Islamic Microeconomics and Financial Inclusion: A Study of Waqf in Community Economic Empowerment

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ABSTRACT

This research explores the role of waqf as a social and economic development instrument in Islamic finance, focusing on its contributions to poverty reduction, empowerment of minorities and women, and financial inclusion. The researcher gathered, evaluated, and synthesized relevant literature sources on the study subject through a literature review. Academic resources, including Google Scholar, Springer, ScienceDirect, and Scopus, were utilized to search for the works, which comprised journal articles, books, reports, theses, and policy papers. The review entails identifying the primary themes present in the literature, while also critically assessing the study methods, findings, and generalizability. This study utilizes literature reviews and secondary data analysis to illuminate the role of waqf in supporting disadvantaged communities by funding small businesses, partnering with individuals experiencing poverty to access healthcare and education, and other initiatives. In addition, it highlights the challenges associated with waqf implementation, including issues with donor administration, a lack of transparency,

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and inefficiency. Additionally, the study examines the broader economic and social aspects of waqf, including its potential to generate revenue and promote communal development. Research reveals substantial barriers to the effectiveness of waqf, including bureaucratic delays and underfunding, despite its potential role in social welfare. Therefore, the results highlight the importance of waqf-based programs requiring improved accountability, governance, and sustainability. Despite waqf's potential to alleviate poverty and strengthen communities, the research finds that these obstacles must be removed before the solution can have any lasting effect.

Keywords: *Waqf, Microeconomics, Islamic Finance, Small Business Financing, Financial Inclusion, Poverty Alleviation, Empowerment*.

INTRODUCTION

While *waqf* is most often associated with Islamic religious endowments, it has a longer history of use as a tool for economic empowerment and promoting social justice. Poor regions where individuals lack access to traditional banking systems might benefit economically from a waqf, which allows people to utilize their money for the greater good. Education, healthcare, microbusiness, and other services may all benefit from the distribution of waqf funds, which in turn improves the quality of life for everyone in the community (Suhairi et al., 2025). According to Islamic microeconomics, waqf helped the underprivileged get access to financing and other economic prospects. Most individuals living on low incomes are unable to access the funds or services offered by traditional financial institutions, leaving them unable to improve their living conditions or even make ends meet. In accordance with Islamic inclusive finance, waqf is a novel and moral way to redistribute money for the common good while upholding the ideals of equity and justice (Paul & Faudji, 2021).

The waqf has such a profound impact that it has the potential to alter the community's perspective on economic growth and its role in it. Education, vocational training, and the provision of operational services are just a few of the indirect empowerment methods offered by waqf, which extends beyond financial assistance. Waqfs can benefit the local economy in various ways; for instance, they can finance enterprises, provide vocational training, enhance access to healthcare, and even support small businesses. According to Darajatun & Makhrus (2025), this may lead to a new development cycle in which the community gains more instruments for its own success.

Conversely, waqf has great promise, but it also presents obstacles and difficulties unique to its application in microeconomic settings. When there is a disconnect between waqf theory and practice, it often causes issues with trust, management, and the allocation of resources. Therefore, the purpose of this study is to examine the benefits and drawbacks of waqf in order to discover its function in empowering communities economically (Gatari et al., 2025).

When it comes to seeking inclusive economic development, waqf is viewed as a powerful tool that can strengthen economically disadvantaged areas and promote social justice. We know very little about the role of waqf in Islamic microeconomics, particularly as it pertains to financial inclusion, despite its often being regarded as a charitable gesture. Poor administration, a lack of transparency, and integration difficulties with conventional financial institutions mean that most communities fail to use waqf despite its enormous potential. This study aims to address these gaps by investigating the potential for waqf to empower microeconomics and bring underserved groups into the financial mainstream (Zauro et al., 2020).

The study's overarching objectives are threefold: first, to identify the most effective means by which waqf can give low-income people greater economic agency; second, to examine the challenges that arise when waqf is not used appropriately; and third, to quantify the social and economic impacts of waqf on low-income people's lives. A small number of studies have summarized how waqf may serve as a means of financial inclusion (Zauro et al., 2020) and a source of income (Soemitra et al., 2022). However, no research has yet provided a conclusive explanation of the waqf's function in the field of economic empowerment. The study aims to answer three questions: How does waqf influence the economic empowerment of people with low incomes? What are the barriers to incorporating waqf into community development efforts? How does waqf affect the social and economic well-being of populations that lack resources? According to Yumna et al. (2025), the study aims to uncover practical insights that can be used to maximize the impact of waqf as a tool for economic development and to expand access to financing in accordance with the ethical norms of Islamic finance.

LITERATURE REVIEW

Concept of Islamic Microeconomics

Islamic microeconomics is a branch of Islamic economics that seeks to redistribute wealth and alleviate poverty by utilizing Islamic financial instruments in a manner that is both efficient and ethical, in accordance with Islamic principles of morality and ethics. Islamic economics holds that, among other things, there should be no interest (riba), people should share in the risk, everyone should be responsible for their own well-being, and money should be distributed fairly via zakat, sadaqah, and waqf. According to Suhairi et al. (2025), the goal of inclusive finance is to ensure that all members of society, particularly those with lower incomes and those facing the greatest disadvantages, have access to financial services. These principles are in perfect harmony with this objective. Fundamental to Islamic economics are principles of fairness and justice. One of the fundamental principles is the prohibition of *riba*, which protects individuals from being taken advantage of through interest-based loans that arise from financial transactions. Because it causes some people to become wealthy while others fall into debt, *riba* is perceived as unjust. When it comes to Islamic finance, the opposite is true. The practice promotes profit and risk sharing through structures such as *musharakah* (joint venture partnerships) and *mudarabah* (profit-sharing contracts) (Nabi et al., 2019).

