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Transforming Islamic Philanthropy Through Policy: A Study of Waqf Regulation and Implementation in Indonesia

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Abstract. Waqf, as an instrument of Islamic philanthropy, holds a strategic role in socio-economic development. However, its management in Indonesia has undergone various dynamics in line with regulatory changes from the colonial period to the era of reform. This study analyzes the transformation of waqf policy and its impact on management practices among communities and related institutions. The objective of this research is to explore the evolution of waqf regulations in Indonesia and their implications for management models, including the shift from traditional asset-based waqf towards productive, finance-based waqf. This study employs a descriptive qualitative approach, utilizing data collection techniques through documentary analysis of both historical and contemporary regulations. Data analysis is conducted descriptively by elaborating findings from primary sources (such as statutory regulations and institutional reports) and secondary sources (academic literature). The findings reveal that waqf regulation in Indonesia has experienced significant transformations from the Dutch colonial period to the reform era. This transformation is marked by the establishment of specific regulations governing waqf management and the standardization of nazhir (waqf managers). However, implementation remains hindered by limited institutional capacity, weak coordination among stakeholders, low transparency in waqf asset management, and a lack of innovation in waqf practices. This study proposes strengthening multi-stakeholder collaboration models and leveraging digital technology to enhance accountability and the economic value of waqf. The policy implications include institutional reinforcement, diversification of waqf assets (land, cash, investments), and an increased orientation toward public welfare through sustainable management models.

1. INTRODUCTION

Waqf plays a pivotal role in the lives of Muslims by providing long-term benefits, promoting social solidarity, and enhancing overall quality of life (Zakia et al., 2024). Moreover, waqf contributes significantly to empowering the people's economy (Ardiyansyah & Kasdi, 2021) and serves as a sustainable resource for serving humanity and upholding human dignity (Askouri, 2024). During the early period of Islam, waqf institutions were instrumental in supporting the welfare of the Muslim community through the development of religious facilities, education, healthcare, social services, and other public interests. The presence of waqf has continued to generate substantial impact across various aspects of Muslim life. As an integral part of Islamic teachings, waqf not only carries a spiritual dimension aimed at enhancing piety toward Allah, but also embodies a social dimension that fosters the economic well-being of the ummah.

In the historical context of Islamic endowment (waqf) management, waqf has played a pivotal role in supporting the broader functions of Muslim societies. For instance: (a) during the Ottoman Empire, approximately 75% of cultivated land originated from waqf properties; (b) in the mid-19th century, amid the French colonization of Algeria, half of the land was waqf; (c) in the 19th century, one-third of available land was classified as waqf; (d) by 1949, around one-eighth of agricultural land consisted of waqf land; and (e) in Iran in 1930, approximately 30% of cultivated land was waqf (Rahmawati, 2016). Moreover, from an institutional perspective, Al-Azhar University in Egypt has utilized waqf funds to support its operational activities, including through the management of buildings and enterprises along the Suez Canal (Gustina & Ihsan, 2018).

Waqf, as a component of Islamic philanthropy, constitutes an integral part of the socio-economic fabric of Muslim societies, rooted in instruments of social worship. It possesses unique characteristics due to its productive nature and long-term orientation in promoting societal welfare. Thus, waqf functions not merely as a form of worship but also as a wealth distribution mechanism capable of supporting sustainable development and poverty alleviation through the effective management of its benefits in areas such as education, healthcare, and religious activities (Nirmala et al., 2024). As one of the countries with the largest Muslim population in the world, Indonesia holds significant potential for Islamic philanthropy, which remains largely underutilized. Regarding zakat potential in Indonesia, the Indonesia Zakat Outlook 2021 reports that the annual zakat potential reaches IDR 327.2 trillion, while actual collection amounts to only IDR 17 trillion (Puskas BAZNAS 2021). On the other hand, waqf potential in Indonesia is also considerable. According to the 2023 data from the Waqf Information System (Siwak) of the Indonesian Ministry of Religious Affairs, there are 440,512 waqf land locations covering an area of 57,263.69 hectares, of which 57.42% have been certified. Despite this immense potential, waqf has not been fully realized, due in part to suboptimal policy frameworks and regulatory mechanisms.

