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Productive Waqf Law Reform: A Solution to Support Indonesian Local Economy amid Contemporary Global Recession

Abstract: Productive waqf potential supports sustainable local economic resilience in the face of a global recession. However, its management in Indonesia remains suboptimal, considering that waqf assets are more dominantly distributed to non-productive sectors. This happens because the legal framework of waqf is not ideal for regulating the management of cash waqf assets productively for the economic empowerment of the community amid a global recession. This study analyses the urgency of legal reform in the cash waqf asset sector to support local economic empowerment while exploring the synergy between Islamic law and positive law in designing a more adaptive basis for productive waqf law to address modern economic challenges. The method employed in this study is normative legal research, incorporating both conceptual and statutory approaches. The data analysis technique was conducted using the *content analysis method* to explore legal doctrines and related literature to formulate the ideal concept of productive waqf legal reform. The research results show that the urgency of waqf law reform is based on weak regulations that hinder the optimisation of cash waqf assets for economic empowerment. Legal uncertainty, inequality of access to waqf benefits, and regulatory compliance with the needs of the modern economy are the main challenges that require responses. The second area of research on the synergy between Islamic law and positive law can serve as the basis for regulatory renewal through the accommodation of sharia *maqashid* principles, economic empowerment based on productive waqf, and collaboration among the government, the private sector, and the community. Proper legal reform will encourage more structured and systematic management of cash waqf assets, making it a strategic legal instrument for strengthening local economic resilience amid the threat of a global recession.

Keywords: Legal Reform, Sustainable Local Economy, Waqf Productive.

INTRODUCTION

Productive waqf¹ has reformed the waqf paradigm to adapt to changing times, playing a role in redistributing wealth as one of the collective solutions to poverty based on the orientation of both the world and the hereafter². Optimising the management of productive waqf assets is highly relevant to the spirit of Islam³, which upholds social justice holistically by empowering the ummah in various sectors, particularly the economic sector⁴. For example, Waqf Selangor Muamalat has successfully managed the distribution of productive waqf (cash waqf) as capital financing for empowering small businesses, resulting in increased employment and poverty alleviation in Malaysia⁵. Turkey has also demonstrated the success of productive waqf management in empowering communities. The IIH Foundation and the Diyanet Foundation from Turkey have successfully managed productive waqf over time, as waqf distribution significantly impacts economic empowerment and the development of essential education and health services, which are

¹ Law No. 41 of 2004 concerning Waqf (Waqf Law) does not define productive waqf explicitly. However, in article 16 of the law, it mentions the categories of objects that can be managed productively. If we quote M.T. Khan's opinion, productive waqf is a form of waqf in which the assets that are endowed are actively managed to generate sustainable income, which is then used for social or religious purposes. See: Muhammad Tariq Khan, "Historical Role of Islamic Waqf in Poverty Reduction in Muslim Society," *The Pakistan Development Review* 54, no. 4 (2015): 979-996.

² Rian Ardiyansyah And Abdurrohman Kasdi, "Strategies and Optimizing The Role Of Productive Waqf In Economic Empowerment Of The Ummah," *Ziswaf: Jurnal Zakat Dan Wakaf* 8, No. 1 (June 9, 2021): 61-71, <https://doi.org/10.21043/ziswaf.v8i1.9871>.

³ The spirit of Islam, which emphasizes justice, social solidarity, and community empowerment, has high relevance in the management of productive waqf as an instrument of wealth redistribution. In Islam, waqf is not just charity, but also a means to create sustainable benefits for society, in line with the principle of *al-maslahah al'ammah* (public benefit). By managing waqf productively, such as through investments in businesses or income-generating assets, wealth can be redistributed to those in need in the form of social services, education, or business opportunities. See: Takeshi Kato, "Islamic And Capitalist Economies: Comparison Using Econophysics Models Of Wealth Exchange And Redistribution," *Plos One* 17, No. 9 (September 22, 2022): E0275113, <https://doi.org/10.1371/journal.pone.0275113>.

⁴ Bayu Sudrajat and Ainul Imronah, "Productive Waqf: Concepts and Its Impact on Improving Community Economy | Proceeding of International Conference on Islamic Economics, Islamic Banking, Zakah and Waqf," January 26, 2024, <https://proceedings.uinsaizu.ac.id/index.php/ieibzawa/article/view/784>.

⁵ MHBH Fauzi et al., "The Impact of Trust in Cash Waqf Contribution: A Case Study of Wakaf Selangor Muamalat (WSM) Service of Bank Muamalat Malaysia Berhad (BMMB)," *International Journal of Business, Economics and Law* 18, no. 2 (2019): 1-10.

crucial for social empowerment⁶. Indonesia should exemplify the impact of successful waqf management to become more productive in managing these instruments. The demographic contribution of the world's largest Muslim population can create a huge asset of extraordinary waqf. The Indonesian Waqf Board noted that the amount of waqf can potentially reach 2000 trillion⁷. Optimising the good management of waqf in Indonesia can be an alternative instrument of economic empowerment to support the national economy.

