaf, khususnya dalam bentuk wakaf tunai yang dikelola secara produktif, memiliki potensi signifikan untuk mendukung redistribusi kekayaan, pemberdayaan ekonomi komunitas rentan, dan memperkuat ekosistem keuangan sosial Islam di Indonesia. Namun, tantangan dalam tata kelola, literasi wakaf, dan sinergi antar lembaga tetap menjadi hambatan signifikan dalam mewujudkan potensi ini. Studi ini merekomendasikan penguatan tata kelola wakaf, integrasi wakaf dengan lembaga keuangan formal, dan peningkatan kapasitas komunitas untuk berpartisipasi secara aktif sebagai wakif (donatur).

Kata Kunci: Wakaf, Kesenjangan Ekonomi, Systematic Literature Review, Indonesia

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INTRODUCTION

Indonesia is the country with the largest Muslim population in the world and is listed as the most generous nation globally according to the 2021 World Giving Index. This phenomenon reflects the high potential for Islamic philanthropy in Indonesia, particularly in the form of social financial instruments such as zakat, infaq, sedekah, and waqf (ZISWAF). National zakat potential is estimated to reach IDR 327 trillion by 2023, while the potential for waqf—particularly cash waqf—remains underutilized (Zaenal et al., 2024). On the other hand, Indonesia still faces serious challenges in terms of economic inequality. Despite relatively stable economic growth, Indonesia's income distribution remains unequal, with the Gini index showing a tendency to stagnate in recent years (Ayuniyyah et al., 2018). This condition suggests that conventional economic distribution mechanisms have been unable to address the root causes of structural inequality. As part of the Islamic Social Finance system, cash waqf has excellent potential as an alternative solution to bridge the economic gap. Unlike zakat, which is consumptive and periodic, waqf has a long-term and productive character. Waqf, in this case, can be directed to fund productive social projects such as healthcare, education, economic empowerment, and microfinance, so that its benefits can be felt sustainably by vulnerable groups (Fauzi et al., 2022). Waqf has also evolved from simply managing physical assets (such as land and buildings) to more flexible forms of financial investment, such as cash waqf and hybrid instruments like Cash Waqf Linked Sukuk (CWLS) (Ismal, 2022). These models enable the integration of the philanthropic and Islamic financial sectors to finance inclusive and equitable economic development.

Economic inequality—commonly measured by the Gini coefficient—indicates the extent to which income distribution deviates from the ideal state of equilibrium. In the Indonesian context, despite economic growth, income distribution and access to economic resources remain unequal, making economic justice a critical issue (Jaas, 2022). For example, a study states that income inequality is a complex challenge and requires a multidimensional approach and cooperation between the public, private, and civil society sectors (Ascarya & Masrifah, 2023). Within the theoretical framework of income distribution, Islamic economics presents redistributive and productive instruments that differ from conventional economic

mechanisms (Iskandar et al., 2021). As an illustration, research using econophysics models shows that in an Islamic economic system with redistributive transfers such as waqf, inequality can be curbed more effectively than in a purely capitalist. Governance theory is also important for explaining how income distribution mechanisms involve not only resource allocation, but also how institutions, regulations, transparency, accountability, and professional management influence the effectiveness of socio-economic instruments (Asmara & Abubakar, 2019).

Technically, waqf is the transfer of property rights by a waqif for the benefit of the community, with ongoing benefits (*manfa'ah al khārimah*) in accordance with Sharia (Arshad et al., 2018). In contemporary practice in Indonesia, there are two primary forms: conventional waqf (land/buildings) and cash waqf (cash waqf), or productive waqf (Syibly et al., 2022). Literature reviews indicate that the traditional function of waqf in Indonesia has been widely utilized for social facilities, including mosques, schools, cemeteries, and public roads (Ab Rahman et al., 2024). However, consumptive management has not been optimal in empowering the community's economy. With the development of Islamic social finance and the needs of sustainable development (SDGs), productive waqf is becoming increasingly relevant. For example, the study "Exploration of cash waqf as a sharia economic instrument in realizing" states that many cash waqf are still managed traditionally, thus under-utilizing their economic potential. Furthermore, recent literature, such as "Huda & Santoso (2022) indicates that research on waqf is increasing, identifying themes including waqf management, the effectiveness of waqf instruments, integration with Islamic finance, and regulatory and governance. In the Indonesian context, the study "The dynamics and development of waqf in Indonesia" highlights several critical issues: weak distribution of waqf benefits, institutional weaknesses, and the dominance of waqf assets in the form of unproductive land.