The primary tenet of Islamic economics is the equitable distribution of wealth among all segments of society in accordance with their relative needs, as well as the right of all parties to a financial transaction to get their just share. It is possible to combat income inequality via the practice of zakat, which is obligatory almsgiving, and sadaqah, which is charitable giving. Zakat, along with prayer and fasting, is considered a religious obligation among Muslims. This implies that Muslims are religiously obligated to distribute a portion of their income to those in need. Consequently, instead of sitting in a bank account, the funds circulate throughout the community, helping to reduce poverty and increase economic inclusion (Fadillah et al., 2024). Because expanding access to banking services for the traditionally unbanked is a central goal of inclusive finance, there is a close relationship between Islamic microeconomics and this field. Because it makes accessible to persons who may otherwise be unable to access traditional banking services products that are ethical, transparent, and interest-free, Islamic finance is fundamentally supportive of inclusion. For micro-entrepreneurs operating in economically

depressed regions, where traditional credit lines are often unavailable, this is an especially critical consideration. Entrepreneurs may obtain microfinance through Islamic financial resources, such as *ijara* or *murabaha*, thereby avoiding debt and interest payments (Raimi et al., 2024).

Furthermore, the Islamic endowment, or waqf, has emerged as a crucial tool for bolstering the economic capacity of the relevant communities. Donations of land or money may be made through a waqf, which enables charitable objectives such as supporting education, healthcare, and small business development. In addition to bolstering participation in the financial sector, this also helps communities establish sustainable revenue streams. According to Muhammad et al. (2024), as people become self-sufficient, they are able to contribute to the growth of their local economy via the resources and capital that waqf may help them access.

Zakat, sadaqah, and waqf are Islamic financial mechanisms that unquestionably contribute significantly to the economic welfare of the people. Because zakat is a kind of wealth redistribution, it helps level the economic playing field by prioritizing aid for the most disadvantaged members of society. Past studies have shown that zakat can help individuals with low incomes escape poverty by providing financial assistance to those in need and promoting economic stability more broadly (Alhashmi, 2024). Similarly, sadaqah permits the making of unfixed gifts, allowing individuals to assist both the community and initiatives that mirror their ideals. The opposite is true; Waqf is a mechanism that promotes long-term economic growth of communities. Supporting initiatives in areas as fundamental and vital as healthcare, education, and infrastructure allows waqf to help build long-term projects that may provide the economy a boost. What makes waqf a unique tool for passing wealth down through the generations is that the money is perpetually circulated and used to benefit both current and future generations (Bakr et al., 2021).

The Arabic root word waqf means “to stop” or “to restrain.” In Islam, it is giving one’s possessions voluntarily and in perpetuity to a religious, philanthropic, or public cause. Donors or waqifs may leave behind a variety of assets, including money, in this manner, as long as the principle remains intact. Funds are also allocated to philanthropic organizations (Fauzia et al., 2018). Donating a well for communal use is widely believed to have been the first example of waqf utilized by the Prophet Muhammad (PBUH). During the Abbasid Caliphate (750-1258 CE), a crucial part of Islamic society’s economic

and social fabric, waqf flourished and became a widespread practice across the early Islamic empires (Lamido & Haneef, 2021).

The Islamic concept of waqf serves a noble purpose: to enhance the well-being of a community by providing permanent resources for its benefit. In addition to providing eternal economic justice, waqf is considered a spiritual kind of philanthropy. The fundamental difference between waqf and conventional charity is that, unlike the latter, waqf may provide ongoing, long-term benefits to people experiencing poverty by making constructive use of donated assets throughout time (Masriyah, 2024). The overarching goal of waqf is to promote economic and social equity. To reduce poverty and social inequality, a waqf is a long-term strategy for redistributing wealth. Education, healthcare, and community welfare programs may receive funding from waqf assets, enabling the disadvantaged and marginalized to advance (Fauzia et al., 2018). A self-sustaining charity system that provides both immediate aid and long-term support for development can be established through waqf, provided that the assets are managed and properly preserved (Mohsin et al., 2016). Waqf does more than only alleviate poverty; it also stabilizes the economy by facilitating the continuous circulation of money throughout the society. Since the concept aligns with Islamic economic ideals of equity, justice, and mutual benefit, it is possible for a wide range of people and causes to benefit from waqf (Razak, 2020).

Models of Waqf-Based Economic Empowerment in Various Countries

Various Muslim countries have developed their own unique approaches to economic empowerment via waqf, an Islamic charity endowment. This shows that waqf may contribute to the long-term economic growth of diverse societies. These examples demonstrate how waqf can be utilized to address significant concerns, including social welfare, financial inclusion, and poverty alleviation.

Inclusive Finance and the Role of Waqf as an Instrument of Economic Empowerment in Islam

The term “inclusive finance” refers to a system that provides all people, including those who are marginalized or excluded from traditional banking, with full and equal access to affordable and high-quality financial products and services (Emara & El Said, 2021). Everyone should have an

equal opportunity to engage with the economy and improve their financial situation. Inclusive finance seeks to achieve this by ensuring that low-income and disadvantaged groups have access to and can participate in financial services. A lack of convenient access to banking services is a major barrier to economic growth in many parts of the globe. Mostafa et al. (2023) found that underbanked communities often face significant challenges, such as limited access to credit, insurance, and basic banking services. As a result, these populations struggle to start businesses, save for the future, or deal with financial emergencies. However, inclusive finance provides a solution to these issues by making financial services available to a broader segment of society. This helps alleviate poverty and empowers the whole population, which in turn improves the economy.