The hope that productive waqf will contribute to the empowerment of the Indonesian economy is still wishful thinking that is not optimally realised. It is recorded that the accumulation of cash waqf in 2021 was only Rp. 800 billion, which should be able to accumulate Rp. 180 trillion per year⁸. Seventy-three per cent of waqf land assets covering an area of 420,000⁹ hectares have been realised for the construction of places of worship and are less realised in the productive sector¹⁰. Data from the Ministry of Religious Affairs shows that around 4% or 57,200 hectares of total land assets are utilised for productive waqf¹¹. Then, the Indonesian Waqf Agency recorded that the percentage of waqf assets realised in the socio-economic sector was only 9.37%¹². The lack of realisation of the distribution of waqf assets in the financial industry is unfortunate because it cannot maximise productive management, leaving a domino effect on the economy facing the

⁶ Wildan Munawar and M. Arief Mufraini, "Productive Waqf, Economic Empowerment, and Public Welfare: Evidence from Benefit Recipients at Daarut Tauhiid Waqf Institution," *Inferensi: Jurnal Penelitian Sosial Keagamaan* 15, no. 1 (2021): 1-24.

⁷ Mutiara Mutiara, Irfan Syauqi Beik, and Aslam Mei Nur Widigdo, "Optimizing Strategy for Land-Based Waqf Development in Indonesia," *Al-Iqtishad: Jurnal Ilmu Ekonomi Syariah* 13, no. 1 (2021): 67-86.

⁸ Riska Widya Abiba and Eko Suprayitno, "Optimization of Productive Waqf in Supporting Efforts to Achieve SDGs through Livestock Empowerment," *Al-Intaj: Journal of Sharia Economics and Banking* 9, no. 1 (March 28, 2024): 109-123, <https://doi.org/10.29300/aij.v9i1.2705>.

⁹ Gatot Bintoro Putro Aji, "Productive Waqf and People Economic Empowerment in Indonesia," *Journal of Islamic Business and Economic Review* 3, no. 2 (July 30, 2020): 62-71.

¹⁰ Mujahidin Mujahidin et al., "Challenge of Waqf to the Social and Economic Welfare of Muslim Communities: A Comparative Analysis Between Countries," *Jurnal Ilmiah Mizani: Wacana Hukum, Ekonomi Dan Keagamaan* 12, no. 1 (April 22, 2025): 168-184, <https://doi.org/10.29300/mzn.v12i1.7765>.

¹¹ Kemenag, "Kemenag Sebut Sektor Wakaf Indonesia Tumbuh Signifikan," <https://kemenag.go.id>, accessed January 8, 2025, <https://kemenag.go.id/internasional/kemenag-sebut-sektor-wakaf-indonesia-tumbuh-signifikan-smkdC>.

¹² antaranews.com, "WaCIDS: Wakaf berkontribusi besar dalam pertumbuhan ekonomi nasional," Antara News, February 13, 2024, <https://www.antaranews.com/berita/3961983/wacids-wakaf-berkontribusi-besar-dalam-pertumbuhan-ekonomi-nasional>.

global recession. The global downturn causes an economic slowdown, weakening the rupiah, decreasing foreign investment, and increasing inflation¹³. This phenomenon affects economic resilience, resulting in weak purchasing power, increased raw material costs, and difficulty accessing financing to sustain operations¹⁴. This factor is the primary consideration for predominantly carrying out the projection of waqf management in the productive sector, as it can serve as an alternative to address the local economy's challenges due to the global recession.

The non-optimal utilisation of Indonesia's waqf potential in the economic sector is increasingly problematic because the available waqf juridical foundation is considered inadequate. Law No. 41 of 2004 concerning Waqf (Waqf Law) cannot serve as a strategic legal framework to support the utilisation of the potential of cash waqf assets in the community's economy. Article 22 Letter D of the Waqf Law is the legal basis for the projection of cash waqf management in the economic sector. However, the Indonesian Waqf Law still lacks a model of a legal framework for the productive management of cash waqf in a structured manner. The provisions for productive waqf management in Articles 42 and 43 of the Waqf Law are general and less than ideal as a legal guideline for managing waqf assets through systematic microfinance to support the community's economic improvement. The legal framework of waqf should incorporate strategic management projections and has become a key to the success of the *Organization of The Islamic Cooperation* (OIC) countries in utilising waqf in the productive sector for business interests in overcoming poverty¹⁵. A. Mohsen, in his research, explained that the legal framework of waqf, which lacks strategic projection, has a more significant impact on the non-productive sector than on the productive sector through its management¹⁶. These problems result in

¹³ Vella Anggresta, Heru Subiyantoro, and Pudji Astuty, "Prediction of The Global Recession's Effects on Indonesia's Economy in 2023," *International Journal of Multidisciplinary: Applied Business and Education Research* 4, no. 1 (January 16, 2023): 1-7, <https://doi.org/10.11594/ijmaber.04.01.01>.

¹⁴ Muhammad Chatib Basri and Sjamsu Rahardja, "The Indonesian Economy amidst the Global Crisis: Good Policy and Good Luck," *ASEAN Economic Bulletin* 27, no. 1 (2010): 77-97.

¹⁵ Fahmi Medias et al., "A Systematic Literature Review on the Socio-Economic Roles of Waqf: Evidence from Organization of the Islamic Cooperation (OIC) Countries," October 15, 2021, <https://doi.org/10.1108/JIABR-01-2021-0028>.

¹⁶ Magda Ismail Abdel Mohsin et al., "Legal Framework of the Institution of Waqf," 2016, https://doi.org/10.1057/978-1-137-58128-0_1.

the management of waqf in Indonesia being more likely to be distributed to non-productive sectors¹⁷, potentially providing less economic benefits for the sake of worship and promoting public welfare optimally as mandated by Article 5 of the Waqf Law.