The relationship between waqf and economic inequality is a topic that is increasingly discussed in the literature. The bibliometric study (Siswantoro (2022) found that waqf and zakat can have an impact on reducing poverty and social inequality. In the Indonesian context, the study Ismal (2022) demonstrates that cash waqf (cash waqf) is integrated with social sukuk as an innovative model for reducing the income. The study "Waqf and Microfinance Integration Strategy in Improving Welfare Through Community Economic Empowerment" highlights that integrating waqf and microfinance enhances access to capital, promotes financial literacy, and strengthens micro-enterprises in remote areas—with implications for reducing inequality. Furthermore, the study Asmara & Abubakar (2019) highlights that low waqf literacy and limited understanding of waqf productivity are obstacles to waqf's contribution to inclusive development.

To truly impact reducing economic inequality, waqf must be managed productively and with good governance. The study Iman & Mohammad (2017) reveals that, despite its significant potential, productive waqf management in Indonesia still faces various challenges, including a lack of professionalism, an immature business model, and regulations that do not yet support the optimal utilization of waqf assets. The study "Nugraha et al. (2022) also reveals obstacles, including a regulatory framework that is not yet fully adaptive, the public's limited understanding of cash waqf, and waqf management institutions (nadzir) that have not yet optimally transformed waqf assets into productive projects. In terms of governance, the study on the legality and management of cash waqf, Qurrata et al. (2019) explains the need for improved regulation, transparency, and oversight so that productive waqf can align with the Sustainable Development Goals (SDGs). Furthermore, weaknesses in waqf institutions, such as the lack of professionalism among administrators, inadequate monitoring and evaluation systems, and insufficient synergy between institutions (including waqf institutions, financial authorities, and the government), are significant hindrances.

Within the framework of income distribution theory, waqf can be viewed as a non-negative redistribution instrument: productive waqf assets can create a long-term stream of benefits for the wider community (beneficiaries), rather than simply a one-time aid. This instrument contributes to reducing inequality because the benefits extend not only to the immediate recipients but also to future generations (Ascarya et al., 2023). Meanwhile, governance theory emphasizes that the success of waqf instruments in reducing inequality depends on how waqf institutions are managed, including the organizational structure of the nadzir (manager), government regulations, accountability, transparency, professionalism, and the ability to synergize with the formal financial sector (Ab Rahman et al., 2024). If governance is weak, even potential instruments such as productive waqf will not be optimal in achieving redistribution goals (Allah Pitchay et al., 2018). For example, the literature suggests that weak institutional governance and the distribution of waqf benefits that do not focus on economic empowerment are obstacles to the effectiveness of waqf in Indonesia (Huda & Santoso, 2022). The integration of these theories enables us to recognize that the potential of waqf to address economic inequality depends not only on the size of waqf assets or the number of waqifs, but also on the governance and productive, sustainable use of assets.

However, behind this potential, various fundamental challenges exist in terms of governance, public literacy, the institutional capacity of waqf managers (nadzir), and regulations that do not fully support the development of productive waqf (Masrizal et al., 2023). Therefore, in-depth studies are needed to understand the extent to which waqf can be utilized

as an instrument to reduce economic inequality in Indonesia, and how its management mechanisms can be improved. Theoretically, this research contributes to the development of literature on Islamic social finance and income distribution by integrating two important frameworks: income distribution theory and governance theory (N. Iman et al., 2021). This theory is crucial for understanding the role of waqf not only as a spiritual instrument but also as a systemic mechanism in creating economic justice.

