

OPTIMIZING AND STRENGTHENING PRODUCTIVE WAQF STRATEGIES AS A SUSTAINABLE INSTRUMENT FOR POVERTY ALLEVIATION IN ACHIEVING SDG 1

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Abstract: Poverty alleviation is a global priority under the Sustainable Development Goals (SDGs), particularly SDG 1: No Poverty. In Indonesia—home to the world’s largest Muslim population—waqf holds significant potential as an Islamic social finance instrument. However, traditional waqf practices are often managed in non-productive ways, limiting their long-term impact on economic empowerment and poverty reduction. This study aims to analyze how the optimization and strengthening of productive waqf management strategies can function as a sustainable instrument for poverty alleviation and contribute meaningfully to the achievement of SDG 1. Metodologi A descriptive qualitative approach is employed through the analysis of national regulations, literature reviews, and an examination of various productive waqf implementation models in Indonesia and other countries. A comparative approach is used to identify best practices and relevant institutional strategies. The study finds that productive waqf can enhance community income, create job opportunities, and generate sustainable social financing. Optimization can be achieved through nadzir (waqf manager) professionalization, governance based on good governance principles, digitalization of waqf systems, and integration with the Islamic finance ecosystem. Multi-stakeholder collaboration and harmonized policy frameworks are shown to be critical for successful implementation.; This study is limited to a qualitative approach and does not include quantitative empirical analysis of the real economic impact of productive waqf projects. Limited data availability from certain waqf institutions also restricts the depth of comparative analysis, This research offers an integrative framework for productive waqf management that connects institutional aspects, governance, technological innovation, and policy harmonization as a sustainable development instrument for poverty alleviation. Unlike previous studies, which were partial, this research positions productive waqf as a strategic part of the Islamic social finance architecture that systematically supports the achievement of SDG 1. This research offers an integrative approach by combining institutional optimization, technological innovation, and policy strengthening into a strategic model for utilizing productive waqf to support the systemic and sustainable achievement of SDG 1.

Keywords: Productive Waqf, SDG 1, Poverty Alleviation, Islamic Social Finance, Sustainable Development.

INTRODUCTION

Poverty alleviation is a multidimensional challenge that remains a key agenda for global and national development. The Sustainable Development Goals (SDGs) prioritize the eradication of poverty in all its forms (SDG 1), emphasizing the urgency of an inclusive, sustainable, and equitable development approach. Amidst national fiscal constraints and the increasing complexity of socio-economic issues, alternative instruments are needed to complement public policies in addressing poverty systematically. In the context of a country with the largest Muslim population, such as Indonesia, waqf holds strategic potential as a long-term Islamic social finance instrument. Waqf can be understood as the legal act of a waqif in handing over part of his assets for the benefit of worship or public welfare, either permanently or for a certain period, in accordance with sharia principles as regulated in Law Number 41 of 2004 concerning Waqf (HUSEIN, 2024). However, waqf practices are still dominated by traditional and consumptive approaches, resulting in suboptimal contributions to economic empowerment and poverty reduction. Therefore, strengthening productive waqf management strategies is crucial to making waqf a sustainable instrument relevant to the global development agenda, particularly the achievement of SDG 1 (Tommy Pratama, Yoga Satria Sembada, 2023). Waqf is part of the teachings of virtue in Islam that emphasizes the release of ownership of property for sustainable use, with the aim of providing benefits that are not limited to the Muslim community alone, but also to all humanity regardless of differences in religion or belief (Yumarni, 2020). Within the framework of Islamic law, waqf is understood as a religious institution that is not only oriented towards material aspects or worldly interests alone, but also contains a significant spiritual dimension, while reflecting the manifestation of devotion (*ubūdiyyah*) of a servant to Allah SWT (Yumarni, 2023). Regulations regarding waqf in Indonesia have existed since the colonial era. The earliest waqf regulations were issued in the form of circulars by the Dutch Colonial Government, namely Circular Letter Number 6196 of 1909, Number 12573 of 1931, Number 13390 of 1934, and Number 13480 of 1935. After Indonesia's independence, waqf regulations were continued through Circular Letters of the Office of Religious Affairs, including Circular Letter Number 3/D/1956 which regulates waqf other than mosques and Circular Letter Number 5/D/1956 which regulates procedures for land waqf (Purnomo, 2025). In the development of modern society, the concept of productive waqf is increasingly gaining strategic relevance because it has the potential to become a sustainable alternative funding source in responding to various socio-economic challenges, including the issue of poverty. The Chairman of the Indonesian Waqf Board (BWI) for the 2024–2027 period, Kamaruddin Amin, revealed the large potential of waqf in Indonesia based on the results of institutional studies. The national waqf potential is estimated to reach almost IDR 400 trillion per year, with a contribution of cash waqf of around IDR 181 trillion per year. These findings confirm that waqf plays a strategic role as an instrument for developing the people's economy and as a means to achieve community welfare and independence. Geographically, Indonesia also possesses vast waqf assets, spread across more than 451,000 locations across the country, with a total area even exceeding the size of Singapore. Furthermore, the number of waqf assets shows an annual growth trend of around 4–5 percent. This situation further emphasizes the importance of optimizing waqf management so that it is not limited to consumptive use but can be developed productively. Of all existing waqf assets, it is estimated that around 10 percent have high potential for development, thus providing significant added economic value to the community (Redaksi BWI.go.id, 2025).