The transformation of Waqf in the modern era is an intriguing issue among researchers in developing management in the productive sector to support a sustainable community economy. A. Marpaung explained that the Waqf Law's representation in Indonesia also allows waqf management to be oriented towards the productive sector for economic development by involving Islamic banking¹⁸. Jalili and M. Firdaus analysed Qawā'id Fiqhiyyah to initiate the integration of the legal framework for Waqf with administrative and socio-cultural dimensions in Indonesia, creating a legal basis for waqf management in the productive sector that can ideally support social productivity¹⁹. The renewal of the Indonesian Waqf Law, accompanied by effective management, will be a crucial factor in utilising Waqf nationally in the economic sector. According to the research by R. Winarsih et al., the success of integrating commercial and Islamic economics into productive Waqf to improve the welfare of Islamic boarding schools cannot be separated from the systematic management of the components involved in management²⁰. Rao identified the successful performance of various waqf institutions in the economic sector because they are equipped with firm management to sustainably manage assets for economic development²¹. According to M. Choiri & F. Ardyansah, formal waqf

¹⁷ Faisal Faisal et al., "Strengthening the National Waqf Ecosystem through Legal Reform: An Analysis of Waqf Issues in the Provinces of Lampung and South Sumatra," *Al-Istinbath: Jurnal Hukum Islam* 9, no. 1 (May 30, 2024): 81–100, <https://doi.org/10.29240/jhi.v9i1.9320>.

¹⁸ Aripin Marpaung, "Increasing Economic Empowerment Of The People Through Productive Waqf," *Britain International Of Humanities And Social Sciences (Biohs) Journal* 2, No. 3 (October 16, 2020): 632–642, <https://doi.org/10.33258/Biohs.V2i3.313>.

¹⁹ Ismail Jalili, Muhammad Firdaus, And Abdulgafar Olawale Fahm, "The Role Of Qawā'id Fiqhiyyah In Strengthening Waqf Law: A Review Of Challenges And Solutions In Indonesia," *Al-Qadha: Jurnal Hukum Islam Dan Perundang-Undangan* 11, No. 2 (2024): 226–250.

²⁰ Ratih Winarsih, Atika Rukminastiti Masrifah, And Khoirul Umam, "The Integration Of Islamic Commercial And Social Economy Through Productive Waqf To Promote Pesantren Welfare," *Journal Of Islamic Monetary Economics And Finance* 5, No. 2 (July 30, 2019): 321–340, <https://doi.org/10.21098/Jimf.V5i2.1065>.

²¹ Don Gusti Rao, "Evaluation Of The Social And Economic Performance Of Productive Waqf Institutions," *El-Hekam* 9, No. 1 (2024): 90–100.

management has implications for less than optimal empowerment of waqf assets because it is only required to obtain government assistance²².

Although productive waqf has become a variety of research objects among researchers, this article still has a major distinction, focusing on the urgency of reforming the legal framework to support the management of cash waqf assets and thereby benefit the people's economy. The idea of the urgency of legal reform rests on the doctrine of law and development, asserting that the rule of law serves as a tool for economic growth to support sustainable development in developing countries²³. Based on this doctrine, the analysis of legal reform focuses on the urgency of reforming Indonesia's productive waqf legal framework to oversee the management of more structured cash waqf assets, thereby contributing to the sustainability of the local economy in the face of a global recession. European countries have adjusted various economic policies in the domestic industrial sector in response to the challenge of a global recession that threatens to slow economic growth²⁴. The reform of waqf law is expected to create an ideal legal framework as a guideline for optimal management in the productive sector. It can be a contribution of the State of Indonesia to protect the resilience of the local economy in the era of global recession, similar to other countries that have taken the lead.

As previous studies have discussed the strengthening of productive waqf management, a gap remains in the in-depth study of the urgency of reforming the legal framework for cash waqf as a legal instrument for sustainable economic development amidst the challenges of the global recession. The priority of managing cash waqf assets productively represents Maqashid Syariah, as it sustains the benefits of the assets to meet the people's needs²⁵. Therefore, this research presents two problems as the focus of analysis:

²² Muttaqin Choiri and Farid Ardyansyah, "The Politics of Waqf Practice in Pesantren Kyai Families in Bangkalan Madura, Indonesia," *ElUshrah: Jurnal Hukum Keluarga* 7, no. 1 (June 30, 2024): 272-293, <https://doi.org/10.22373/ujhk.v7i1.22186>.

²³ Edgardo Buscaglia, *Law and Economics in Developing Countries* (Hoover Press, 2000).

²⁴ Tasos Kitsos, Simone Maria Grabner, and Andre Carrascal-Incera, "Industrial Embeddedness and Regional Economic Resistance in Europe," *Economic Geography* 99, no. 3 (May 27, 2023): 227-252, <https://doi.org/10.1080/00130095.2023.2174514>.

²⁵ Arif Zunaiddi, "Productive Waqf In Maqasid Sharia Perspective," *Al'adalah* 25, No. 1 (April 19, 2022): 93-104, <https://doi.org/10.35719/Aladalah.V25i1.286>.

(1) What is the urgency of productive waqf legal reform to support the Indonesian local economy amid the contemporary global recession? (2) How can the productive waqf legal reform contribute as a solution to strengthening local economies amid the challenges of a global recession? This study aims to analyse the urgency of legal reform in the productive waqf sector as a strategic instrument in supporting the empowerment of sustainable local economic resilience in the era of global recession. In addition, this research also aims to explore the potential synergy between Islamic law and positive law to formulate a basis for legal reform that can optimise the management of productive waqf in building the economic resilience of local communities sustainably in the face of the global recession.