Based on the literature review, several research gaps can be identified: Although many studies discuss waqf and poverty or inequality, few specifically examine waqf as a mechanism for reducing economic inequality in the Indonesian context, focusing on the SLR (Small-Related Resilience). There is a need for research that systematically links productive waqf and inequality reduction—especially measuring empirically (albeit for literature studies) how waqf management models contribute to more equitable income distribution. Waqf governance, as a critical variable, has been under-recognized in previous studies—how regulations, institutions, and synergy between waqf actors influence the outcomes of reducing economic inequality. Therefore, the research, which uses SLR with a theoretical framework of income distribution and governance, is highly relevant to filling this gap. The study "Waqf as a Mechanism for Reducing Economic Inequality: Insights from a Systematic Literature Review with an Indonesian Focus" provides an important foundation for this literature review. By drawing on theories of income distribution and governance, as well as existing Indonesian literature, this study establishes the concept of waqf as not only a traditional philanthropic instrument but also a strategic social finance mechanism for addressing economic inequality. All previous literature also confirms that optimizing waqf—including productive cash waqf management, integration with Islamic finance, and effective governance—is a crucial prerequisite for waqf to make a significant contribution to reducing inequality (Asmara & Abubakar, 2019; Masrizal et al., 2023; Rusydiana et al., 2022; Syibly et al., 2022). This research uses the SLR method and PRISMA analysis to select and review Indonesian literature (e.g., from BAZNAS, LAZIS, OJK, Bank Indonesia, and related articles) that discusses waqf and alleviating economic inequality. Thus, this literature review supports the use of the theoretical and analytical framework and identifies areas for development in this research

Practically, the results of this research are expected to provide policy input for waqf management institutions such as BWI, BAZNAS, and LAZIS, as well as financial authorities such as the Financial Services Authority (OJK), Bank Indonesia (BI), and KNEKS (National Health and Social Security Agency) in formulating a national strategy for productive waqf management. This research is also expected to inspire the development of synergy models

between waqf and the formal financial sector, such as Islamic fintech, Islamic banking, and social bonds (CWLS). This research employs a Systematic Literature Review (SLR) approach, utilizing the PRISMA technique, with a primary focus on reviewing relevant scientific literature and policy reports. The data used are secondary and drawn from reliable sources, including academic journals, official reports from BAZNAS, LAZIS, BWI, OJK, and Bank Indonesia. This research does not include primary data, field surveys, or direct interviews with waqf managers. Based on the above background, this research aims to analyze the potential of waqf, particularly cash waqf, as a strategic mechanism for addressing economic inequality in Indonesia using a Systematic Literature Review (SLR) approach.

METHOD

Research Approach

This research employs a Systematic Literature Review (SLR) approach as its primary strategy for exploring the potential of waqf as a mechanism to address economic disparities in Indonesia. SLR is a systematic, transparent, and replicable method for synthesizing literature. This approach was chosen because it enables researchers to summarize, critically evaluate, and conclude various previous studies in a structured and objective manner. SLR is highly relevant for use in the field of Islamic social finance and development economics because it integrates findings from diverse studies from various sources, comprehensively identifying patterns, research gaps, and policy recommendations.

Data Sources and Types

The type of data used in this research is secondary, literature-based, including scientific publications (journal articles, proceedings, theses, dissertations), policy reports from related institutions, and other relevant sources. The primary literature sources focused on include:

- a. Official Islamic social finance and waqf institutions in Indonesia, such as BAZNAS, LAZIS, and the Indonesian Waqf Board (BWI);
- b. Financial authorities such as the Financial Services Authority (OJK) and Bank Indonesia (BI);
- c. Policy and strategic reports from KNEKS (National Committee for Islamic Economics and Finance);
- d. Academic articles published in national and international journals related to waqf, economic inequality, and governance;

- e. Online scientific journal databases such as Google Scholar, DOAJ, ResearchGate, and other reputable journals.

