

Digital Optimization of Productive Waqf Management for the Economic Empowerment of the Ummah: A Case Study in Semarang City

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Article Info

Received: 2024-12-20

Revised: 2025-01-20

Accepted: 2025-02-19

Keywords:

Productive Waqf, Islamic Financing, Ijarah, Musyarakah, Cash Waqf, Digitalization, Semarang City, Economic Empowerment.

Abstract

Waqf plays a significant role in social and economic development, particularly in Muslim-majority countries like Indonesia. However, its utilization remains limited to traditional sectors such as places of worship and education, while its potential for economic activities remains underdeveloped. This study aims to explore the management of productive waqf in Semarang City through Islamic financing and digitalization approaches. This research employs a qualitative method with a normative-empirical approach, analyzing waqf regulations and the implementation of digitalization. The results show that out of 2,175 waqf land plots in Semarang, the majority are not yet managed productively. Islamic financing models such as ijarah, musyarakah, and cash waqf can be applied to optimize waqf utilization. Additionally, digitalization facilitates collaboration between waqif, nazhir, and investors, enhancing transparency and management efficiency. In conclusion, with Islamic financing models and digitalization, the potential of productive waqf in Semarang City can be optimized, providing a positive impact on societal welfare and economic empowerment.

I. Introduction

Waqf plays a crucial role in the social and economic development of society, particularly in Muslim-majority countries like Indonesia (Uyun & Hamida, 2024). As a key Islamic economic instrument, waqf not only addresses spiritual needs but also has significant potential to drive economic growth when managed effectively (Isharyanto & Wahyuni, 2024). However, in Indonesia, this vast potential remains largely untapped. While the number of waqf lands has shown steady growth over the years, their utilization is still heavily concentrated in traditional sectors such as places of worship, education, and social services. The use of waqf for economic activities remains minimal.

As of October 2022, Indonesia had 440,512 waqf plots covering a total area of 57,263.69 hectares (Sabdo & Fajar, 2023). Despite these numbers, only a small fraction of waqf land is utilized for productive activities like agriculture, fisheries, tourism, or commercial businesses. Most waqf land is still used for mosques, schools, and cemeteries, with little emphasis on economic development. This contradicts the intent of Article 22 of Law No. 41 of 2004 on Waqf, which stresses the importance of using waqf for the economic advancement of the Muslim community.

Some successful examples of productive waqf in Indonesia, such as the gas station at the Great Mosque of Semarang, Rumah Jendral culinary center in Lembang, and Baitul Asyi Hotel in Mecca, show how waqf can generate sustainable economic benefits for society. However, overall, the management of productive waqf remains far from optimal due to challenges such as low waqf literacy, a lack of innovation, and limited strategic collaboration between waqf managers (here in after refers to *nazhir*) and potential private sector partners.

Government support is also needed to accelerate waqf land certification and strengthen regulations that encourage productive waqf management. In Semarang, for example, out of 1,771 waqf plots, only 921 have certificates, and many remain underutilized. To maximize the potential of productive waqf, it is essential to enhance the professional skills of *nazhir*, provide adequate training and funding, and promote collaboration with the private sector to unlock the full economic potential of waqf.

If managed properly, productive waqf can significantly reduce poverty and improve social welfare. In Semarang alone, as of 2023, 80,530 people (4.23% of the population) live in poverty (Seprillina et al., 2020). Productive waqf can be a solution by creating jobs, raising incomes, and providing better social services. While only 31% of waqf land in Semarang is currently managed productively, the remaining 69% represents a "sleeping giant" with vast untapped potential. By

addressing these challenges through innovative programs, *nazhir* training, and increasing waqf literacy, this potential can be realized to benefit the wider community.

In conclusion, Indonesia's productive waqf potential is vast but underutilized. To fully optimize its management, support from the government, society, and private sector is critical (Rachmah et al., 2024). Properly managed, waqf can be a powerful tool to address social issues, including poverty, and contribute to the overall welfare of the Muslim community.

The research problem addressed in this study focuses on the management and optimization of waqf in Semarang City. First, a deep understanding is needed of the general overview of waqf lands in Semarang, including the number, area, certification status, and utilization, both productive and non-productive. Second, it is essential to examine financing concepts that can be applied in the effort to revitalize productive waqf through digitalization, and how these concepts align with Islamic law, which governs the productive and sharia-compliant management of waqf, with the aim of revitalizing unproductive waqf lands to provide optimal economic benefits for the community.