METHOD

This research employs a normative (doctrinal) legal research method, which is the most appropriate method for initiating a reform narrative in the legal sector. The normative legal research method plays a crucial role in analysing legal doctrines and principles, thereby constructing legal arguments relevant to the approach to a legal problem²⁶. The doctrinal characteristics employ a qualitative approach that incorporates theories, concepts, and formal legal materials to inform conceptual designs and contribute to law reform²⁷. The use of normative legal research methods in legal reform focuses on analysing the concept of relevant alternative legal norms to overcome issues in fulfilling the principles of justice, usefulness, and legal certainty into a norm²⁸.

This research method is used to analyse the idea of legal reform, specifically the legal framework for waqf management, which can be useful for promoting sustainable local economic resilience in the face of a global recession. This research employs conceptual and statutory approaches, representing the nature of normative legal research methods in

²⁶ J. C. Hage, "The Method of a Truly Normative Legal Science," in *Methodologies of Legal Research* (Hart Publishing, 2011), 19-44, <https://cris.maastrichtuniversity.nl/en/publications/the-method-of-a-truly-normative-legal-science>.

²⁷ Kristina Loguinova, "The Research Method: Law Reform Design," 2019, https://doi.org/10.1007/978-3-030-26357-7_4.

²⁸ Ghulam Yazdani, Abhishek Gupta, "Positioning Contemporary Legal Research In The Law Reform Process: A Review Of Agents And Methodology," *International Research Journal Of Management Sociology & Humanity (Irjmsh)* 10, No. 12 (2019): 151-167.

analysing issues²⁹. The technique of collecting legal materials is oriented to the selection of primary legal materials (relevant laws and regulations, including Article 33 of the 1945 Constitution, Law No. 41 of 2024 concerning Waqf, and several rules related to waqf in Indonesia) and secondary (scientific references related to the study of waqf law) to help identify problems³⁰. The content analysis method is employed as the primary data analysis technique in this research article. Holsti explained that the content analysis method plays a role in formulating new horizons and identifying problems through the study of processed materials, creating conceptual integration in the exploration of research objects³¹. Based on this method, the author focuses on analysing issues more dynamically by utilising various legal and non-legal conceptual literacy qualitatively around the relevance of productive waqf to economic resilience presented in each of the author's analytical arguments.

RESULTS AND DISCUSSION

The Urgency of Productive Waqf Legal reform to Support Indonesian Local Economy amid Contemporary Global Recession

Considering the local economy as part of the research object is vital, as it has significantly contributed to Indonesia's economic resilience. The concept of the populist economy, as described by Moh. Hatta, is the main spirit that makes the current local economy a pillar of the national economy. Contributing 61% to the Gross Domestic Product and absorbing 97% of the workforce, the economy is well-positioned to be labelled as the main buffer of the Indonesian economy³². The data on the significant contribution of the local economy to Indonesia indicates that the state must continually be active in overseeing the country's growth. Local economic resistance is very vulnerable to the development of the times. However, a long-standing problem for the local economy has

²⁹ Sanne Taekema, "Theoretical and Normative Frameworks For Legal Research: Putting Theory Into Practice," *Law And Method*, No. 02 (2018), <https://doi.org/10.5553/Rem/.000031>.

³⁰ Stephen Elias And Susan Levinkind, *Legal Research: How To Find & Understand The Law* (Nolo, 2001), 192.

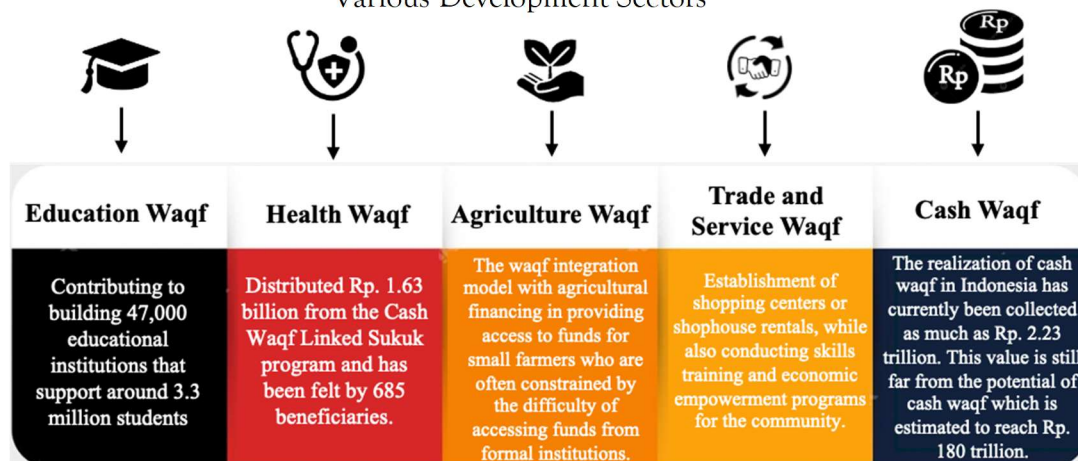
³¹ Ole R. Holsti, "Content Analysis For The Social Sciences And Humanities," *Reading. Ma: Addison-Wesley (Content Analysis)*, 1969, <https://cir.nii.ac.jp/crid/1573387449369524864>.

³² K. Sinha, Shweta Sinha, and B. Sinha, "Micro, Small, and Medium-Sized Enterprises (MSMEs): The Significant Role and Challenges in Indonesia's Economy," *International Journal For Multidisciplinary Research*. <https://doi.org/10.36948/Ijfmr>, 2024, v06i03.

been the uneven funding gap for business development³³. Financial contributions from the state must always be routinely distributed to maintain the resilience of the local economy in the face of all challenges.