Data Collection Techniques

Data collection was conducted through a scientific literature search strategy using the main keywords: waqf, economic inequality, Indonesia, Islamic social finance, cash waqf, and governance. These keyword combinations were used in various online databases to find relevant articles. The literature search steps included:

- a. Identifying credible databases (e.g., Google Scholar, DOAJ, Scopus, if available, and accredited national journals);
- b. Using Boolean operators such as AND, OR, and NOT to broaden or narrow the search;
- c. Use of a publication year filter to focus the study on literature from the last 10 years (2013–2023), to ensure the relevance and topicality of the study;
- d. Selection based on title, abstract, and keywords before reading the whole document;
- e. Checking for duplication and source validity to ensure the quality of the study.

Data Analysis Technique: PRISMA Protocol

To maintain rigor and consistency during the literature selection and analysis process, this study used the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) protocol. PRISMA provides a step-by-step guide for a transparent and accountable literature selection process. The PRISMA stages in this study include:

- a. Identification: The initial search yields several literature sources from various sources.
- b. Screening: Elimination of duplicate and irrelevant literature based on abstracts and titles;
- c. Eligibility: A thorough evaluation of the literature content to ensure its suitability to the research topic;
- d. Included: Literature that passed all selection stages served as the basis for the primary analysis in the study.

A PRISMA flowchart was used to illustrate the amount of literature at each stage, including the reasons for excluding inappropriate documents.

Inclusion and Exclusion Criteria

This study established several inclusion and exclusion criteria as follows:

1. Inclusion Criteria:

- a. Studies that explicitly discuss waqf and its relationship to economic inequality, poverty, or economic empowerment;
 - b. Studies that focus on the Indonesian context or can be adapted to the Indonesian context;
 - c. Articles in English and Indonesian that are available in full.
2. Exclusion Criteria:
- a. Studies that only discuss the theological aspects of waqf without an economic dimension;
 - b. Popular, non-scholarly articles or those that do not meet academic methodological standards;
 - c. Duplicate or incomplete literature.

Validity and Replicability

The use of PRISMA and transparency in reporting the SLR stages ensures that other researchers can replicate this process with consistent results. In addition, researchers ensure objectivity in assessing the quality of literature sources by using a source triangulation approach and a critical review of the methodology of each study.

RESULTS

Literature Selection Process

The literature search was conducted systematically through several stages according to the PRISMA protocol. In the initial identification stage, 112 potentially relevant documents were identified from various scientific sources, such as accredited national journals, articles in the Google Scholar database, DOAJ, and reports from relevant institutions (BAZNAS, LAZIS, BWI, OJK, and Bank Indonesia). After screening based on titles and abstracts, 34 documents were identified as duplicates or irrelevant and excluded. In the eligibility stage, a more in-depth evaluation of 78 documents was conducted based on their content, methods, and topical relevance. From this stage, 47 documents were deemed not to meet the inclusion criteria (because they did not directly discuss the relationship between waqf and the economy, or only discussed the fiqh/theological aspects without the dimension of income distribution). Finally, 31 documents were selected as the primary sources for analysis in this study.

Literature Categories Based on Discussion Focus

Of the 31 selected documents, we grouped them based on their discussion focus, with the following results:

- a. Cash Waqf and Productive Waqf: 14 documents (45%)
- b. The Relationship Between Waqf and Economic Inequality: 9 documents (29%)
- c. Waqf Governance and Institutions: 5 documents (16%)
- d. Innovative Models: Cash Waqf Linked Sukuk / Waqf-Zakat-Microfinance Integration: 3 documents (10%)

This proportion indicates that the majority of the literature focuses on the potential of cash waqf as a productive instrument for community economic empowerment. At the same time, some discuss governance challenges and innovative development models.