As the social and economic challenges in Indonesia become increasingly complex, there has been a corresponding shift in the approach to waqf management. This shift is marked by a transition from a traditional paradigm to a more modern approach that is integrated into the national economic system. Such a transformation cannot be separated from state intervention through policies and regulations aimed at enhancing the transparency, efficiency, and accountability of waqf institutions. Nevertheless, the reform of waqf policies in Indonesia remains constrained by a top-down approach (Khan, 2016). Therefore, it is imperative to

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support the transformation of waqf through policy innovations that foster waqf-based social enterprises, such as tax incentives for nazhir (waqf managers) who adopt sustainable business models (Almarri & Meewella, 2015).

The transformation of waqf policy in Indonesia is rooted in a long-standing historical and ideological foundation. In classical contexts, waqf was a voluntary practice governed by religious customs and traditions. However, within a modern nation-state framework, the management of waqf must navigate the principles of public law, national economic considerations, and institutional governance. The Weberian Theory of Bureaucracy and Max Weber's concept of value rationality offer useful lenses through which to analyze this dynamic. While the bureaucratic system of the modern state emphasizes formal rationality, Islamic philanthropy is grounded in value-based rationality and spiritual considerations. The tension between these paradigms must be harmonized in the formulation of waqf policies to ensure that the ethical essence of Islamic philanthropy is not diminished (Khan, 2016).

Globally, a new trend has emerged in the management of religious philanthropy, wherein Muslim-majority countries are increasingly adopting institutional and policy-oriented approaches to waqf administration. Malaysia, for instance, has demonstrated significant progress in developing its waqf system by integrating Sharia regulations with national legal frameworks. The successful implementation of the Micro Waqf Bank in Malaysia exemplifies the efficacy of venture capital investment models in the waqf sector (Alias, 2012). Similarly, Singapore has effectively leveraged waqf funds through innovative management strategies (Pertiwi et al., 2019). In this context, Indonesia stands at a critical juncture where regulatory redesign is necessary to align its waqf governance with developmental needs and the principles of *maqāṣid al-sharīʿah*. Optimizing productive waqf has the potential to stimulate the microeconomic sector, particularly through the empowerment of MSMEs based on Islamic social finance.

State support for waqf management in Indonesia is evidenced by the enactment of Law No. 41/2004 on Waqf and Government Regulation No. 42/2006, which serve as foundational regulatory milestones for institutional waqf administration. However, these legal instruments have not yet generated a systemic impact, as indicated by the growing diversity of waqf objects being managed by numerous civil society organizations and educational institutions. Challenges persist, particularly in the areas of waqf asset data collection, managerial capacity of nazhir (waqf managers), and public participation in waqf programs. In many cases, waqf assets continue to follow a traditional pattern, consisting predominantly of mosques (73.74%), prayer halls (30.13%), schools (10.61%), cemeteries (4.23%), Islamic boarding schools (2.98%), and other social facilities (8.32%).

The centralized approach adopted by the Indonesian Waqf Board (BWI) has also drawn criticism regarding its effectiveness and the extent to which it represents civil society in waqf-related decision-making. Consequently, the introduction of venture philanthropy into contemporary waqf studies has gained relevance. Notably, the Venture Philanthropy Waqf Model integrates high-risk investment strategies with social impact objectives, whereby waqf funds are invested in social start-ups using profit-sharing mechanisms (*Muḍārabah*). This is exemplified by cash waqf practices in Turkey, which finance educational technology through equity-based schemes. The venture philanthropy approach enables waqf to deliver impact across four dimensions: first, transforming waqf into measurable productive assets; second, incorporating risk management, monitoring, and impact evaluation principles; third, enhancing social and economic efficiency through private sector involvement in waqf fund management, and fourth, ensuring sustainable development outcomes (Zakaria et al., 2013). This venture philanthropy paradigm emphasizes principles of long-term social investment, data-driven monitoring, and public-private collaboration. Its successful implementation requires progressive state policies and a robust monitoring and evaluation system. Such an approach aligns with global discourse on the transformation of Islamic philanthropy toward more adaptive and innovative governance, without compromising its spiritual and social values. Accordingly, active engagement of all stakeholders in waqf management is essential to foster policy effectiveness and to develop a regulatory framework that is both flexible and resolute.