Figure 1

Distribution of Management and Utilisation of Indonesian Productive Waqf Assets in Various Development Sectors



Data Source: Ministry of Religious Affairs, the Indonesian Waqf Board and various other relevant institutions³⁴

Based on the figure above, the significant potential of cash waqf assets in Indonesia can serve as an alternative to support local economic empowerment, particularly in competing amid the global recession. Global uncertainty, driven by conflicts between countries, trade wars, and other factors, is the primary cause of a global recession that disrupts international trade, state investment, and global supply chains³⁵. A global recession

³³ Tulus T. H. Tambunan, "MSMEs and Access to Financing in a Developing Economy: The Indonesian Experience," in <https://Services.Igi-Global.Com/Resolvedoi/Resolve.aspx?Doi=10.4018/978-1-5225-2700-8.Ch008> (IGI Global, 1AD), <https://www.igi-global.com/chapter/msmes-and-access-to-financing-in-a-developing-economy/www.igi-global.com/chapter/msmes-and-access-to-financing-in-a-developing-economy/186403>.

³⁴ Data on the realization and utilization of productive waqf assets in Indonesia comes from various explorations by the author through access to the Institution's website that has relevance to waqf management. The author obtained these data from various institutions such as the Ministry of Religious Affairs, the Indonesian Waqf Board and various other relevant institutions

³⁵ Mohamed Yousfi and Houssam Bouzgarrou, "Geopolitical Risk, Economic Policy Uncertainty, and Dynamic Connectedness between Clean Energy, Conventional Energy, and Food Markets,"

leads to an increase in inflation and instability in the money market, creating a domino effect on the broader economic slowdown³⁶. The significant influence of the global recession has caused Macau to experience an economic contraction of 39.3%³⁷. Ukraine experienced an economic contraction of 37.2% during the global recession, primarily due to the country's conflict, which led to significant infrastructure damage, industrial decline, and reduced investment³⁸. Global fiscal stimulus policy is usually an option to overcome an economic recession. However, it is not a recommendation because it is only valid in the short term and risks increasing the country's debt³⁹. This strategy is not an option to save Indonesia's local economy to survive the global recession. The use of abundant cash waqf assets can be an alternative option through management in the productive sector that can help develop the local economy, as C.M. Sari's research shows that waqf management instruments in the Sukuk sector have great potential to overcome socio-economic inequality⁴⁰. Furthermore, the management of *dzurri* waqf in Minangkabau, which has a productive element, has successfully created sustainable benefits for the community, their families, and their descendants⁴¹.

The accumulation of cash waqf assets in Indonesia, which holds significant value, still poses a significant challenge for optimising management to support the national economic sector. The history of Indonesian legal politics has produced several waqf legal

Environmental Science and Pollution Research 31, no. 3 (December 18, 2023): 4925–4945, <https://doi.org/10.1007/s11356-023-31379-7>.

³⁶ Elias A. Udeaja et al., "Do Economic Policy Uncertainty and Geopolitical Risk Impede Economic Transformation? Evidence from Resource Rich Country," *Journal of Economics and Finance*, September 18, 2024, 1–21, <https://doi.org/10.1007/s12197-024-09690-x>.

³⁷ Chengkun Liu and Yongjia Lin, "Macau's Sustainability and Diversification," *Business Economics* 59, no. 1 (June 4, 2022): 53–57, <https://doi.org/10.1057/s11369-022-00260-9>.

³⁸ *Russia's Invasion of Ukraine*, accessed January 14, 2025, <https://link.springer.com/book/10.1007/978-3-031-19138-1>.

³⁹ Alan Auerbach et al., "Fiscal Multipliers in the COVID19 Recession," *Journal of International Money and Finance* 126 (September 1, 2022): 102669, <https://doi.org/10.1016/j.jimonfin.2022.102669>.

⁴⁰ Citra Mulya Sari, "Resilience of Sukuk Innovation Through Cash Waqf Linked Sukuk as an Instrument for Indonesia's Economic Recovery," *Management of Zakat and Waqf Journal (MAZAWA)* 4, no. 2 (2023): 149–167.

⁴¹ Ahmad Wira et al., "Legal Study of Dzurri Waqf and Its Implementation towards Strengthening High Heritage Assets in Minangkabau, West Sumatra, Indonesia," *JURIS (Jurnal Ilmiah Syariah)* 22, no. 2 (December 18, 2023): 329–341, <https://doi.org/10.31958/juris.v22i2.9383>.

products as the technical legal basis for managing waqf assets. Some of these legal bases include:

Table 2

Development of Waqf Legislative Product Regulations in Indonesia

Year	Regulation	Relevance to Productive Waqf
1957	Government Regulation No. 28 of 1977 concerning the Endowment of Land Ownership	Regulating endowment of land, not explicitly introducing productive waqf but serving as the early legal basis.
2004	Law No. 41 of 2004 concerning Waqf	Recognizing movable and immovable waqf assets, including cash waqf; opening the way for productive waqf.
2006	Government Regulation No. 42 of 2006	Implementing the 2004 Law; clarifying the roles of <i>nazhir</i> (waqf manager); encouraging productive management.
2010	BWI Regulation No. 1 of 2010	Regulating registration, supervision, and capacity building for <i>nazhir</i> ; emphasising professionalism and productivity.
2018	Minister of Religious Affairs Regulation No. 13 of 2018	Detailing management and development of waqf assets, including mechanisms for investment and partnerships.

