



Waqf as an Instrument for Poverty Alleviation: Analysis of Roles and Implementation in Developing Countries

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ABSTRACT

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This study aims to analyze the role and implementation of waqf as a poverty alleviation instrument in developing countries. By employing a case study approach in countries such as Indonesia, Malaysia, Turkey, and Bangladesh, the research examines productive waqf management models and the challenges faced in maximizing their potential to reduce poverty. The findings indicate that waqf plays a significant role in financing social sectors like education, healthcare, and economic empowerment. However, its implementation encounters various challenges, including inadequate regulatory support, limited accountability, and a lack of technological innovation in waqf management. The study recommends enhancing supportive regulations, establishing professional waqf management institutions, and digitalizing waqf management to expand access and transparency. Properly implemented, waqf holds great potential to be an effective instrument in supporting social welfare and reducing poverty in developing countries.

INTRODUCTION

Poverty is one of the greatest challenges faced by many developing countries. Various efforts have been undertaken by governments and international organizations to address this issue, yet structural and economic challenges often hinder the achievement of optimal results. In this context, Islamic social finance instruments, such as waqf, are increasingly seen as alternative solutions with significant potential to reduce poverty levels among Muslim communities (Sianturi et al., 2021).

Poverty remains a significant issue in many developing countries, characterized by limited access to basic services such as education, healthcare, and housing. Despite numerous aid programs, data from the World Bank indicates that nearly 10% of the global population lives in extreme poverty, especially in developing nations (Sungkar, 2022).

At the same time, the potential of waqf as a social instrument in these regions is still underutilized and poorly managed (Jalil et al., 2020). This can be attributed to a lack of understanding, insufficient supportive regulations, and minimal innovation in waqf management. Given its substantial potential to improve social welfare, research is needed to explore how waqf can be effectively implemented as a poverty alleviation instrument.

According to the World Bank, more than 700 million people, or about 9.2% of the global population, live below the extreme poverty line (less than \$1.90 per day based on 2011 purchasing power parity). In Sub-Saharan Africa and South Asia, extreme poverty rates remain high, with a significant proportion of the population living below the poverty line. Developing countries generally experience large income disparities, resulting in uneven economic growth (Adilla, 2024).

The role of waqf in community empowerment and poverty alleviation has long been recognized in Islamic history. Waqf has been utilized not only for religious purposes but also to fund healthcare, education, and the basic needs of the poor. However, in many developing countries, the vast potential of waqf remains untapped. This is often due to limited understanding, lack of supportive regulations, and inadequate innovative strategies for managing waqf productively (Mulyono, 2020; Harpepen & Yustati, 2025).

With the growth of Islamic economics, many countries are reconsidering the importance of waqf as a social finance instrument. Previous studies have extensively discussed the role of waqf in economic and social development. For instance, research by Masriyah (2024) highlights the potential of waqf as a tool to improve community welfare. This study outlines that waqf can be utilized for various social services, such as education, healthcare, and community empowerment (Isnaini, 2023). Kahf emphasizes the importance of proper management to ensure sustainable benefits from waqf. However, while providing a general perspective on waqf's contributions, the study lacks a detailed exploration of its specific role in poverty alleviation, particularly in developing countries.

Additionally, Munawar (2021) examines productive waqf as a social finance instrument capable of generating funds for sustainable philanthropic purposes. Ahmed highlights models of productive waqf that can support the welfare of impoverished communities in a sustainable manner.

Although this research demonstrates the economic potential of productive waqf management, its focus remains limited to fund development without exploring waqf's direct role in addressing structural poverty in developing countries.

Yuniara and Afrianty (2024) discuss regulatory and management challenges of waqf in developing nations. Their research identifies structural barriers, such as the lack of supportive regulations and unprofessional management practices (Asnaini, Yunus, Isnaini, & Friyanti, 2023). Hasan recommends policy reforms to maximize waqf's potential. While this study provides relevant insights for developing countries, it falls short of offering practical solutions for poverty alleviation.