Simply put, inclusive finance in an Islamic setting refers to the financial sector's implementation of Islamic economics, which is grounded in the values of justice, fairness, and equality. Financial transactions based on mutual benefit and equality are enabled by Islamic finance, which is centered on ethical criteria that promote wealth sharing and ban interest (riba). Islamic financial practices, on the other hand, are based on the principle of social responsibility and do not allow for the exploitation of any person or group (Franzoni & Ait Allali, 2018). Thus, Islamic banking differs from conventional financial practices in that it prioritizes the accessibility of financial services while simultaneously demanding that they be morally sound by adhering rigidly to the principles espoused by the divine Shariah law. Islamic financial tools such as zakat, sadaqah, and waqf (endowment) have been playing an active role in the inclusive finance movement. These instruments highlight the importance of wealth sharing and community empowerment. Out of all these tools, waqf stands out for its ability to address social and economic injustice via its own methodology. It paves the way for long-term, sustainable resource allocation that helps those in need. One of the most important and long-standing Islamic tools for promoting economic empowerment and financial inclusion is waqf (Franzoni & Ait Allali, 2018). To ensure that the endowment's future earnings continue to serve the public good indefinitely, the waqf system utilizes assets or resources provided for charitable purposes to chart its trajectory.

In contrast to more conventional forms of philanthropy, waqf remains in existence in perpetuity, with no reduction in the value of the initial investment, and all distributions, based on earnings rather than capital, are directed toward charitable causes. The result is a long-term financial strategy

that enables communities to thrive in areas such as microfinance, healthcare, and education (Rusydiana et al., 2025). Due to its ability to maintain itself, the waqf model is a powerful tool for bringing underprivileged communities into the financial mainstream, particularly in places where traditional banking services are inadequate.

Previous Studies on Waqf and Economic Empowerment

In traditional Islamic thought, waqf has long stood as a powerful tool for lifting the economically disadvantaged out of poverty. When it comes to essential public goods, such as healthcare, education, and infrastructure, as well as initiatives to alleviate poverty and improve social welfare, waqf has been the primary source of funding. Furthermore, scholars have examined the waqf's capacity to provide microeconomic empowerment. New research has focused on the possibilities of waqf in this area, including its ability to promote sustainable economic growth, encourage entrepreneurship, and expand access to financial services. This study will present previous research on the role of waqf in economic empowerment, examining the challenges and successes of utilizing waqf-based models for microeconomic development.

Waqf and Economic Empowerment

Several studies have investigated the relationship between waqf and women's economic empowerment. One study found that providing interest-free loans to micro-entrepreneurs through waqf successfully brought financial inclusion to low-income communities. Opportunities for the underserved to join formal financial institutions arise via waqf-based microfinance programs that eliminate interest payments on capital provided. Waqf has the ability to foster long-term economic development, according to Nabi et al. (2019), particularly for small businesses that lack access to traditional banking services. In a similar vein, Darajatun & Makhrus (2025) identify waqf as the root cause of long-term financial issues for community project proponents. Economic empowerment is enhanced by improving the general well-being of the community, and this research sheds light on the many ways in which waqf funds have been used in education and healthcare (e.g., hospitals, clinics) to achieve this goal. Because waqf continues to generate income indefinitely, it can fund community projects indefinitely, ensuring that the benefits to the people will endure (Laluddin et al., 2021).

Furthermore, Fanani et al. (2021) compare and contrast the role of waqf in reducing poverty in various regions with that in countries such as Indonesia and Jordan. Funding microcredit projects, expanding access to essential services, and bolstering small companies are all ways waqf works to address both immediate needs and those that will last in the long run. In these cases, waqf plays a crucial role in empowering people economically by bringing them closer to achieving financial stability and self-sufficiency.

Challenges in Implementing Waqf for Microeconomic Empowerment

Many studies have highlighted certain problems associated with waqf, despite its promising potential as a vehicle for economic empowerment. According to the research, one of the biggest issues is that waqfs often lack proper guidance on how to manage their assets effectively, which limits their ability to generate funds for community development initiatives. According to Hasan et al. (2022), this is a major reason why waqf administration is not transparent and has poor governance. If we disregard the three pillars of a solid regulatory system, the assets could have been misused, and the recipients might not have received their funds. Based on his findings, Shah concludes that effective management procedures must be implemented to ensure the safety and proper use of waqf assets. Those regions with notoriously corrupt governments and weak institutions are particularly affected by this issue (Darajatun & Makhrus, 2025).

Another challenge was raised by Kasdi et al. (2022), who said that the waqf assets are underutilized. Mismanagement of waqf assets owing to incompetent management often results in poverty. Instead of letting waqf sit on its hands, Kasdi et al. (2022) proposed establishing professional organizations to oversee waqf resources and using contemporary financial procedures to turn it into a revenue generator for economic development initiatives. In addition to the issues already highlighted, another significant obstacle is that prospective beneficiaries are unaware of the waqf possibilities available. Mikail et al. (2024) investigate potential religious and cultural barriers to the usage of financial products based on waqf. Microfinance and startup funding via waqf may be completely foreign concepts to others. Efforts to educate the public about waqf and its potential to improve people's economic situations are, hence, essential.

Success Stories in Waqf-Based Economic Empowerment

While there have been some issues with the implementation of waqf, numerous studies have shown that it has had a positive impact on economic empowerment. Turkey, Malaysia, and Indonesia are just a few examples of the nations where waqf and financial inclusion programs have coexisted successfully, according to Nabi et al. (2019). These instances illustrate how rural smallholders in Turkey have benefited from loans from microfinance institutions sponsored by waqf, allowing them to launch and grow their own small-scale businesses. In their expanded discussion of the Malaysian case, Raja Adnan et al. (2022) note that the Waqf Foundation of Malaysia eliminated fragmented waqf management, enabling the public good to benefit from waqf assets more effectively. Yumna et al. (2025) cite the use of waqf funds to provide microloans to small-scale enterprises in Indonesia as an exemplary case study. People in need who wanted to start small businesses were able to borrow money from community-run microfinance organizations at zero percent interest from waqf funds. By fostering self-sufficiency and creating jobs, this initiative not only empowered the people but also boosted the local economy. Similarly, Akhtar (2024) cites healthcare initiatives in Jordan that were supported by waqf as an example of a wasted opportunity. Waqf not only helped fund the construction of hospitals and healthcare institutions but also provided low-cost medical services in low-income areas, having a positive impact on public health and economic output.