2. LITERATURE REVIEW

The term "*waqf*" (*al-waqf*), in its literal Arabic meaning, derives from the word *al-habs*, which translates into Indonesian as "to restrain" or "to withhold." According to Sayyid Sabiq, the triliteral root *waqafa-yaqifu-waqfan* is synonymous with *habasa-yahbisu-habsan*, both of which convey the notion of withholding or detaining. The plural form of al-waqf is rendered as *al-awqaf or wuquf*, while the verbal form (*fiʿl*) is *waqafa,* denoting the act of withholding or preventing. Terminologically, waqf refers to the dedication of a durable property by an individual to a nazhir (custodian of waqf) or a managing institution, under the condition that the yields and benefits derived from the asset are allocated in accordance with the principles of Islamic law (sharia). In a regulatory context, Law of the Republic of Indonesia No. 41 of 2004, Chapter I, Article 1, Point 1, defines waqf as a legal act whereby a person or entity permanently or temporarily separates and/or transfers a portion of their property for religious or public welfare purposes in accordance with sharia.

Based on the definition provided in Law of the Republic of Indonesia No. 41 of 2004, the duration of waqf is categorized into two forms. First, perpetual waqf refers to the type of waqf asset that is declared by the *waqif* (donor) to the *nadzir* (waqf manager) for an indefinite period (Permanently). This type of waqf is intended to be utilized in the long term while continuously serving the underlying purpose of the waqf. Second, temporary waqf refers to waqf assets endowed for a specified period (not permanent), either due to the nature of the asset or the preference of the waqif. Regarding the types of waqf assets, Government Regulation of the Republic of Indonesia No. 42 of 2006, which implements Law No. 41 of 2004, stipulates in Chapter III, Article 15 that waqf assets may include: immovable property; movable property other than money; and movable property in the form of money. Furthermore, based on their intended purposes, waqf can be classified into three categories: (a) philanthropic waqf (Waqf khairi), in which the waqf is dedicated to public welfare and communal benefit; (b) familial waqf (*waqf dzurri*), wherein the waqf aims to benefit the *waqif*, their family, descendants, or specific individuals, regardless of their socioeconomic status, health condition, or age; and (c) mixed waqf (*Waqf musytarak*), which serves both public and familial interests simultaneously.

The existence of waqf represents a pivotal element in fostering social development and solidarity, particularly when managed effectively. Waqf not only pertains to the personal piety of individual Muslims but also generates a broader societal impact (Dallh, 2023), while preserving the tradition of Islamic philanthropy that can be collectively reinterpreted within a modern context (Rawashdeh et al., 2017). This is exemplified institutionally by Islamic civil society organizations such as Muhammadiyah—one of the largest Islamic organizations in Indonesia—which has fostered multi-stakeholder collaboration (including the government, communities, religious leaders, and beneficiaries) in the innovative management of waqf (Medias et al., 2025). Muhammadiyah also partners with both state and non-state actors, including international organizations, in delivering aid, public education, and health and social services during times of crisis (Nubowo, 2022).

In the contemporary era, various innovations have emerged in waqf management as part of Islamic philanthropy, most notably the Cash Waqf Linked Sukuk (CWLS), which integrates cash waqf with national development financing through sukuk instruments.

Introduced by the Government of Indonesia in 2020, CWLS addresses the constraints of public sector financing while harnessing the untapped potential of waqf (Muala & Hakim, 2023). This initiative also promotes the principle of maslahah mursalah (public good), which may serve as a basis for fiscal incentives for CWLS investors (Putra et al., 2023), involving diverse assets for religious and communal benefit. In this context, Islamic legal principles serve as an essential reference for waqf governance (Fahmi et al., 2024), particularly since the intentions of waqif (Donors) are influenced by religiosity, Islamic financial literacy, and social media engagement (Fajri, 2024). Therefore, future waqf management necessitates the harmonization of Law No. 41 of 2004 with broader Islamic economic policy frameworks through the involvement of monetary authorities (Hadi et al., 2025).

3. METHOD

This study employs a library research approach, relying on data sourced from various library materials that pertain to national regulations governing the management of waqf (Islamic endowments) in Indonesia. In addition, the researcher incorporates an analysis of the impact of these regulations on waqf management institutions, thereby framing the study as qualitative and descriptive in nature. Data collection primarily involves documentation analysis, focusing on government regulations, including statutory laws, government regulations, ministerial decrees, media coverage, academic literature, and reports assessing the societal or institutional impact of these regulations on waqf administration in Indonesia. The data collection techniques utilized include document analysis and literature sufficiency. The data analysis is presented descriptively, beginning with an exposition of state policies on waqf management, conveyed through both textual review and direct observation. Furthermore, all relevant library data previously collected are analyzed using qualitative methods that combine deductive and inductive reasoning approaches.