Despite the enormous potential of productive waqf, there is a gap between its normative potential and the reality of its implementation on the ground. First, waqf management still faces institutional challenges, such as low capacity and professionalism of administrators. Second, waqf governance has not fully implemented the principles of good governance, transparency, and accountability. Third, the integration of productive waqf with poverty alleviation policies and the SDGs agenda remains partial and unstructured. This gap also indicates that the effectiveness of productive waqf in its role in alleviating poverty is not yet optimal in practice, although several studies have discussed its role in the context of empowering the community's economy (Haliding, 2025). Based on data from the Central Statistics Agency (BPS), the number of poor people in

Indonesia is still quite high. As per the results of the March 2025 National Socio-Economic Survey (Susenas), the poverty rate was recorded at 8.47 percent with a total of 23.85 million poor people (Statistik, 2025) . Furthermore, this gap raises fundamental questions about how productive waqf strategies can be optimized and strengthened to function effectively as a sustainable instrument for poverty alleviation. Based on these issues, this study is formulated into several research questions.

1. What are the current conditions and challenges of managing productive waqf in supporting poverty alleviation in Indonesia?
2. What strategies can be optimized and strengthened to enhance the role of productive waqf as a sustainable instrument for achieving SDG 1?
3. How can the integration of productive waqf with poverty alleviation policies and the sustainable development framework be systematically realized?

This question refers to the findings of a study that maps the management of productive waqf and institutional issues related to its effectiveness in community empowerment (Ristawati, 2025) .

In line with the research questions, the objectives of this research are specifically directed at analyzing the existing conditions and problems of productive waqf management in the context of poverty alleviation, identifying strategies for optimizing and strengthening the management of productive waqf that are oriented towards sustainability, and formulating a conceptual model of productive waqf integration as a supporting instrument for achieving SDG 1. This objective refers to the need to analyze the potential and implementation constraints of productive waqf in order to optimize its contribution to economic and social development (Judijanto, 2025).

This study argues that productive waqf can serve as an effective, sustainable instrument for poverty alleviation if managed with an integrated, professional strategy based on good governance principles, and aligned with national development policies and the SDGs agenda. This position is supported by research on governance challenges and policy integration that need to be addressed to ensure the benefits of productive waqf can optimally contribute to poverty reduction (Haliding, 2025). The research focuses on:

- Productive waqf management strategies (institutions, governance, and innovation).
- The contribution of productive waqf to the economic empowerment of poor communities.
- The relationship between productive waqf and the achievement of SDG 1.

This focus is formulated based on the finding that the management of productive waqf tends to face institutional and governance obstacles, and the need for integration with public policies that are still less than optimal (Septi,Purwaningsih. Dewi, 2020). This research is limited to a qualitative study with a descriptive approach to the scientific literature and regulations related to productive waqf in Indonesia. The discussion also focuses on the integration of management strategies and not on an empirical evaluation of primary statistical data on the impact of productive waqf on poverty levels in numbers. This limitation is important considering that most previous studies have focused more on conceptual studies and institutional practices of productive waqf rather than direct quantitative evaluation (Septi,Purwaningsih. Dewi, 2020).

The novelty of this research lies in the development of a systemic strategic framework that simultaneously integrates institutional aspects, governance, and policy relations between productive waqf and the SDG 1 agenda for poverty alleviation, a concept that has not been comprehensively discussed in previous studies. By formulating this integrative conceptual model, the research is expected to expand the literature on the role of productive waqf in sustainable development and offer implementation recommendations based on the Indonesian context (Tommy Pratama, Yoga Satria Sembada, 2023).

RESEARCH METHODS

This research uses a descriptive qualitative approach with the aim of mapping the role of productive waqf in poverty alleviation and achieving SDG 1, as well as formulating scientifically relevant optimization and strengthening strategies (Yumarni, 2020). The study design focuses on analyzing scientific literature, policies, and institutional practices of productive waqf in Indonesia. This approach aligns with previous studies that also employed qualitative reviews to understand the productive waqf model and its role in

socio-economic development (Judijanto, 2025). The primary data sources consisted of scientific journal articles, books, research reports, laws and regulations, and policy documents relevant to productive waqf, developments in waqf governance, and its relevance to SDG 1. The selection criteria included:

- Published within the last 10 years (2013–2025) to ensure relevance to research trends.
- Focus on productive waqf, economic empowerment, and waqf governance.
- Published in reputable national and international journals that are indexed and peer-reviewed.