RESEARCH METHOD

In order to gather, assess, and integrate relevant literature sources on the subject of study, this research employs a literature review methodology. Publications, including books, journals, reports, theses, and policy papers, served as the primary resources for this project. These papers were sourced from various internet sources, including Scopus, Google Scholar, Springer, and ScienceDirect. Evaluating study techniques, findings, and conclusions critically, and identifying major themes in the literature, comprise the review process.

The purpose of this descriptive-analytical study is to provide a comprehensive analysis of the waqf's role in inclusive finance and economic empowerment. To achieve this, it is necessary to review existing literature, evaluate different empowerment models based on waqf, and identify the strengths, weaknesses, opportunities, and threats associated with their

implementation. The study consisted of five sequential steps: literature review, data collection, theme analysis, synthesis and comparison analysis, and suggestion formulation. In the first step, we combed through academic articles, reports from various institutions, and case studies that focused on waqf and its relationship to microfinance, financial inclusion, and economic empowerment. Next, we employed thematic analysis to identify commonalities regarding how waqf facilitates financial access, supports education and healthcare as means to alleviate poverty, and how governance issues affect the success of these programs.

While acknowledging ongoing challenges, including mismanagement, underutilization, and legal limitations, the synthesis of the identified themes provided a comprehensive view of waqf as a tool for microeconomic empowerment. The next step was to examine the variables contributing to the practical and unsuccessful implementation of waqf models across nations. This comparison sheds light on the design factors that influence the success of programs that are based on waqf. The study concludes with a discussion of the study's main findings and the future of waqf-driven empowerment, as well as suggestions for how policymakers, financial institutions, and waqf administrators can enhance waqf's role in fostering microeconomic development and financial inclusion.

Data Analysis Techniques

In contrast, the hidden themes, patterns, and trends in the obtained data are the primary focus of qualitative research analysis. Content analysis and comparative analysis are two methods used for analysis. In order to determine the effect of waqf on economic empowerment, content analysis was used to examine text-based secondary material (such as reports, case studies, and journal articles) and draw out pertinent themes and insights. The second approach, comparative analysis, compares and contrasts the case studies and various waqf models used in different nations to identify commonalities and variations, as well as successes and failures.

RESULTS

The Role of Waqf in Community Economic Empowerment

In particular, the study found that waqf has a significant impact on micro, small, and medium-sized enterprises (MSMEs), as well as education and

healthcare, all of which contribute to community economic empowerment. To demonstrate the benefits of waqf in improving the living conditions of marginalized populations and addressing pressing socio-economic issues, we analyzed secondary data from various case studies, reports, and scholarly articles. Additionally, the analysis highlights the positive social and economic outcomes of waqf programs, including reduced poverty, improved access to essential services, and expanded financial inclusion;

Waqf in Financing MSMEs and Promoting Entrepreneurship

Financial assistance to micro, small, and medium enterprises (MSMEs) is one of the waqf's most important functions in promoting economic empowerment, particularly in areas without access to traditional banking services. The transfer of capital injections and interest-free loans (qard al-hasan) to those who are fundamentally unable to access conventional finance is one key feature of the waqf microfinance model that helps activate the business ecosystem and expand the local economy.

Recent research has shown that countries like Indonesia, Bangladesh, and Turkey have achieved the best results with their waqf microfinance models. These models specifically target rural populations and use waqf funds to provide small loans (Emara & El Said, 2021; Fanani et al., 2021; Raja Adnan et al., 2022). Thus, the assistance has also helped micro-businesses get off the ground or grow, which has increased the number of jobs and income prospects in the area. One example of a microfinance program in Turkey is the Turkish Waqf Bank, which continues to lend money to small companies in the area without charging interest. Due to these programs, the impoverished have been able to lift themselves out of their plight, and everyone now has a chance to benefit from economic prosperity (Samrat & Nabi, 2025).

Increasingly, community members are becoming independent business owners due to waqf-driven entrepreneurship initiatives. Firstly, waqf directly assists micro and small businesses; secondly, they, in turn, provide employment opportunities, revitalize local marketplaces, and contribute to the neighborhood's economic growth. This is of utmost importance in developing countries, where informal sectors are extensive and small-scale enterprises play a pivotal role in creating jobs.

Waqf's Contribution to Education and Skill Development

The construction of educational institutions and scholarships has been consistently supported by the waqf, enabling people to gain economic empowerment through access to excellent education and skills training. Education is a key to climbing the social ladder, and waqf-funded programs have helped the underprivileged overcome barriers to education, such as exorbitant tuition costs or a lack of local educational institutions. Scholarships for disadvantaged students and the construction of educational facilities are two areas where waqf has played a significant role in the development of education in the Middle East and Southeast Asia, as shown in the study of Kasdi et al. (2022). Students from low-income families in Malaysia now have easier access to higher education due to the efforts of the Waqf, which has funded the construction of numerous schools, vocational training facilities, and universities. Those who have been fortunate enough to take advantage of these educational opportunities are better prepared to enter the workforce, have higher salary expectations, and may ultimately contribute to the country's economic growth (Kamaruddin et al., 2023).