Key Findings from the Literature

Cash Waqf as an Instrument for Economic Redistribution

Most of the literature emphasizes that cash waqf is flexible and can be used to fund productive sectors such as MSMEs, education, healthcare, and housing for people with low incomes. For example, a study by Huda & Santoso (2022) showed that cash waqf investments managed by professional waqf institutions can generate surpluses that are allocated to underprivileged communities on a sustainable basis. Another study by (Iskandar et al., 2021) found that cash waqf successfully funded the development of Islamic micro-cooperatives, thereby reducing inequality in access to business capital in underdeveloped villages.

The Relationship between Waqf and Economic Inequality

Nine studies explicitly examined the relationship between waqf and economic inequality, concluding that waqf—especially when combined with an inclusive approach—has the potential to reduce income disparities between groups. A study by Siswantoro (2022) found that distributing waqf proceeds in the form of job training programs and business capital provision had a direct impact on increasing the income of poor groups in urban areas. Furthermore, a study by Ascarya et al. (2022) found that the implementation of productive waqf not only provided social financing but also created jobs for the surrounding community, thereby strengthening the income distribution function of waqf.

Waqf Governance and Institutional Challenges

Governance issues are a key finding in much of the literature. Common challenges identified include low administrative capacity, weak accountability systems, the lack of

integration of national waqf data, and low literacy about productive waqf within the community. A study by (Nugraha et al., 2022) found that only 35% of waqf management institutions in Indonesia publish annual financial reports. This finding weakens transparency and public trust. Meanwhile, several studies emphasize the need for synergy among financial authorities, including the Financial Services Authority (OJK), Bank Indonesia (BI), and the National Waqf Council (KNEKS), in establishing a national waqf ecosystem. A study by (Berakon et al., 2022) suggested the creation of a national waqf index to monitor and evaluate the contribution of waqf to national development.

Innovative Models: Integration with Islamic Finance

Several studies present innovative approaches to waqf development, for example, integrating cash waqf with sovereign sukuk (Cash Waqf Linked Sukuk/CWLS). A study by Ismal (2022) reveals that CWLS has dual potential: channeling waqf funds for social development projects while simultaneously generating sustainable returns for poverty alleviation programs. Other models include the integration of waqf and zakat in empowering MSMEs, as well as the use of digital platforms for collecting micro-waqf. Research by Hafandi & Handayati (2021) emphasizes that a standardized reporting system, Islamic risk management, and regulatory oversight must support such integration.

DISCUSSION

The Indonesian Context: Waqf Potential in the Most Generous Country

Indonesia was named the most generous country in the world according to the 2021 World Giving Index, and it also has the largest Muslim population globally (Sari et al., n.d.). These two facts serve as a crucial starting point: demographically and socioculturally, Indonesia possesses substantial social capital to develop Islamic social financial instruments such as waqf. The potential for zakat in 2023 is estimated to reach IDR 327 trillion, while waqf (especially cash waqf) has untapped potential for development. This presents a significant opportunity to utilize waqf as a long-term economic solution to alleviate economic inequality (Zaenal et al., 2024).

Cash Waqf: A Productive Instrument for Wealth Redistribution

The presentation explained that cash waqf, or cash waqf, is a form of waqf denominated in rupiah that is managed productively, and the proceeds are used for community welfare (mauquf 'alayh). Cash waqf investments are not limited to one sector but are open to all types

of investments that are safe, profitable, and compliant with Sharia principles and applicable legal regulations (Berakon et al., 2022). This finding aligns with previous SLR findings that cash waqf can be a source of long-term social financing that does not rely on government assistance or commercial debt (Azrai Azaimi Ambrose & Abdullah Asuhaimi, 2021). The implementation of cash waqf in the financial and real sectors can provide access to capital for individuals experiencing poverty, facilitate the development of social infrastructure (such as hospitals and schools), and establish a sustainable mechanism for asset distribution. Models such as the Cash Waqf Linked Sukuk (CWLS), which the government is developing through a collaboration between the Ministry of Finance, BWI, and Bank Indonesia, reflect the potential of cash waqf as a driver of development that also serves to reduce disparities between income groups (Azizah & Khanifa, 2021).