Data Source: legal products of Indonesian legislation

The explanation of the legal basis above demonstrates that the legal policy of waqf in Indonesia includes provisions that can serve as a reference for managing productive waqf. However, several matters are critical of the legal position of waqf in Indonesia, including the problems as a legal basis for managing waqf proportionally, where there is a loophole in the Law. No. 41 of 2004 concerning Waqf as the primary legal basis. However, the problem is that the regulation lacks practical and proportional management. Although it is only a technical regulation, its absence is the root of the main problem and can affect the sustainable management of productive waqf⁴². Government Regulation No. 42 of 2006 seems to only serve as a general guideline and cannot function for *nadzhir's* improvisation

⁴² Uswatun Hasanah, "Cash Waqf And People Economic Empowerment In Indonesia," Accessed April 30, 2025, <https://Ideas.Repec.Org//A/Lpe/Efijnl/201110.Html>.

in developing waqf-based businesses to be utilised in the economic sector⁴³. In addition, the BWI Regulation only emphasises the registration of Nazir without having provisions for a productive waqf management strategy that *nazhir* can develop⁴⁴.

The emergence of Regulation of the Minister of Religious Affairs No. 13 of 2018 fails to provide a legal solution to the legal policy of productive waqf, which aims to empower the local economy in Indonesia. The regulation has opened up opportunities for *nazhir* to develop waqf management with Sharia principles based on the purpose of public welfare. However, the regulation does not further explain the categories of productive economic activities that can be an option for *nazhir* to develop asset management from waqf⁴⁵. This problem has significant implications for legal uncertainty for *nazhir* to choose to develop a productive economy projectively. Another problem that arises from this regulation is the lack of detailed provisions for the partnership scheme with business entities. The impact is that *nazhir* only moves on the initiative and faces difficulty opening up space for cooperation in the collaborative management of productive waqf assets with partners⁴⁶. These problems can cause *nazhir* to hesitate in managing waqf assets due to inadequate technical regulations.

From a legal perspective, the less-than-ideal legal framework of waqf presents a legislative challenge in providing clear guidelines for the management of cash waqf in a structured manner, thereby benefiting the local economy. Legal reform efforts in the waqf sector are needed to create changes in rules that are more adaptive to the sector's needs. G. Tuebner stated that legal reform is an effort to restructure through a systematic revision of

⁴³ Aden Rosadi, Deden Effendi, And Busro Busro, "The Development Of Waqf Management Throught Waqf Act In Indonesia (Note On Republic Of Indonesia Act Number 41 Of 2004 Regarding Waqf)," *Madania: Jurnal Kajian Keislaman* 22, No. 1 (July 3, 2018): 1-18, <https://doi.org/10.29300/Madania.V22i1.881>.

⁴⁴ Azizah Mursyidah, "Analisis Fiqih Wakaf Kontemporer Di Indonesia," *Jurnal Kajian Islam Modern* 8, No. 02 (December 2, 2022): 1-5, <https://doi.org/10.56406/Jkim.V8i02.113>.

⁴⁵ Ana Laela Fatikhatul Choiriyah, Dominikus Rato, And Bayu Dwi Anggono, "Urgensi Pembaharuan Pengelolaan Wakaf Di Indonesia," *Jurnal Rechtsens* 12, No. 2 (2023): 239-256.

⁴⁶ "Permasalahan Dalam Pengembangan Wakaf Produktif," *Wakafnews.Com* (Blog), Accessed April 30, 2025, <https://www.wakafnews.com/2022/09/permasalahan-dalam-pengembangan-wakaf.html>.

norms, institutions, and legal procedures⁴⁷. Meanwhile, R. Pound explained that legal reform was carried out based on inference to change the law, aiming to achieve social justice and adapt to societal changes⁴⁸. H.L.A. Hart stated that the purpose of reform in the legal sector is to reduce the ambiguity of rules and create legal certainty that can guide society towards achieving its own legal benefits⁴⁹. The results of legal reform can make the law more adaptive to protect social interests against global challenges.

Based on this concept, Indonesian waqf law reform prioritises restructuring rules to enable the management of cash waqf assets to provide more productive benefits. The adaptation of contemporary waqf law, which has an ideal legal framework in the productive sector management to help the local economy, represents the embodiment of social justice in law. In other words, waqf law can play a complementary role in addressing local economic challenges during a global recession⁵⁰. However, several legal academic considerations emphasise the necessity to reform rules to be more proportionate. These considerations serve as the primary background analysis indicators of rule reform, indicating the legal standing of waqf law in Indonesia that requires reform. The author takes three main considerations from various World Bank indicators regarding various legal issues that often become the reason for reforming the law to be ideal to support economic development, including (1) lack of legal certainty, (2) unequal access to justice, and (3) incompatibility with the needs of the modern economy⁵¹.

First, regarding the lack of legal certainty, the World Bank noted that the problem of legal uncertainty leads to stagnant rules due to the absence of innovative, adaptive rules that can adapt to contemporary economic developments. The problem of legal uncertainty often arises due to a legal ambiguity that creates a difference in understanding and a lack

⁴⁷ Gunther Teubner, "Substantive And Reflexive Elements In Modern Law," *Law & Society Review* 17, No. 2 (1983): 239-285, <https://doi.org/10.2307/3053348>.

⁴⁸ Roscoe Pound, *The Ideal Element In Law* (Clark, N.J.: Lawbook Exchange, 1958).

⁴⁹ Herbert Lionel Adolphus Hart And Leslie Green, *The Concept Of Law* (Oxford University Press, 2012).