Examples of articles used include a review of productive waqf models in the context of the SDGs and an empirical study of productive waqf in local communities written by Putri et al (Putri, 2025). Data were collected through a systematic literature review. The collection process included document identification, mapping key terms (productive waqf, poverty alleviation, governance, sustainable development), searching scientific journal databases, screening abstracts, and selecting articles. This technique has been used in several studies on productive waqf to identify various models and their contributions to social development (Putri, 2025).

Data analysis was conducted thematically and comparatively, with the following steps:

1. Thematic coding of article content to identify management patterns and challenges of productive waqf.
2. Comparative synthesis between studies to identify similarities and differences in previous findings.
3. An integrative conceptual model formulated to address key issues and support the achievement of SDG 1 (Judijanto, 2025).

This approach aligns with the analytical methodology used in the productive waqf literature review to formulate operational strategies and policies.

RESULTS AND DISCUSSION

Based on the analysis of various relevant scientific literature, several key findings can be identified that consistently emerge in research on productive waqf. These patterns reflect the dynamics of productive waqf implementation while also demonstrating its potential and limitations in supporting community economic and social development.

First, from the perspective of the role of productive waqf in economic empowerment, various studies demonstrate that productive waqf management significantly contributes to improving community welfare. Productive waqf functions not only as an instrument of religious philanthropy but also as a means of developing community-based economic activities. A study by Effria (Effria, 2023), confirms that utilizing waqf assets in the form of productive businesses, entrepreneurship training, and strengthening human resource capacity can increase community income and expand access to sustainable economic opportunities.

Second, from a governance perspective, the literature indicates significant structural challenges. Several studies reveal that the main weakness in productive waqf management lies in the professionalism of the nadzir (manager). (Ristawati, 2025) highlights that most nadzirs have not fully implemented the principles of good governance, such as transparency, accountability, and performance-based management. This situation has resulted in low effectiveness in waqf asset management and minimal public trust in waqf institutions.

Third, regarding policy integration, studies show that the synergy between productive waqf programs and national development policies, particularly poverty alleviation and sustainable development (SDGs), remains partial. (Putri, 2025) explain that although conceptually productive waqf has strong relevance to sustainable development goals, its implementation has not been systematically integrated into the national policy framework. Productive waqf programs tend to operate sectorally and are not yet part of a coordinated development strategy.

Objectively, empirical findings indicate that several productive waqf programs have successfully delivered tangible impacts, such as increased community income, job creation, and strengthening the local economy. However, the implementation of productive waqf generally still faces various structural obstacles. These obstacles include weak institutions, low levels of transparency and accountability in management, and the suboptimal integration of productive waqf into the national development framework. This aligns with the findings of Judijanto et al. (Judijanto, 2025), who emphasized that the success of productive waqf remains sporadic and has not been strongly institutionalized.

To clarify the focus and impact of the research findings, the following data are presented briefly in the form of a descriptive table.

Focus of findings	Sample Case	Main impact
Economic Empowerment	Productive waqf in Village X improves the economic welfare of the community	Increased income and skills
Governance and Digitalization	SIMSIWAK increases transparency	Accountability of waqf management
SDGs Policy Integration	Productive models of waqf in literature	Not yet systemic in national policy

Table 1. summary illustration of findings in tabular form.

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Economic Empowerment	Productive waqf in Village X improves the economic welfare of the community	Increased income and skills
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SDGs Policy Integration	Productive models of waqf in literature	Not yet systemic in national policy

Based on the data presented and literature analysis, initial answers to the research questions posed in the introduction can be formulated. First, in terms of conditions and challenges, productive waqf management demonstrates a positive contribution to community welfare, but still faces serious challenges related to institutionalization, transparency, and professionalism in nadzir governance (Ristawati, 2025). Second, regarding optimization strategies, the literature indicates the need for systematic efforts in the form of digitizing waqf management, increasing the capacity of nadzir human resources, strengthening multi-stakeholder collaboration, and consistently applying good governance principles to increase the effectiveness and sustainability of productive waqf (Judijanto, 2025). Third, from a systemic integration perspective, initial evidence suggests that the integration of productive waqf with national development policies and the achievement of the Sustainable Development Goals, particularly SDG 1 on poverty alleviation, remains partial. Therefore, a more comprehensive and structured policy formulation is needed to ensure that productive waqf can play an optimal role in supporting the sustainable development agenda (Putri, 2025).