Productive waqf management through Islamic financing schemes such as *ijarah*, *musyarakah*, and cash waqf has been widely studied as an effective instrument in promoting economic development and social welfare (Arif, 2023; Rahmani & Prasetyo, 2024). The cash waqf sukuk (CWLS) model, for example, has proven to be able to optimise waqf funds for far-reaching social investments, while the integration of productive waqf with Islamic insurance shows potential synergies in improving financial inclusiveness and life protection benefits (Ahyani et al., 2024). However, these studies still tend to focus on conventional financial and managerial aspects, with key challenges such as low waqf literacy and limited managerial capacity remaining major obstacles in practice (Arif, 2023).

One research gap that has yet to be addressed is the integration of digitalisation in productive waqf management, especially at the regional level. Digitalisation has great potential to increase transparency, efficiency, and connectivity between nazir, wakif, and investors, which can significantly improve the governance and optimisation of productive waqf benefits. Currently, literature discussing the integration of digital technology with productive waqf management is still very limited and has not been the main focus, opening up research space to explore effective and applicable digitalisation models. Research that fills this gap can make a significant contribution to the development of a more modern and sustainable productive waqf, while also supporting the goal of socio-economic development through more optimal utilisation of waqf assets.

2. Research Method

This research is a qualitative study using the normative-empirical method and an interdisciplinary approach. The normative approach is conducted by deeply examining various laws, doctrines, and legal literature related to waqf, especially productive waqf, in order to understand the governing legal framework and identify existing regulatory gaps or obstacles. The empirical approach is conducted through field observations, in-depth interviews with nazirs, investors, and related stakeholders, as well as case studies of the implementation of productive waqf digitalisation through web-based applications. Data were collected through literature review, semi-structured interviews, participatory observation, and documentation. Data analysis was conducted qualitatively using content analysis for normative data and thematic analysis for empirical data, as well as data triangulation to ensure the validity and reliability of the research results. In addition, the research process also applied member checking and audit trail techniques to maintain the validity and transparency of the data obtained.

3. Results and Discussion

3.1. Overview of Waqf Land in Semarang City

Based on research data in Semarang City, there are approximately 2,175 waqf lands that are expected to be optimally managed to provide greater social benefits to the community. These lands serve as important resources in supporting various social, educational, economic, and religious activities. With proper management, waqf is anticipated to play a significant role in improving the welfare of the surrounding community and strengthening social ties and cooperation among residents. Of this total, 398 waqf plots are used as places of worship. These worship facilities not only support religious rituals for local residents but also help foster social connections in the surrounding neighborhood. The widespread availability of places of worship throughout Semarang City demonstrates that waqf lands provide tangible benefits to the local community.

The assets of waqf can be utilized more productively because they involve an understanding and management pattern for empowering waqf potential in a more modern way. With waqf being regulated by law, the waqf sector can serve as an alternative solution for improving the social and economic welfare of society (Yasniwati, 2023). In addition to worship facilities, 30 waqf plots in Semarang are used for formal education institutions. This utilization positively impacts the improvement of education quality and human resources in Semarang, where waqf land serves as an important foundation for supporting the sustainability of the education system in the region. Furthermore, 98 waqf plots are used for non-formal education, such as training centers and skill development

courses. These facilities help equip the community, especially the younger generation, with practical skills that contribute to broader economic and social development.

Beyond education, waqf land in Semarang is also used for social services. A total of 36 waqf plots are used to establish social facilities, such as orphanages, hospitals, and community service centers (Arief & Tulab, 2018). Through these facilities, waqf land plays a role in creating a more inclusive and caring environment, strengthening solidarity among community members. This highlights that waqf is not only a religious instrument but also an effective tool in supporting sustainable social development. Additionally, 18 waqf plots in Semarang are used for productive businesses, such as gas stations, restaurants, and hospitals. The use of waqf land for business purposes generates income that benefits both the waqf managers and the broader community by boosting the local economy and creating job opportunities.