Students, especially those from disadvantaged backgrounds, have had their tuition paid for or partially paid for by waqf funds in Jordan. Not only has the educational attainment of these communities increased, but it has also become easier for students to escape poverty by providing them with the necessary tools to secure higher-paying employment (Salameh et al., 2008). Waqf can eradicate poverty and create a workforce with the necessary skills for long-term economic growth by investing in education.

Waqf and Its Role in Enhancing Access to Healthcare

Healthcare affordability, particularly for people with low incomes, is another crucial area where waqf has been making a significant impact. The initial funding for healthcare facilities, including hospitals and clinics, is known as waqf. These types of institutions are often funded by waqfs, particularly in areas where access to healthcare is severely limited due to factors such as patient poverty or inadequate infrastructure.

In Jordan, community health facilities that receive funding from waqf are able to assist low-income families and rural communities with their medical needs (Alshater et al., 2022). Even the most impoverished

individuals can access the essential health services provided by these clinics, which include preventive care, immunization programs, and emergency treatments. In Turkey, for example, waqf-funded hospitals and clinics provide affordable healthcare to the impoverished who would otherwise be unable to afford it or would not qualify for state-run facilities. In addition to providing medical care, these centers promote community wellness by hosting health fairs and educational events that foster a sense of community and shared responsibility.

Health improvements brought forth by waqf-funded healthcare programs also boost the economic engagement of underprivileged communities. Individuals who take better care of themselves are more likely to be productive at work, which in turn boosts their income and the economy (Marpaung, 2020).

Socio-Economic Impact: Improving Well-being and Reducing Poverty

Education, healthcare, and entrepreneurship are three areas where waqf-based initiatives have a small but cumulative impact that benefits individuals and society as a whole in the long term. The most recent research suggests that waqf may help alleviate poverty and promote social welfare by providing for fundamental necessities and opening doors for the economically disadvantaged to take part in genuine economic growth. According to Hassan & Salman (2018), waqf is a key tool in the fight for socio-economic justice, as it acts as a financial recycling mechanism, transferring money from the well-off to those experiencing poverty. When the wealthy and well-off use waqf to fund various public utilities and services, the rest of the community reaps the benefits. Reducing inequality and helping to eradicate poverty in places with inadequate financial resources, healthcare, and educational opportunities are two outcomes of this transfer of wealth.

According to Elmahgop et al. (2025), as additional funds from waqf are continually reinvested in community development, waqf-driven schemes are more closely aligned with the community economy, with their cumulative impact. An excellent case in point is Indonesia, where waqf-based microfinance programs have played a significant role in reducing rural poverty by teaching people the skills they need to become self-sufficient, thereby strengthening the entire community's economy. Additionally, the social welfare of individuals resulting from waqf is

about more than just monetary gain. By instilling a sense of communal responsibility and care, waqf strengthens social bonds and makes people more willing to help one another out when circumstances get tough. This fosters an attitude of mutual aid and concern among various groups, laying the groundwork for social unity and cohesion.

Challenges in the Implementation of Waqf

The research reveals many significant challenges associated with the use and maintenance of waqf as a tool for economic empowerment and financial inclusion. Waqf has the potential to influence economic and social growth significantly, but it is unable to do so due to institutional, structural, and operational constraints. Lack of knowledge about who could benefit, ineffective management, excessive bureaucracy, inadequate financing, and a lack of transparency are all significant obstacles. Drawing on a variety of case studies, academic publications, and reports, this section of the study analyzes secondary data to identify and describe the main problems faced by waqf institutions and their administrators. It then highlights areas where the waqf can be improved to enhance its operation;

Lack of Transparency in Waqf Management

The literature primarily focuses on the importance of openness in waqf asset management. The effective administration and appropriate distribution of the waqf endowment's assets are the primary factors that establish the waqf's appropriateness as a tool for financial planning. However, several studies have shown that the major reasons many nations' waqf resources are not being utilized effectively include poor governance and a lack of accountability. Mohaiyadin et al. (2022) noted that waqf organizations often struggle with efficient resource allocation and distribution management, as well as a lack of laws, which makes transparency in waqf administration a common concern. Trustees or managers of waqf assets can mismanage or abuse waqf resources in nations where they are not obligated to make financial information publicly accessible. Lack of transparency like this undermines public trust and prevents waqf monies from reaching their intended beneficiaries.

According to Mohd Roslan & Nor Muhamad (2024), there must be strict regulations to ensure that waqf monies are utilized for public benefit, precise financial reporting criteria, and independent audit

mechanisms to increase transparency. Without these safeguards, individuals or political groups will be able to use waqf assets for their own benefit, undermining the trust's ability to contribute to economic and social progress.

Limited Funding and Underutilization of Waqf Assets

Lack of funding for waqf-based activities was also identified as a significant barrier in the study. Frequently, waqf assets are underutilized, and the revenue generated from them is insufficient to fund extensive development endeavors. According to Mohd Roslan & Nor Muhamad (2024), one factor contributing to the low utilization is the ineffective administration of waqf assets and the absence of investment in income-generating activities. Land and real estate held in waqf are not, for example, developed or managed in a manner that maximizes profits. The correct leasing or sale of waqf assets to fund community initiatives is often neglected, or the properties are kept idle. Due to their underutilization, waqf assets are unable to support community development projects such as microfinance programs, schools, and hospitals (Darajatun & Makhrus, 2025). Moreover, due to a lack of capital and/or outdated or undiversified waqf assets, many waqf institutions struggle to function. This is particularly true in developing nations. Many waqf organizations have to rely on government grants or private contributions due to their limited budgets, which diminishes their capacity to remain operational and make a difference.