4. RESULT AND DISCUSSION

4.1. Strengthening Waqf Regulation as a Transformation of Islamic Philanthropy Policy

The management of waqf in Indonesia, in principle, mirrors the earlier and more established practices of zakat administration, which have long been carried out by civil society organizations and educational institutions. This is evidenced by the growth and development of such organizations, which have successfully utilized both zakat and waqf for social, educational, health, and other public purposes. Therefore, the experiences of these organizations are crucial considerations in enhancing waqf management in Indonesia—not only from the institutional perspective but also in terms of societal culture and the state's support for Islamic philanthropy governance. Within the Islamic framework, philanthropic institutions such as zakat and waqf function as intermediary agents that bridge market inefficiencies with altruistic philanthropic motivations (Rawashdeh et al., 2017), Consequently, a constructive relationship between society and the state is essential. Historical tensions between the two often result in confrontational dynamics, which should be avoided in modern institutional management by fostering collaborative and integrative approaches across various sectors.

State policy dynamics in the management of waqf in Indonesia continue to evolve, each period bringing its own momentum. A comprehensive understanding and interpretation of state regulations and societal contestations are essential to optimizing collaboration and integration in waqf governance. Initially, waqf practices in Indonesia were primarily conducted by religious and social organizations, resulting in the endowment of assets in the form of mosques, schools, Islamic boarding schools (*pesantren*), and other faith-based social functions. Generally, the evolution of waqf practices in Indonesia can be categorized into four phases: first, the historical development of waqf law, which includes pre-Islamic traditions, practices during and after the Prophet Muhammad’s era, the Western experience, and customary law in Indonesia. Second, the introduction of Islamic teachings, including waqf, by early Muslim communities. Third, the legislative framework of waqf during the Dutch colonial era and through the Reform era. Fourth, the post-Reform period, which specifically regulates the practice of cash waqf by individuals, organizations, and legal entities.

The institution of waqf was extensively practiced by Islamic kingdoms in the Indonesian archipelago. This is reflected in the presence of unwritten customary laws rooted in Islamic legal traditions. During the Dutch colonial administration, waqf was formally recognized as an Islamic financial institution, marked by the establishment of Rad Agama (Religious Courts), or priesterraden, under Staatsblad No. 152 of 1882. The Dutch recognition of Islamic legal matters, including waqf, allowed communities to submit such cases to the Mahkamah Syar’iyyah (local religious courts), although their implementation varied across regions. Following independence, jurisdiction over waqf became the exclusive domain of the Religious Courts, alongside other matters closely tied to Islam such as marriage, inheritance, gifts, and almsgiving.

The management of waqf assets during the Dutch Colonial era generally encompassed properties such as land, schools, mosques, cemeteries, and others. However, in several cases, waqf assets were often neglected, misused, or not utilized in accordance with their intended purposes. In some instances, waqf properties were even transferred to third parties by the waqf administrator (nazhir). There were also occurrences where waqf land was reclaimed by the original donor (waqif) or seized unlawfully by other parties for personal or group interests. These forms of legal violations concerning waqf assets were closely related to the weakness of the prevailing legal framework at the time, including the absence of official certification. Reclamation of waqf assets may be justified if deviations are committed by the nazhir, particularly when the waqif has explicitly stipulated conditions regarding the use of the waqf assets. If the utilization deviates from the waqif’s stated objectives and terms, the waqif has the right to reclaim the asset, not for personal ownership, but to re-endow it in a manner that fulfills the original purpose of the waqf—that is, as property devoted to Allah. Therefore, in resolving disputes among Muslims, civil procedural law as applied in Indonesia is also utilized. Similarly, waqf-related disputes are to be settled through the applicable Indonesian civil procedural law. To prevent individuals from taking justice into their own hands, the legal system provides judicial institutions as a means of dispute resolution—specifically, the courts, where civil disputes are adjudicated under civil procedure.