3.2. Concepts of Financing and Collaboration for Revitalizing Productive Waqf from an Islamic Legal Perspective

Waqf is an important instrument for the economic empowerment of the Muslim community, but its utilization is often hindered by a lack of funding. Therefore, a sharia-based financing model is needed to help manage and develop waqf lands productively. Several Islamic financing models that can be applied to waqf land include:

1. *Ijarah* (Leasing Agreement)

Ijarah is a leasing contract in Islam, where an individual or institution can use an asset in exchange for a specified payment over an agreed period (Priyadi et al., 2023). *Ijarah* is considered valid in sharia as long as the leased object is halal and the agreement between both parties is clear. Institutions like the National Sharia Council (DSN) recognize the validity of *ijarah* in Islamic financial transactions.

In productive waqf, *ijarah* is used to lease waqf assets, such as land or buildings, to generate income. This income is then used for waqf asset maintenance or for social activities in line with the waqf's purpose. For example, unused waqf land can be leased for commercial purposes such as offices or shops, allowing it to generate economic benefits without altering its waqf status (Priyadi et al., 2023).

Pondok Modern Darussalam Gontor has successfully applied *ijarah* as a model for productive waqf financing. They adopt a "semi-productive" approach by leasing farmland and other assets. From leasing farmland in Ponorogo, the school generates around IDR 600 million annually, while leasing land in Ngawi brings in around IDR 1.2 billion per year (Fasa et al., 2019). These funds support student

education, provide educational subsidies, and assist in opening new school branches.

Singapore also implements *ijarah* for waqf management. Waqf properties are leased to companies, and the income from these leases is used for mosque maintenance and educational programs for orphans (Hanifuddin, 2019; Nasar et al., 2020). This model allows the Muslim community to retain ownership of waqf assets while utilizing them productively.

Another variant, *Ijarah Muntahia Bit Tamlik*, involves nazhir requesting funding to build structures on waqf land. After construction, nazhir rents the buildings while paying installments. Once all obligations are fulfilled, ownership is transferred to nazhir. This model has been successfully implemented in countries such as Egypt, Jordan, Saudi Arabia, and Turkey to manage waqf assets like apartments, real estate, and hospitals.

This model enables productive waqf to generate significant economic benefits for the well-being of the ummah. The revenue from waqf assets can be used for rent or installment payments while supporting sustainable waqf development and management.

2. *Musyarakah* (Partnership Agreement)

Musyarakah is a partnership in Islam where two or more parties collaborate in a business venture, contributing capital, expertise, or other assets, and sharing profits and risks according to mutual agreement. In waqf management, *musyarakah* is used as a collaboration between nazhir (waqf managers) and investors to increase waqf productivity (Hanifuddin, 2019). Nazhir contributes waqf assets, while investors provide capital. Profits are shared based on the contribution ratio, and nazhir's risk is limited to not receiving a profit share, without reducing the waqf assets.

Musyarakah allows waqf to be managed more productively by involving entrepreneurs or Islamic financial institutions to co-develop waqf assets. The model was first introduced by the Islamic Development Bank (IDB) for waqf land development. Through this model, waqf assets become more flexible and responsive to modern economic needs without violating sharia principles, enabling faster development.

This partnership system has been successfully implemented by Yayasan Badan Wakaf Sultan Agung (YBWSA), which uses Corporate Social Responsibility (CSR) funds from companies to build business units such as facility rentals and establish business entities. The profits from these businesses are reinvested in the university's operations and other waqf projects.

Universitas Islam Malang (UNISMA) also applies *musyarakah* to develop healthcare facilities, minimarkets, and restaurants on underutilized waqf land. In Singapore, *musyarakah* is used to develop waqf properties into commercial complexes and housing, with the profits used to sustain waqf projects. The implementation of *musyarakah* has proven effective in maximizing waqf assets and providing greater economic benefits, including increasing the value of waqf assets and contributing to the well-being of the Muslim community.

3. Cash Waqf

Cash waqf allows individuals to donate money, which is then managed productively to fund various social and religious projects (Fauziah, 2021). Unlike traditional waqf, which involves fixed assets like land or buildings, cash waqf offers greater flexibility and broader participation since the amount of money donated can be small. Cash waqf has great potential for funding community needs, especially in Muslim-majority countries or Muslim communities in non-Muslim countries (Magda, 2013).