Institutional Infrastructure and Governance of Waqf in Indonesia

The structure of Islamic Social Finance Governance in Indonesia, which involves several key actors: Ministry of Religious Affairs, BAZNAS and LAZIS (managers of zakat and waqf), BWI (Indonesian Waqf Agency), Bank Indonesia and the Financial Services Authority (OJK) as financial authorities, KNEKS as the strategic director of the Islamic economy, Financial institutions, Islamic fintech, mosques, and civil society. This institutional framework demonstrates that the Islamic social finance management system in Indonesia is multi-level and multi-actor, which theoretically supports collaborative governance (Siswanto, 2022). However, the reality on the ground still shows that synergy between institutions is not optimal. Challenges exist in data harmonization, limited human resource capacity of waqf managers (nadzir), and low public literacy about productive waqf (Syibly et al., 2022).

The Role of Governance in Waqf Effectiveness

From a governance theory perspective, the success of waqf as an instrument for reducing economic inequality is largely determined by the quality of governance underlying its management. The effectiveness of waqf depends not solely on the amount of funds raised, but also on the extent to which a professional, transparent, and accountable institution manages it. Furthermore, such success requires a supportive regulatory framework, including fiscal incentives that can encourage the development of productive waqf assets. In the modern context, waqf institutions must also have access to technology, strategic partnerships, and contemporary financial resources such as fintech to ensure more effective and efficient waqf

management. Therefore, strengthening systemic governance should focus on increasing waqf administrators' capacity through training, certification, and technological support, as well as on strengthening transparency through sharia audits and public reporting. Furthermore, the development of national performance indicators for waqf institutions, such as the National Waqf Index proposed by KNEKS, is crucial for objectively measuring management effectiveness. Operational synergy between the formal financial sector—such as Islamic banks and the Financial Services Authority (OJK)—and the socio-religious sector—such as mosques, Islamic Laz (Islamic Lazada), and Islamic organisations—must also be strengthened so that waqf can be managed in an integrated manner and have a broader socio-economic impact.

The Relevance of Waqf to Economic Inequality

Cash waqf is highly relevant to the issue of economic inequality in Indonesia because it is not only about income distribution but also about unequal access to education, healthcare, business capital, and employment opportunities. In this context, cash waqf, when managed productively, has the potential to become a redistribution instrument capable of bridging various forms of structural inequality. Through waqf-based financing schemes, low-income communities can gain access to micro-capital to develop businesses, participate in skills training through waqf education programs, receive free healthcare through waqf hospitals, and benefit from adequate housing infrastructure support based on productive waqf assets. If these programs are implemented accountably, effectively, and sustainably, their redistributive impact on the national economic structure will be significant. Thus, waqf serves not only as a philanthropic instrument but also as a means of economic empowerment that can strengthen social justice and increase the economic mobility of underprivileged communities.

Integrating Waqf in the Islamic Economic Ecosystem

Furthermore, the integration of waqf into the Islamic economic and financial ecosystem demonstrates that waqf is no longer viewed solely as a traditional charitable activity, but rather as a vital component of a Sharia-based economic development framework. The development of various Islamic financial products has opened up broader opportunities for synergy with cash waqf. In practice, waqf can be integrated with zakat to meet short-term intervention needs, with Islamic microfinance institutions to empower small businesses, with social sukuk and Cash Waqf Linked Sukuk (CWLS) for social infrastructure development, and with Islamic fintech to strengthen the digitalisation of waqf fund collection and distribution. This integration enables the creation of a more inclusive, efficient, and sustainable economic distribution

system that aligns with the principles of distributive justice in Islam. Therefore, cash waqf has an increasingly strategic position in strengthening the foundations of the national Islamic economy and in creating development that is oriented not only toward growth but also toward equity and social justice.