⁵⁰ A. M. Slaughter, "A New World Order Princeton Univer" (sity Press, Princeton NJ, 2004).

⁵¹ Daniel Oto-Peralías and Diego Romero-Ávila, "Legal Reforms and Economic Performance: Revisiting the Evidence," 2017, <https://openknowledge.worldbank.org/bitstreams/5403d7d0-7458-5506-a569-ec32aa252819/download>.

of current rules that can effectively address the issue⁵². An economic perspective can be an instrument for analysing the evaluation, process, formation, structure, and projection of legal impacts in making rules more ideal to support economic growth⁵³. Economic analysis integrated with law-making can provide predictive economic insights, enabling the creation of a structured legal framework that supports economic efficiency in the development sector⁵⁴. The impact of rules that have elements of legal uncertainty affects the mindset of investors to invest capital or expand their business due to the lack of guarantees of firm rules⁵⁵. Legal uncertainty in the economic regulation sector typically manifests in a progressive regulatory framework, empowering people to access fair capital and develop their businesses⁵⁶.

Law No. 41 of 2004 concerning waqf presents a primary challenge to create legal certainty, supporting the productive management of cash waqf assets in a resilient local economy, thereby sustaining it in the era of global recession. This legal uncertainty arises due to ambiguity and a lack of adaptation to contemporary economic developments. This factor is the waqf law, which lacks a progressive and innovative cash waqf management model to support economic efficiency, particularly in empowering communities through fair access to capital. An economic perspective on legal evaluation can contribute to the idea of formulating productive waqf legal rules that are adaptive to local economic needs. The absence of reform efforts in the Waqf Law will impact its legal position, rendering this law inadequate as a guideline for managing cash waqf assets and upholding economic

⁵² Kevin E. Davis, "The Concept of Legal Uncertainty," SSRN Scholarly Paper (Rochester, NY: Social Science Research Network), accessed January 14, 2025, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1990813&utm_source=chatgpt.com.

⁵³ Maria Grasia Sari Soetopo, "Legal Certainty In The Implementation Of Economic Analysis Of Law For Policy Making Process," *Pena Justisia: Media Komunikasi Dan Kajian Hukum* 22, No. 1 (March 31, 2023), <https://doi.org/10.31941/Pj.V22i1.3370>.

⁵⁴ Aurelien Portuese, Orla Gough, and Joseph Tanega, "The Principle of Legal Certainty as a Principle of Economic Efficiency," *European Journal of Law and Economics* 44, no. 1 (February 15, 2014): 131-156, <https://doi.org/10.1007/s10657-014-9435-2>.

⁵⁵ Uri Weiss, "The Regressive Effect of Legal Uncertainty," *Journal of Dispute Resolution* 2019 (2019): 149.

⁵⁶ Laura Goodwin and Vivek Maru, "What Do We Know about Legal Empowerment? Mapping the Evidence," *Hague Journal on the Rule of Law* 9, no. 1 (February 7, 2017): 157-194, <https://doi.org/10.1007/s40803-016-0047-5>.

benefits for the people. Stagnant regulations need to be reformed with a more innovative, collaborative, and need-based approach to contemporary economic needs. It is important to ensure that cash waqf becomes the driving force of the local economy while overcoming social inequality.

Second, regarding unequal access to justice, this indicator highlights the urgency of economic law reform, which must incorporate the principles of equality and accessibility to achieve business justice. The principle of equality is the soul of the rule of law to avoid discrimination. Laws that fail to guarantee equality must be reformed to fulfil the rule of law⁵⁷. The urgency of a law that guarantees fair access has a significant impact on the distribution of resources, leading to more even distribution and reduced economic inequality⁵⁸. The realisation of guaranteed access to justice for the community can be the key to the success of sustainable development in overcoming social, economic, and environmental inequality⁵⁹. An increase in access to justice by 1% in the economic sector in a country can contribute to five-year GDP per capita growth by 0.86 percentage points⁶⁰. On the other hand, access to justice that is not guaranteed collectively will hinder people from accessing economic rights to start a business due to the lack of legal protection guarantees⁶¹. These problems eventually lead to the decline of the business climate in the community, triggering social inequality that hinders national economic development⁶².

⁵⁷ Albert Venn Dicey, *Lectures Introductory to the Study of the Law of the Constitution* (Macmillan and Company, 1885).

⁵⁸ Martin Ravallion, "Do Poorer Countries Have Less Capacity for Redistribution?," December 27, 2010, <https://doi.org/10.2202/1948-1837.1105>.

⁵⁹ Jeffrey D. Sachs, "From Millennium Development Goals to Sustainable Development Goals," accessed January 14, 2025, [https://www.thelancet.com/journals/a/article/PIIS0140-6736\(12\)60685-0/fulltext](https://www.thelancet.com/journals/a/article/PIIS0140-6736(12)60685-0/fulltext).

⁶⁰ Arnaud Deseau, Adam Levai, and Michèle Schmiegelow, "Access to Justice and Economic Development: Evidence from an International Panel Dataset" (Institute of Economic and Social Research of the Catholic University of ..., 2019), https://arnauddeseau.github.io/files/a2j_and_growth_shrllll.pdf.