The emergence of issues or disputes concerning waqf assets (waqf objects) often stems from inadequate management and oversight. Such problems typically arise with unregistered waqf properties or those lacking proper legal documentation. Nevertheless, the current era has witnessed significant advancements in waqf management, transitioning from a conventional model—primarily reliant on trust and informal arrangements—towards a more professional and institutionalized approach. Through professional management, waqf assets can generate broader social benefits, thereby reinforcing the importance of maintaining a collective spirit of productivity among both waqif (donors) and nadzir (managers). This shared responsibility is essential to fostering communal welfare. Furthermore, the adoption of a professional waqf management paradigm may be driven in part by the growing popularity of cash waqf (waqf tunai), which allows broader participation in socio-economic development, productivity enhancement, and poverty alleviation efforts. Fundamentally, waqf is intrinsically linked to the well-being and self-reliance of the Muslim community.

In the modern era, the management of waqf in Indonesia has continued to evolve significantly, as evidenced by the diversification of waqf objects—particularly in the fields of education, social welfare, healthcare, and beyond. Concurrently, waqf has emerged as an increasingly prominent topic of scholarly inquiry, attracting the interest of both academics and practitioners. This has enabled waqf practices to generate tangible positive impacts on societal welfare while also contributing empirically to academic discourse. Notably, the Indonesian Council of Ulama (*Majelis Ulama Indonesia*—MUI) issued a fatwa in 2002 permitting the practice of cash waqf. This fatwa represents a form of contemporary Islamic legal reasoning (ijtihad) by Indonesian scholars, introducing a new modality of waqf to Muslim communities—who traditionally associated waqf solely with immovable assets such as land, mosques, and other non-monetary properties. The issuance of the cash waqf fatwa has received favorable responses from Muslim communities across various regions of the world, and has demonstrably contributed to enhancing social welfare. To further institutionalize and regulate waqf management, the Government of Indonesia enacted Law No. 41 of 2004 on Waqf, complemented by various regulatory instruments issued by the Indonesian Waqf Board (Badan Wakaf Indonesia—BWI). These legal frameworks have significantly strengthened the governance of waqf in Indonesia, which had previously operated without a binding formal legal foundation and had relied primarily on classical Islamic jurisprudential texts.

The enactment of Law Number 41 of 2004 concerning Waqf has provided a legal framework for waqf management in Indonesia, resulting in more diverse and institutionalized forms of administration. Concurrently, growing public awareness regarding the importance of education, social welfare, and institutional waqf management has contributed to the expansion of the waqf movement. From a regulatory perspective, the legal instruments governing waqf management in Indonesia include: (1) Law Number 41 of 2004 on Waqf; (2) Law Number 50 of 2009 concerning the Third Amendment to Law Number 7 of 1989 on Religious Courts; (3) Government Regulation Number 28 of 1977 on the Endowment of Privately-Owned Land; (4) Government Regulation Number 42 of 2006 on the Implementation of Law Number 40 of 2004; (5) Presidential Decree Number 75/M of 2007, issued in Jakarta on July 13, 2007, concerning the Appointment of Members of the Indonesian Waqf Board by the President of the Republic of Indonesia; (6) Minister of Religious Affairs Regulation Number 4 of 2009 on the Administration of Cash Waqf Registration; (7) Minister of Religious Affairs Regulation Number 73 of 2013 on Procedures for Endowment of Movable and Immovable Property Other Than Cash; (8) Directorate General of Islamic Community Guidance Decree Number DJ.II/420 of 2009 on Models, Formats, and Specifications of Cash Waqf Forms; (9) Ministerial Decree of the Republic of Indonesia on the List of Islamic Financial Institutions Authorized to Receive Cash Waqf; (10) Indonesian Ulema Council (MUI) Fatwa issued on May 11, 2002 concerning Cash Waqf; and (11) Compilation of Regulations of the Indonesian Waqf Board concerning waqf governance in Indonesia.

The diverse regulatory frameworks established by the state for waqf management have significant implications for institutionalized and professional governance of waqf, particularly through the adoption of digital reporting systems that enable donors to track fund utilization (Ambo Masse et al., 2024). Such systems underscore the recommendation that nazir (waqf administrators) must demonstrate greater transparency, supported by regulatory mechanisms that are more adaptive to the needs of the productive-age demographic (Nour Aldeen et al., 2022). Moreover, trust and religiosity have been shown to play a pivotal role in shaping public attitudes and perceptions toward philanthropic management, offering a more comprehensive explanation of technology adoption behavior within the socio-religious domain (Usman et al., 2022). Islamic waqf serves as a credible commitment mechanism, providing assurance to economic entities as part of social service delivery—particularly given that waqf has historically functioned as a principal instrument for collective public service provision. In principle, waqf administrators are required to comply with prevailing waqf provisions throughout their implementation, thereby upholding relevant legal legitimacy. On the other hand, existing regulations may not fully substitute the inherent systems within waqf due to perceived inefficiencies in human resource flexibility or because they are considered incongruent with current regulatory frameworks (Kuran, 2001).