Bureaucratic Obstacles and Regulatory Constraints

The report highlights the inefficiencies of bureaucracy and the legal limits that hinder waqf-based companies as one of the primary challenges. In most cases, bureaucratic red tape prevents waqf organizations from efficiently managing their waqf holdings and from initiating new projects. Laws about waqf are not always strictly enforced, and the regulatory environment around waqf is complex (Soemitra et al., 2022). Waqf institutions may lose their capacity to respond quickly due to bureaucratic inefficiencies, which include lengthy approval processes, delays in real estate registration, and the need for multiple levels of permission. A good example of this is the need for some countries' governments to grant permission to waqf organizations before they

can convert property from a non-commercial to a commercial purpose, such as constructing a school or hospital. Because of this, not only does the procedure take longer, but waqf managements also have more administrative work to do, which limits their capacity to manage resources effectively. In addition, according to Nabi et al. (2019), a reorganization of the regulatory frameworks is necessary to ensure the smooth functioning of waqf institutions, particularly in nations where the waqf system is new and requires clear guidelines.

Lack of Awareness and Engagement among Beneficiaries

The problem of prospective beneficiaries being unaware of or uninvolved with the waqf system is a significant yet rarely discussed obstacle to its effective implementation. Many communities, especially those in rural regions or facing economic hardship, may not only be unaware of waqf initiatives but may also be unprepared to utilize them. According to research Gatari et al. (2025), raising public awareness about waqf as a powerful economic instrument will be mostly achieved through public awareness initiatives. Campaigns should educate locals about the waqf's assistance in healthcare, education, and microfinance programs, and demonstrate how these areas can benefit their own lives. Many instances of misappropriation of waqf funds occur because recipients are unaware of how to qualify for or receive the available programs. Therefore, in order to raise knowledge and confidence in waqf projects, it is necessary to implement outreach, training, and community-building programs.

Governance and Institutional Challenges

The administration of waqf institutions is another area where problems arise. Poor administration, which in turn stems from inadequate institutional structures, hinders the waqf from achieving its objectives. It is not uncommon for waqf organizations to lack the technical expertise required for effective asset management or financial program administration. When it comes to managing waqf lands, most institutions are stuck in the past and fail to utilize modern financial tools, such as asset management software or investment plans, to their full potential. The politicization of waqf administration, in which funds are used for political or personal gain, further diminishes the waqf's ability to foster

communal development (Simbar, 2024). This is particularly common in nations where politicians have a say in the distribution of waqf monies and when the organizations that administer them are closely linked to the government. In order to realize the full socio-economic potential of waqf, stronger institutional frameworks are urgently needed. This will need capacity development and the modernization of governance institutions.

Socio-Economic Impact of Waqf at the Micro Level

The research found that waqf has a significant impact on micro-level outcomes, including income, empowerment of marginalized groups, and educational opportunities. Drawing on secondary sources, case studies, and literature, this study examines the role of waqf in alleviating poverty, expanding access to banking services, and promoting social mobility in economically disadvantaged regions. The following is an analysis of the socio-economic outcomes in several areas where waqf is actively practiced;

Income Generation and Economic Empowerment

Waqf has had far-reaching effects on a micro level, one of which is its significant role in increasing earnings for both individuals and communities. Microcredit schemes, which rely on modest loans or income-generating initiatives to empower recipients economically, are a primary use of waqf resources. Investments in local companies or interest-free loans (qard al-hasan), made possible by Indonesian waqf funds, have helped small company owners get started. The revenue of small business owners, the majority of whom are women and members of disadvantaged groups, is allegedly rising due to the use of waqf, according to a researcher named Ascarya (2024). Obtaining conventional forms of financing can be a significant challenge for some individuals. Entrepreneurs were able to increase their income and the number of jobs in their communities by taking advantage of the funding that waqf projects offered to small-scale firms. In Indonesia, for example, a waqf-funded program allowed small-scale farmers to borrow money at low interest rates, which they used to buy seeds, tools, and equipment. This improved their production and income substantially (Hassan & Salman, 2018).

Giving back to the community is only one part of waqf's revenue-generating role; it also benefits the local economy. Take Bangladesh as

an example; the country's waqf funds are being allocated to support community-based cooperatives and businesses that will create jobs and stimulate the economy for everyone. Especially in underserved rural and low-income regions, these policies have given residents a renewed feeling of economic autonomy and encouraged a culture of entrepreneurship (Ahmad & Karim, 2019).

Empowerment of Vulnerable Groups (Women, Poor, and Marginalized Communities)

Among the most disadvantaged populations, women, the impoverished, and members of oppressed groups have benefited greatly from the waqf's ability to empower them. By receiving assistance from waqfs, these individuals can improve their social and economic standing through access to healthcare, education, and financial resources. When it comes to the impact of waqf, one crucial issue is the empowerment of women. According to Muneeza et al. (2025), women in Malaysia have been granted financial independence via waqf programs. These programs provide small business loans and cash, enabling women to start their own enterprises. As a result, many women have become successful entrepreneurs and have made significant contributions to Malaysia's economy. Women can enhance their economic prospects and enter the workforce with the assistance of vocational training, often provided through waqf-based programs.

By providing scholarships and educational opportunities to women, the waqf has played a significant role in achieving gender equality throughout the Middle East and North Africa. There has been social and financial support for women to pursue degrees and enter male-dominated fields. For example, Salameh et al. (2008) note that the waqf educational programs in Jordan enable rural women to obtain an elementary and secondary education, which in turn helps them advance up the social ladder.

In addition to empowering women, waqf has played a key role in providing help to low-income individuals. The function of waqf in alleviating poverty among vulnerable populations has been demonstrated through various means, including interest-free loans, scholarships, and financial assistance. For instance, in Pakistan, microfinance initiatives run by waqf have helped the impoverished obtain modest loans,

which they have used to purchase goats, start businesses, or send their children to school. In pursuit of this goal, several individuals have seen improvements to their living situations and economic opportunities (Rojas, 2011).