This study differs from previous research as it specifically explores the role of waqf in poverty alleviation in developing countries using a literature review approach. It aims to delve deeper into the challenges, opportunities, and barriers in waqf implementation. Moreover, the research provides practical guidance on relevant steps and strategies for managing waqf to alleviate poverty, a topic that has not been extensively addressed in prior studies.

By focusing on the context of developing countries with their structural challenges, this study offers a fresh perspective that complements existing research. It seeks to bridge the research gap regarding the lack of empirical studies on waqf's application as a poverty alleviation tool in the modern socio-economic context of developing nations.

METHOD

This study employs a qualitative descriptive method with a case study approach to explore how waqf is applied as an instrument for poverty alleviation in several developing countries. Primary data was collected through in-depth interviews with sources from waqf institutions, non-governmental organizations, and government bodies involved in waqf management. In-depth interviews serve as the main data collection method, effective in gaining a deep understanding of the perceptions and challenges faced by waqf managers (Sugiyono, 2018).

Meanwhile, secondary data in this study was obtained through the analysis of relevant documents, such as annual reports from waqf institutions, publications from international bodies,

and government regulations in the countries under study. Document analysis supports the primary data by providing context and additional information about the implementation of waqf policies in various countries (Creswell, 2021).

This study uses thematic analysis techniques, identifying key themes that emerge from the data. Thematic analysis allows researchers to categorize significant patterns related to the role of waqf in poverty alleviation (Bahartiar & Arwadi, 2020).

Data from interviews and documents were analyzed to identify implementation patterns, challenges, and successes of waqf programs aimed at poverty alleviation. To enhance validity, the researcher conducted data source triangulation by comparing interview results with documentation and related reports. Triangulation is a method used to minimize researcher bias and strengthen the accuracy of research findings (Nasution, 2023).

RESULT AND DISCUSSION

The Role of Waqf in Poverty Alleviation in Developing Countries

This study highlights the strategic role of waqf in poverty alleviation by funding social sectors such as education, healthcare, and productive economic activities. In several developing countries, including Indonesia, Bangladesh, and Nigeria, waqf has been utilized to finance free educational institutions that provide primary to secondary education for children from low-income families. These programs aim to improve educational attainment, which can indirectly reduce poverty in the long term.

In the healthcare sector, waqf funds clinics and hospitals that offer free or subsidized services to impoverished communities in some regions. These findings align with previous research by Kahf (2003), which demonstrated the significant potential of waqf in providing health and educational services. Accessible education and healthcare are not only fundamental rights but also drivers of broader economic development and social well-being.

The study shows that waqf's involvement in financing basic services plays a significant role in addressing social inequality. However, such implementation remains limited to certain areas. These findings indicate the need for increased awareness and supportive regulations in developing countries to promote broader utilization of waqf. This expansion would enable more impoverished populations to access essential services.

Models of Productive Waqf Management

One of the key findings of this study is the identification of effective models for managing productive waqf in efforts to alleviate poverty. Productive waqf refers to the management of waqf assets in a way that generates steady income, which can be utilized to fund various social programs. Several productive waqf models identified include:

- a. **Investment in Commercial Properties**
In countries like Malaysia and Turkey, waqf funds are invested in commercial properties such as shopping centers or apartments. The revenue from these investments is then used to support social programs for underprivileged communities.
- b. **Micro-Businesses and SMEs (Small and Medium Enterprises)**
In nations like Indonesia, waqf is utilized to fund micro-businesses managed by waqf institutions. These businesses provide job opportunities for local communities and contribute to sustainable economic empowerment.
- c. **Agricultural Land Management**
In agrarian countries such as Sudan, unproductive waqf land is transformed into commercial farmland. This management approach helps create local employment and improves food security for the community.

These models demonstrate that productive waqf yields more sustainable outcomes compared to conventional waqf models. The findings of this study align with research by Masriyah (2024), which emphasizes the importance of productive waqf in generating greater social benefits. However, these models require professional governance, regulatory support, and public awareness of the advantages of productive waqf to achieve maximum impact.