CONCLUSION

This study aims to analyze how waqf, particularly cash waqf, can contribute to addressing economic inequality in Indonesia. Based on a Systematic Literature Review (SLR) approach and analysis using the PRISMA protocol, which included 31 relevant literature sources, it was found that waqf has unique characteristics as a productive and sustainable Islamic social finance instrument. In the context of Indonesia—the country with the largest Muslim population and named the most generous nation according to the 2021 World Giving Index—the potential for waqf development is enormous. However, the realization of this potential remains hampered by various governance issues, institutional capacity, and low public literacy regarding productive waqf.

Cash waqf, as a flexible and scalable form of modern waqf, has made a significant contribution to supporting wealth distribution through various socio-economic programs, including providing capital for micro-enterprises, building public facilities, education, and healthcare. Models such as Cash Waqf Linked Sukuk (CWLS) have even provided concrete examples of how waqf can be integrated with Islamic financial instruments to fund national-scale development projects. Theoretically, waqf plays a role in supporting the principle of fair and sustainable income distribution. Meanwhile, from a governance perspective, the success of waqf management is greatly influenced by the quality of regulations, transparency, the professionalism of the administrators, and the synergy between the financial sector, government, and civil society. Therefore, this study confirms that waqf, when managed strategically and accountably, can be a key pillar of an inclusive development strategy and a means to alleviate economic inequality in Indonesia.

RECOMMENDATIONS

Based on the research findings, it is recommended that the development of waqf, particularly cash waqf, in Indonesia be directed towards strengthening institutional governance to be more professional, transparent, and accountable. The government, the Indonesian Waqf Board (BWI), Islamic financial institutions, and trustees (nadzirs) need to build an integrated

waqf management system through stronger regulations, enhanced accountability standards, and strengthened human resource capacity. In this regard, training programs, Nadzir certification, the digitalisation of administrative systems, and the use of Islamic financial technology are strategic steps to increase the effectiveness of productive waqf management. Furthermore, synergy between the government, the Islamic financial sector, Islamic philanthropic institutions, and civil society needs to be strengthened to optimise the potential of waqf as an instrument for sustainable welfare distribution.

Furthermore, more extensive efforts are needed to increase public literacy regarding productive waqf, particularly cash waqf, so that the public understands waqf not only as a traditional religious practice associated with land and buildings, but also as a modern, flexible, and socio-economic instrument with a broad impact on welfare. Continuous outreach through educational institutions, mosques, digital media, and Islamic financial institutions is necessary to raise public awareness about the benefits of cash waqf in supporting micro-enterprise financing, education, health, and the development of public facilities. As public literacy increases, public participation in productive waqf collection is expected to expand and become more sustainable.

Furthermore, the development of innovative waqf instruments must also be continuously encouraged by integrating them into the national Islamic economic and financial ecosystem. Models such as Cash Waqf Linked Sukuk (CWLS) need to be expanded and replicated in various strategic sectors so that waqf can contribute not only at the local scale but also to inclusive national development. Collaboration between waqf, zakat, Islamic microfinance, social sukuk, and Islamic fintech can create a more effective, efficient, and equitable economic distribution system. Therefore, policymakers need to encourage policy innovation and incentives that support the integration of these instruments so that waqf truly becomes a key pillar in the strategy to reduce economic inequality in Indonesia. Finally, further research is highly recommended to empirically evaluate the effectiveness of productive waqf programs at both the micro and macro levels. Such studies should focus on measuring the impact of waqf on improving community welfare, reducing poverty, expanding economic access, and distributing income. With stronger empirical data, the effectiveness of waqf management policies and practices can be assessed more objectively, providing a solid foundation for developing targeted, sustainable, and impactful waqf development strategies to reduce economic inequality in Indonesia.

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