Improved Access to Education and Social Mobility

A significant component of the socio-economic effect of Waqf has been its role in giving access to education. The power of education to alleviate poverty and increase social mobility has long been acknowledged. For many years, waqf has provided financial support for schools, scholarships, and other training programs. Scholarships for children from low-income families, vocational training facilities, and Islamic schools are among the uses of waqf in Indonesia. Indeed, according to Ascarya (2024), one of the sources cited, education programs in Indonesia have significantly increased the participation of disadvantaged children, particularly in rural areas, through waqf. In addition to facilitating students' access to elementary and secondary school, these programs also provide them with the chance to participate in vocational training, equipping them with marketable skills. Consequently, by providing opportunities for education and skill development, the Waqf has helped lift people out of poverty.

Furthermore, waqf has been channeled into advanced training programs and higher education in addition to elementary and secondary schools. Help has been provided to enable individuals to advance in their careers and participate in professional development opportunities. Medical, engineering, and law school scholarships in Jordan have been made possible by waqf donations. By removing a barrier to further education, waqf programs have helped individuals secure and maintain better-paying employment, thereby improving their overall standard of living.

Long-Term Socio-Economic Benefits of Waqf Implementation

Individual monetary gain and strong communal and social ties are also components of the waqf's socio-economic benefit. Education, healthcare, and business are three areas that the waqf consistently backs, making it a model of virtuous growth. Furthermore, beneficiaries of waqf schemes are inclined to reinvest their knowledge, income, and abilities in society. A more robust and self-sufficient community is born from

this reversal of fortunes. According to Kamaruddin & Hanefah (2021), the advantages enjoyed by individuals in a community would trickle down to the rest of the population via waqf programs. A healthier and more productive populace is the result of improved healthcare, and a more educated populace is able to make greater economic contributions. Microfinance models based on waqf provide for more inclusive and dynamic economic environments by reinvesting profits from small-scale enterprises and self-employed individuals back into the local economy.

DISCUSSION

The current study's findings shed light on the intricate micro-level socio-economic impacts of waqf, with an emphasis on its role in generating revenue, empowering marginalized populations, and improving educational opportunities. Waqf has the potential to be a powerful tool for promoting economic empowerment, expanding access to financial services, and enabling social and economic mobility within and across communities, according to the available statistics. On the other hand, the research highlights certain challenges and nuances that need to be considered if waqf is to reach its full potential.

Waqf as a Driver of Income Generation and Economic Empowerment

Perhaps the most significant finding of this study is the role of waqf in generating revenue and providing economic empowerment. Researchers found that microfinance projects backed by waqf had the greatest impact on fostering entrepreneurship in underserved rural and emerging regions (Ascarya, 2024). Similar studies have shown that nations like Indonesia, where small-scale businesses thrive on interest-free loans and investments, are the most effective recipients of waqf-based microfinancing (Faisal et al., 2024). As a result, these programs not only help people achieve financial independence but also play a crucial role in stimulating local employment and economic growth. As a result of reinvestment, the small enterprises supported by the waqf fund have economic momentum similar to a multiplier effect, meaning that the cycle of unbroken growth continues. This aligns with data showing that when people work on these kinds of initiatives, they can have a

greater impact on the community, which in turn helps build an independent and robust local economy.

However, problems with the correct distribution of waqf funds might lead to unsustainable results. Recent research has shown that one of the primary reasons waqf-based microfinance programs have failed to deliver substantial and long-term economic benefits is that waqf assets are either underutilized or inefficient. The future of waqf institutions depends on our ability to make informed decisions about governance, accountability, and the development of competent managers' skills to prevent political interference and mismanagement (Samrat & Nabi, 2025).

Empowerment of Vulnerable Groups

The study's findings show that waqf has historically empowered marginalized groups, including women, the impoverished, and social misfits. Islamic microfinance literature on women's issues often considers waqf as a means of providing education, funding entrepreneurial endeavors, and reinvesting in economically underserved communities. While waqf in Indonesia and Jordan has helped women break down gender barriers through self-sufficiency, Fanani et al. (2021) focus on how waqf is evolving to support women entrepreneurs in areas such as education and financial and technical assistance. Ultimately, waqf has been successful in empowering women by helping them become more economically and socially independent. In regions like southern Asia, waqf has long played a significant role as a spiritually driven means of providing financial support to women, enabling them to gain access to education in technology and business, as well as modest sums of money that they can use to start microbusinesses that provide for their families.

Additionally, women are gaining control over their own financial destinies, which is boosting society and making banking even more accessible to women (Soemitra et al., 2022). However, it should still be acknowledged that waqf does not always empower the underprivileged equally. Women and other marginalized groups may face barriers to fully using waqf advantages due to prevalent cultural norms and social inequality. Some communities may be hesitant to engage in waqf-based microfinance programs due to a lack of knowledge or resources. To ensure that waqf activities reach those in most need, massive community outreach programs and awareness campaigns are crucial.

Waqf's Impact on Education and Social Mobility

One of the important aspects that determines the socio-economic effect of Waqf is its contribution to education and social mobility. The study reveals that waqf has a significant impact on the level of education accessible to people experiencing poverty, particularly in rural areas where education is scarce. Children from low-income households have been able to continue their education via waqf scholarships and vocational training programs, which have increased their chances of finding gainful employment and advancing in society (Hassan & Salman, 2018).