4.2. The Urgency of Governance Innovation in Waqf Management within the Framework of Islamic Philanthropy

The development of waqf institutions and Islamic financial institutions shares a common spirit in enhancing the economic well-being of the Muslim community, particularly in the fight against poverty and dependency. This endeavor requires professional, trustworthy, and productive management practices that are grounded in Islamic principles and applicable legal frameworks. Moreover, the commitment of scholars and Muslim intellectuals in promoting the development of productive waqf represents a foundational step toward improving community welfare. This commitment can generate positive impacts in alleviating poverty and reducing economic dependence, while simultaneously fostering a culture of philanthropy in society. However, challenges persist, as unproductive waqf lands are still found—often resulting from the lack of supervision and inadequate asset management skills among nazhirs (waqf managers) (Marza et al., 2022). The integration of social entrepreneurship models into the management of cash waqf—particularly through the application of social business approaches—offers a strategic innovation to create sustainable impacts. Such approaches aim to address the limitations of traditional waqf management, which often relies heavily on physical assets and lacks professional governance (Ambo Masse et al., 2024). Despite these efforts, waqf as an instrument of economic justice remains concentrated in Java. This highlights the need for an integrative management approach that also targets underdeveloped regions (Lita, 2020).

The Indonesian Waqf Board (*Badan Wakaf Indonesia*, BWI), as a semi-autonomous governmental institution vested with the authority to manage waqf (nadzir) in Indonesia, has consistently promoted the practice of cash waqf as an innovative form of Islamic philanthropy. This initiative has gained legitimacy from key religious authorities, including the Indonesian Ulema Council (*Majelis Ulama Indonesia*, MUI) and the Ministry of Religious Affairs of the Republic of Indonesia. It is expected that such endorsement and institutional support will enhance the mobilization and management of waqf resources and other Islamic philanthropic funds, thereby facilitating a more optimal and strategic utilization with tangible socio-religious impacts, particularly in addressing the fundamental needs of the underprivileged (dhuafa). The increasing number of waqf assets, alongside the growing public participation in institutionalized waqf activities, reflects a parallel expansion in the practice of cash waqf. This is evidenced by the establishment of Sharia Financial Institutions Authorized to Receive Cash Waqf (*Lembaga Keuangan Syariah Penerima Wakaf Uang*, LKS-PWU), which are now operational and actively receiving waqf in monetary form. Furthermore, cash waqf provides the public with accessible means to participate in waqf, as it does not necessitate large monetary contributions, thus allowing individuals to engage according to their financial capabilities. The potential of waqf in Indonesia can be further optimized by leveraging the demographic dividend and the burgeoning middle class, which predominantly comprises individuals of productive age. Among the underutilized opportunities is the waqf of intellectual property rights (Hak Atas Kekayaan Intelektual, HAKI), which holds promise for generating sustainable royalties, such as those derived from Islamic educational software licenses (Praja et al., 2019).

The institutionalization of waqf, as formally regulated through specific legislation, consistently contributes to enhancing the transparency, credibility, and accountability of waqf management. The roles of the nazhir (Waqf manager) and the waqif (waqf donor) are interdependent and play a critical part in optimizing waqf's potential to promote social welfare and benefit the intended recipients (Mauquf ʻalaih). Nevertheless, the accountability and management capacity of waqf assets should actively involve the participation of local communities, particularly in rural areas (Yumarni & Suhartini, 2019). This necessitates the integration of local values into assistance policies to ensure cultural relevance (Khan, 2016), including strategic planning by the nazhir to address initial management needs (Sulistiani et al., 2024). Consequently, the administration of waqf assets can be utilized for productive ventures, such as investments in Islamic financial instruments including government or corporate sukuk, Islamic mutual funds, and the Islamic capital market. When managed by Islamic Financial Institutions Appointed to Receive Waqf (LKS-PWU), waqf funds can be invested through contracts such as unrestricted (*Mudharabah muthlaqah*) and restricted (*Mudharabah muqayyadah*) profit-sharing arrangements. On the other hand, investment in real sectors may include office buildings, apartments, shopping centers, plantations, mining, and other ventures that generate economic value and comply with Islamic principles.