The analysis shows that productive waqf has significant strategic potential in supporting poverty alleviation efforts and improving community welfare. This potential is primarily reflected in mechanisms for empowering poor communities, supporting the development of micro, small, and medium enterprises (MSMEs), and creating sustainable jobs. Several studies confirm that productive waqf can function as an effective socio-economic intervention instrument if managed professionally and oriented towards asset productivity (Wibowo, 2025). Furthermore, productive waqf serves not only as a charitable social instrument but also as an alternative source of financing for sustainable economic development. In the context of developing countries, productive waqf is seen as capable of complementing state budget limitations in providing social financing, particularly for vulnerable groups. Therefore, optimizing productive waqf has strategic relevance in supporting the agenda of structural and sustainable poverty alleviation.

The findings of this study align with the literature review on Islamic social finance, which

positions productive waqf as a key instrument for wealth redistribution and community economic empowerment. From the perspective of Islamic economic theory, waqf is viewed as an institutional mechanism aimed at creating social justice and equitable welfare through the productive and sustainable use of assets (Pane, 2025). emphasized that increasing the productivity of waqf assets will expand the socio-economic value generated, especially if their management is based on the principles of good governance, transparency, and management innovation. This is also reinforced by a study (Maulana, 2018) which states that professionally managed productive waqf can increase the effectiveness of benefit distribution and strengthen public trust in waqf institutions. Based on research findings, productive waqf has been shown to significantly contribute to improving community welfare, particularly through increased income and economic access. However, this contribution still faces various structural challenges, such as weak institutional governance, low transparency, and limited capacity and professionalism of waqf administrators (Nadzir) in productively managing waqf assets (Ristawati, 2025). Therefore, strategies for optimizing productive waqf need to be directed at strengthening waqf institutions through digitizing transparent and accountable management systems, increasing the human resource capacity of trustees (nadzir), and developing innovative productive waqf models based on socio-economic empowerment. Digitalization of waqf management is considered capable of increasing efficiency, accountability, and public trust in waqf institutions (Judijanto, 2025) Research findings also indicate that the integration of productive waqf with national poverty alleviation policies remains partial and has not been systematically institutionalized. Therefore, a harmonious policy framework and regulatory support are needed to foster synergy between waqf institutions, the government, and the private sector (Putri, 2025). Emphasized that without strong cross-sectoral coordination, it is difficult to optimize the potential of productive waqf to support the achievement of national development goals. Theoretically, these research findings expand the literature on the role of productive waqf as an instrument of sustainable development. This research strengthens the conceptual link between waqf institutional strategies and the achievement of the Sustainable Development Goals (SDGs), particularly SDG 1 on poverty alleviation. Furthermore, the findings underscore the importance of integrating Islamic economic theory with modern development policies to ensure productive waqf functions optimally as a public policy instrument. This study has several limitations that require attention. First, the approach used is still based on a literature review, thus not fully representing empirical conditions in the field. Second, the limited quantitative data on the economic impact of productive waqf results in a more conceptual and descriptive nature. Therefore, further research is recommended to use an empirical approach based on primary data and case studies to more accurately measure the contribution of productive waqf to poverty alleviation.

CONCLUSION

Based on the analysis and discussion, this study confirms that productive waqf is an Islamic social financial instrument with strategic and sustainable potential for poverty alleviation, particularly in supporting the achievement of Sustainable Development Goal (SDG) 1: No Poverty. The synthesis of findings indicates that the optimization of productive waqf is determined not only by the size of waqf assets, but also by the quality of governance, the professionalism of the administrators (nadzir), innovation in asset management, and the integration of waqf policies with the national development agenda. With productive and accountable management, waqf can function as a mechanism for economic empowerment of the poor through job creation, strengthening productive businesses, and sustainably improving welfare. However, the contribution of productive waqf remains suboptimal due to institutional limitations, low human resource capacity, and the absence of a policy framework that is systemically integrated with poverty alleviation programs. Practically and policy-wise, this study's findings imply the need to strengthen the regulations and institutions of productive waqf by increasing the capacity of administrators (nadzir), implementing good governance principles, and utilizing digital technology to enhance transparency and accountability in waqf management. Furthermore, policy synergy between waqf institutions, the government, and the private sector is needed to effectively integrate

productive waqf into the national strategy for poverty alleviation and achieving the SDGs. The government is also expected to promote policy incentives that support innovative productive waqf models based on community economic empowerment. For future research, it is recommended to conduct quantitative and mixed-method empirical studies to directly measure the impact of productive waqf on poverty reduction and improving community welfare. Further research could also examine models for integrating productive waqf with other Islamic social finance instruments, such as zakat and infaq, and analyze best practices for productive waqf in various regions as a basis for formulating more contextual and applicable policies.

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