These findings are consistent with those of Salameh et al. (2008), who found that low-income students were more likely to enroll in medical, legal, and engineering programs in Jordan as a consequence of waqf-based educational efforts. However, education is a powerful tool for social mobility, as it helps the economically disadvantaged escape poverty and become contributing members of society. A greater coordinated effort among waqf institutions, educational entities, and government agencies is necessary to guarantee the effective distribution of waqf monies, among other obstacles to the Waqf's potential dominant position in education. Furthermore, to ensure that waqf-funded education does not become reliant on temporary financial sources, its sustainability must be properly controlled (Laluddin et al., 2021).

Long-Term Impact and Sustainability

Waqf has the potential to impact socio-economic growth in the long run positively, but it requires careful planning and environmentally friendly methods to achieve this goal. According to the findings, the key to fully realizing waqf's ability to alleviate poverty, empower communities, and stimulate economic development is open, efficient, and creative administration of waqf assets. The impact of waqf extends beyond the immediate recipients to improve the quality of life for everyone in the community (Yumna et al., 2025).

However, there are challenges to the long-term viability of waqf initiatives, as shown in the study. Projects based on waqfs are often too modest to address systemic socio-economic concerns due to a lack of resources, inaction on waqf assets, and bureaucratic red tape. Improvements to investment techniques, resource mobilization tactics, and the autonomy and speed of waqf businesses are required for it to be really revolutionary (Zauro et al., 2020).

Strategic Directions for Maximizing the Impact of Waqf

Therefore, the research concludes that the aforementioned societal and economic advantages of waqf—including revenue generation, education, and empowerment of the underprivileged—will be achieved through proper waqf administration and appropriate implementation. Achieving waqf's intended effect, however, requires institutional waqf reforms, improved governance and accountability, and the mobilization of resources (Ahmad & Karim, 2019). According to the study, waqf has the potential to be a powerful tool for improving the lives of the underprivileged, stimulating economic growth, and fostering social development. However, addressing issues such as inefficiency, bureaucratic red tape, and a lack of funding is crucial to its success.

CONCLUSION

Through its ability to generate money, empower marginalized populations, and expand educational opportunities, a waqf may be a potent instrument for micro-level socio-economic development. Multiple studies have found that waqf-funded microfinance programs effectively encourage business ownership, which in turn promotes financial inclusion and enhances the economic autonomy of women, small-scale entrepreneurs, and disadvantaged communities. Both these populations and the local economy benefit from these initiatives. However, ineffective leadership, secrecy, and a failure to utilize waqf funds often mitigate their impact. Similarly, interest-free loans, vocational training, and business growth are all examples of waqf-based support mechanisms that have helped reduce gender prejudice and increase social mobility. However, underprivileged people continue to face cultural and institutional obstacles that limit their ability to participate fully. Interventions should be more targeted and community-driven in order to address this issue.

By funding scholarships, training programs, and human capital investments, waqf also significantly contributes to the improvement of the educational sector, which in turn increases future job and social integration opportunities. Not all of these donations will have the same effect; rather, it will depend on how effectively waqf bodies, schools, and government agencies collaborate to distribute and utilize the funds in a sustainable manner. All things considered, waqf still has considerable potential to become an effective instrument for empowering communities and reducing poverty in the long term. However, for waqf-based programs to be sustainable and have

a meaningful impact, excellent governance reform, effective management practices, and resource mobilization must occur simultaneously.

LIMITATION

While this study sheds light on the societal and economic effects of waqf, it is essential to acknowledge its limitations in order to put the results into perspective. The majority of the research relies on secondary sources, which can help identify broad trends but do not capture the nuances of the specific dynamics and issues at play in each location where waqf is being implemented. Since secondary sources often do not reflect current policy changes or community-specific disparities, this condition affects the level of contextual information. Primary data collected through interviews, surveys, or fieldwork observations would provide a more thorough and context-sensitive description of the current situation, thereby improving the quality of future studies. Furthermore, the study relies on a small number of case studies that do not provide a comprehensive picture of waqf practices throughout the many nations with a Muslim majority. The findings may not apply to a broad range of contexts due to the cultural, legal, and organizational differences that define waqf functioning. We may have gotten a more complete and comparable picture of waqf's many successes and failures if the researchers had expanded the geographical range of the case studies.

Evaluating the social and economic effects of waqf is challenging, which is another constraint. While the report makes passing references to positive outcomes, such as increased wealth, greater agency, and easier access to education, it falls short in providing rigorous quantitative analysis of these outcomes. The economic effects of waqf on education, poverty reduction, and poverty growth can only be determined by longitudinal or survey-based studies. Additionally, digital innovation in waqf administration is gradually gaining prominence, although this research does not specifically address it. Crowdfunding platforms and blockchain systems have the potential to enhance openness, accountability, and resource mobilization, but they have received limited academic attention thus far. Similarly, the perspective of the beneficiaries, who are the individuals who are most impacted by waqf programs, is underrepresented. The evaluation of waqf's efficacy in practice will be enhanced by considering their insights, observations, and challenges.

Recommendations for Future Research

Given these caveats, future research has room to explore other avenues, complete knowledge gaps, and provide light on the waqf's role in economic growth. Gathering first-hand information regarding the existing obstacles and triumphs of waqf administrators and users should be the first step. This may be achieved via surveys and/or interviews. Second, to examine the short- and long-term effects of waqf on reducing poverty, increasing income, and enhancing social mobility, a more comprehensive quantitative study is required, which may utilize survey data or longitudinal research. Thirdly, it would be crucial to study how digital platforms and new technologies can improve efficiency and transparency in the management of waqf funds. Fourthly, it will be able to better understand the circumstances, needs, and perspectives on waqf-based programs by organizing focus groups and participatory research that empower the direct beneficiaries of waqf. Finally, it would be highly beneficial to have an increasingly in-depth study that focuses on the impact of extraneous variables, such as societal, economic, and political factors, on the micro-level execution and success of waqf.

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