Following the enactment of Law Number 41 of 2004 concerning Waqf, numerous variants and patterns of more productive waqf management have emerged. Moreover, the institutional roles carried out by well-established socio-religious organizations with experience in waqf management have become increasingly creative in waqf collection and administration. This is further complemented by the roles played by LKS-PWU (Waqf Management Institutions) and BWI (Indonesian Waqf Board), which institutionally have also strengthened their capacity in managing waqf. Therefore, to enhance the management of waqf in the realm of productive business ventures, several measures can be undertaken to maximize the management of productive waqf through an integrated system. In managing productive waqf, waqf managers need to optimize the utilization of waqf assets by implementing three key strategies: First, adopting a profit orientation that benefits the waqf beneficiaries (Mauquf ʻalaih). In this context, the benefits are not solely material gains that improve welfare, but also include raising awareness and providing education regarding the objectives and advantages of waqf management in the life of the Muslim community. Second, establishing regulation and supervision related to the various formal instruments required in waqf management. Regulation provides protective control and clarity over all waqf components, while supervision aims to ensure a monitoring system over the management of waqf assets. This can be achieved through research, evaluation, improvement, guidance, and partnership (collaboration). Third, adopting a public-oriented approach, whereby productive waqf management can have a significant impact on public welfare and generate social benefits by fulfilling the primary pillars of Sharia objectives (maqashid al-sharia). Transparent governance strengthens community involvement and ensures the sustainability of waqf energy programs in supporting renewable energy advancement by fostering an environmentally conscious society (Shahmi et al., 2025).

The impact of state policies on communities or institutions managing waqf in Indonesia has enabled a diverse and creative space in the collection and management of waqf assets. This is evidenced by the state's response in providing regulations that strengthen institutions by optimizing the roles of the Indonesian Waqf Board (BWI) and Waqf-Based Financial Institutions (LKS-PWU). As a result, waqf management has become more effective and significantly impacts the management of waqf institutions, as well as the waqf beneficiaries (*Mauquf ʻalaih*), who are able to achieve general welfare. Furthermore, Sharia compliance in the operations of waqf-based financial institutions that provide microfinancing for the poor is emphasized—focusing on protecting the spiritual rights of consumers without compromising Sharia principles for commercial objectives, which could otherwise harm the spiritual rights of clients (Fitri, 2021).

5. CONCLUSIONS

The practice of waqf management in Indonesia has historically been conducted extensively by religious social organizations, as evidenced by the growth and development of educational institutions, *pesantrens* (Islamic boarding schools), cemeteries, mosques, and various physical waqf properties. State policies and regulations governing waqf management in Indonesia began during the Dutch colonial administration. Waqf became an Islamic financial institution marked by the establishment of the Religious Court (*Rad Agama or priesterrad*) based on Staatsblad Number 152 of 1882. The Dutch recognized Islamic legal settlements such as waqf and others submitted by the community to the *Mahkamah Syar'iyyah* (local Religious Courts); however, implementation varied across regions. After independence, several government regulations concerning waqf were enacted. One example is Government Regulation Number 28 of 1977 concerning the Endowment of Land Property, which only regulated the waqf of land and limited its use to social-religious activities. However, the enactment of Law No. 41 of 2004 on Waqf led to more diverse and creative waqf management practices, including the introduction of cash waqf. The impact of state policies on waqf-managing communities and institutions in Indonesia has necessitated that waqf management be institutionalized and productive in nature. The presence of cash waqf, which can be managed as investments yielding significant benefits for community welfare and public interest, serves as one indicator of productive waqf management. Furthermore, the strengthening of waqf management by religious social organizations, the Indonesian Waqf Board (BWI), and Islamic Financial Institutions Receiving Cash Waqf (LKS-PWU) is conducted through fostering understanding of profit orientation, regulation and supervision, as well as public orientation. Policymakers, particularly the government, are encouraged to issue policies that further strengthen institutional capacity across all waqf management stakeholders. Waqf management institutions should also scale up their productive waqf management efforts.

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