The application of cash waqf in productive waqf financing allows waqf managers to collect funds from the community and invest them in projects that generate profits, such as building schools, hospitals, or other infrastructure. The profits are then used for economic empowerment programs. Various cash waqf schemes, such as waqf shares and waqf deposits, have been implemented in countries like Malaysia and Indonesia to fund social programs such as poverty alleviation and free healthcare services (Magda, 2013).

One successful example of cash waqf is the funding of hospitals in Kuwait, where waqf funds were used to build specialized cancer care facilities. In Singapore, cash waqf has been used to fund mosque construction through donations from the Muslim community, which are then invested in safe financial instruments (Wahyuningsih & Widyastuti, 2015). The returns are used to support social programs, including education and healthcare.

The Sultan Agung Waqf Board Foundation (YBWSA) in Semarang is a concrete example of the successful implementation of cash waqf as a financing instrument that is not only spiritual, but also productive and sustainable. By managing cash waqf funds to establish and develop business units such as hospitals, educational services, and hajj/umrah travel agencies, YBWSA demonstrates how waqf can be used to strengthen the economic independence of Islamic institutions (Usman, 2014).

The implementation of cash waqf by the Sultan Agung Waqf Board Foundation (YBWSA) in Semarang shows a concrete form of waqf management modernisation that is in line with the progressive law theory developed by

Satjipto Rahardjo. This theory emphasises that law must be adaptive to the needs of society and become a tool of social engineering. In this context, waqf is not only statically understood as the donation of assets for the sake of worship alone, but is developed into an instrument of economic and social empowerment. This is in line with the provisions in Law No. 41/2004 on Waqf, particularly Article 16 paragraph (3), which explicitly stipulates that waqf assets are not limited to immovable objects such as land, but can be in the form of cash waqf. YBWSA's model of investing cash waqf into business units such as hospitals and Hajj/umrah travel agencies proves how waqf can be managed productively without reducing its principal value, while ensuring the sustainability of public services in education and health.

Furthermore, the development of digital systems such as <https://siwapkotasemarang.com> is a form of implementation of the principles of transparency and accountability in waqf management as mandated in Government Regulation No. 42/2006 on the Implementation of the Waqf Law. This system enables the integration of land waqf data that was previously scattered and difficult to trace, thus supporting the principle of good governance in waqf management. This digitalisation also reflects a responsive legal approach, where the legal system is able to respond to technological developments and social dynamics quickly and efficiently. In this case, the existence of the Semarang City Nazir Forum as a facilitator demonstrates the strengthening role of civil society in supporting the success of collaborative waqf governance. The active involvement of parties such as waqif, nazir, and sharia investors not only accelerates the optimisation of waqf assets, but also strengthens the legitimacy of waqf management within the national legal framework.

Normatively, this model also actualises the values of *maqashid sharia*, namely protecting religion (*hifz al-din*), protecting the soul (*hifz al-nafs*), and protecting wealth (*hifz al-mal*) through the provision of waqf-based public services that meet the basic needs of the community. From the perspective of Islamic law development in Indonesia, this productive waqf model combined with a digital system reflects the spirit of contemporary *ijtihad* that is relevant in responding to the challenges of the times, without abandoning the basic principles of sharia. Therefore, Semarang's success in building a modern waqf ecosystem can serve as a national and even global pilot in the development of progressive, adaptive, and social justice-oriented waqf law and the welfare of the people.

4. Conclusion

Based on the discussion, it can be concluded that waqf land in Semarang City holds great potential to provide significant social, economic, and religious benefits. With a total of 2,175 waqf lands, their uses vary, including places of

worship, formal and non-formal education facilities, social services, and productive businesses. The utilization of these waqf lands has a tangible impact on strengthening social ties within the community and improving the welfare of local residents. However, there are still challenges in optimizing these waqf assets to be more productive, particularly in terms of effective management and financing.

In the context of waqf financing, sharia-based models such as *ijarah*, *musyarakah*, and cash waqf have proven to be effective solutions for managing and developing waqf lands productively. *Ijarah* allows waqf assets to be leased to generate income, while *musyarakah* facilitates collaboration with investors to develop waqf assets more flexibly. Cash waqf also offers greater flexibility in the collection and management of waqf funds. With the support of digital technology, collaboration between *waqif*, *nazhir*, and investors can be more easily achieved, as seen in Semarang City, where the digitalization of waqf land has helped improve the transparency and productivity of waqf assets, allowing the benefits to be more widely felt by the community.

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