Challenges in Implementing Waqf for Poverty Alleviation in Developing Countries

This study identifies several challenges that hinder the optimization of waqf as a poverty alleviation instrument, including:

- a. **Unsupportive Regulations**
Most developing countries lack regulations that support productive waqf. For instance, many countries restrict the use of waqf assets to fixed properties such as land, thereby limiting their productive potential.
- b. **Transparency and Accountability in Management**
A lack of transparency in waqf fund management poses a significant obstacle, as it diminishes public trust and participation in waqf. This finding aligns with Hasan's (2019) research, which states that poor accountability can reduce community contributions to waqf.
- c. **Limited Innovation and Use of Technology**
The study reveals that innovation in waqf management, such as cash waqf and waqf digitization, remains minimal. Digitalization, which could simplify access and expand public participation, has yet to be widely implemented in developing countries.

These challenges highlight that waqf, as a social instrument, requires policy support and innovation to optimize its potential. The experiences of advanced regions, such as the Middle East and Southeast Asia, demonstrate that supportive regulations and technology can enhance public participation and improve waqf management efficiency.

Strategies to Optimize Waqf as a Poverty Alleviation Tool

Based on the analysis, this study identifies several key strategies to optimize the role of waqf in poverty alleviation:

- a. **Establishment of Professional Waqf Management Institutions**
The creation of dedicated institutions to professionally manage waqf is essential to ensure that waqf funds are handled transparently and accountably. These institutions should possess the capacity for investment planning and risk management in administering productive waqf.
- b. **Digitalization and Cash Waqf**
The use of digital technology, including online platforms, can expand public access to waqf. For example, in Malaysia, the digitalization of cash waqf has significantly increased public participation. This demonstrates that digitalization simplifies the waqf process and enhances community engagement.
- c. **Targeted Productive Investments**
Waqf should be directed toward investments that generate sustainable profits while directly supporting poverty alleviation. Successful examples include investments in commercial properties or small businesses, where the proceeds can be allocated to social programs. Sustainable investments have a direct and positive impact on the welfare of impoverished communities.

Implementing these strategies has the potential to enhance the efficiency of waqf as a poverty alleviation instrument. With professional management institutions and the adoption of technology to facilitate access, waqf can evolve into a sustainable resource. This study underscores the importance of strong collaboration between governments, waqf institution, and the private sector to develop policies that support the productive and socially - oriented management of waqf.

Policy Implications for Waqf Development in Developing Countries

The findings of this study highlight that regulations and policies play a crucial role in the successful implementation of waqf as a poverty alleviation instrument. Therefore, governments in developing countries are advised to:

- a. **Develop Supportive Regulations for Productive Waqf**
Flexible regulations regarding waqf assets would enable their productive management. These regulations should include transparent and standardized governance practices to build public trust in the management of waqf funds.
- b. **Foster Government and Waqf Institution Collaboration**
Government support in the form of partnerships or incentives for waqf institutions managing funds productively can promote job creation and support social programs for impoverished communities. This approach has been implemented in some advanced countries that offer tax incentives to philanthropic organizations focused on social empowerment.
- c. **Strengthen the Role of Waqf in National Development Planning**
By incorporating waqf into national development planning, governments can ensure that waqf funds are strategically utilized to alleviate poverty, particularly in rural and remote areas that still face significant economic disparities.

These policy implications demonstrate that clear regulations and effective collaboration between governments and waqf institutions can enhance public participation in waqf and optimize fund management for productive activities. If implemented effectively, such policies can position waqf as an integral component of sustainable development efforts and contribute to poverty reduction in developing countries.

CONCLUSIONS

Overall, the findings of this study emphasize that waqf has great potential for poverty alleviation in developing countries. However, optimizing the role of waqf requires professional management, strong regulatory support, and innovation in fund management. If these challenges can be addressed, waqf will become an effective and sustainable social financial instrument for reducing poverty and improving welfare in developing countries.

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