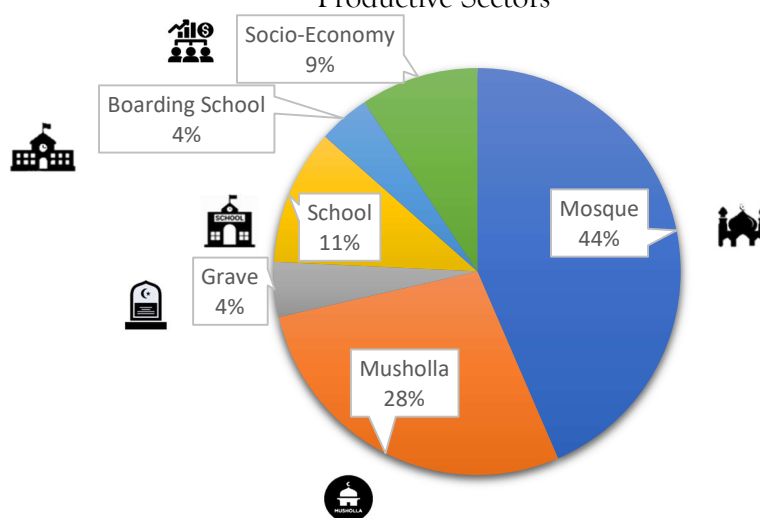
⁶¹ "Data Illustrates the Sheer Impact of Improving Access to Justice," Prosperity Data360, accessed January 16, 2025, <https://prosperitydata360.worldbank.org/en/stories/2023/data-illustrates-the-sheer-impact-of-improving-access-to-justice>.

⁶² UN Human Rights Council Expert Mechanism on the Right to Development, "Inequality, social protection and the right to development:," accessed January 16, 2025, <https://digitallibrary.un.org/record/4017720>.

The regulation of waqf law in Indonesia, particularly in cash waqf asset management, poses challenges in enforcing the guarantee of access to a fair distribution of benefits to the community. The absence of a model for managing cash waqf assets in the economic sector, as outlined in the Waqf Law, is a factor contributing to the less optimal distribution projection in the productive sector of the economy. Finally, the data on waqf management in Indonesia shows that it is more dominantly distributed to the non-productive sector.

Diagram 3

Distribution of Waqf Asset Management in Indonesia in Various Productive and Non-Productive Sectors



Data Source: Ministry of Religious Affairs, the Indonesian Waqf Board and various other relevant institutions⁶³

The diagram above shows that the majority of waqf management is distributed to non-productive sectors. Meanwhile, the distribution of waqf management in the productive sector of the economy is very minimal. It is recorded that the distribution of waqf asset management for socio-economic development is only around 9% of all waqf assets available in Indonesia. This phenomenon indicates that public access only receives a small portion of waqf benefits in economic development. This inequality is caused by weak regulations

⁶³ Data on the realization of the distribution of productive waqf asset management in various sectors in Indonesia comes from various explorations by the author through access to the Institution's website that has relevance to waqf management. The author obtained these data from various institutions such as the Ministry of Religious Affairs, the Indonesian Waqf Board and various other relevant institutions.

that fail to ensure access for marginalised groups and gaps between rules and their implementation in the field. As a result, the potential of waqf as an instrument to reduce social and economic inequality has not been realised to its full potential, which has an impact on the declining business climate and social development amid the global recession. Reform of the Waqf Law is urgent to strengthen the principle of equality, increase the accountability of waqf managers, and integrate waqf into national economic policies to ensure fair distribution and support sustainable development.

Third, in terms of incompatibility with modern economic needs, legal issues cannot adapt to the modern era due to the absence of obsolete legal actualisation from colonial legacies. The actualisation of economic law in the modern era tends to reform laws that better accommodate the needs of society to support sustainable development⁶⁴. The reform of economic law must continually adapt to regulatory updates that follow changes and challenges in the global economy⁶⁵. Economic and legal reforms that are adaptive to modernity can open up a wider range of business opportunities, allowing for more extensive participation in various sectors, especially in women's empowerment⁶⁶. When economic law has adapted to modern needs, it can provide significant opportunities for participation, creating access to a competitive economy both nationally and internationally⁶⁷. The adaptation of waqf law to the modern era can provide management directions in the productive sector that are beneficial to the economic sector. For example, the use of waqf assets in the productive sector can be a source of sustainable economic investment through the empowerment of socio-economic activities resulting from the distribution of waqf assets⁶⁸.

⁶⁴ *Community Empowerment, Sustainable Cities, and Transformative Economies*, accessed January 16, 2025, <https://link.springer.com/book/10.1007/978-981-16-5260-8>.

⁶⁵ Fred Block, "The Urgency of Global Economic Reform," *Challenge* 62, no. 3 (2019): 165-176.

⁶⁶ Carol E Leutner, "The Economic Development Approach to Legal Reform for Rural Women: A Methodological Alternative," *Development Southern Africa* 16, no. 1 (March 1, 1999): 163-168, <https://doi.org/10.1080/03768359908440068>.

⁶⁷ *Economic Law Reforms in the ASEAN Emerging Economies*, accessed January 16, 2025, <https://link.springer.com/book/10.1007/978-981-99-1556-9>.

⁶⁸ Intan Farrel Aurellia Intan, Widya Indrasari, and Azzahra Fitriani Putri, "Waqf Transformation: Public Investment Opportunities for Sustainable Development," *Eco-Iqtishodi : Jurnal Ilmiah Ekonomi Dan Keuangan Syariah* 5, no. 1 (July 22, 2023): 93-98, <https://doi.org/10.32670/ecoiqtishodi.v5i2.3990>.

Reform of waqf law in Indonesia is urgently needed to establish an ideal legal framework for managing cash waqf assets, particularly as a means to sustainably empower the community's economy in the face of the global recession. The waqf legal system, which currently seems outdated and not adaptive to the needs of the modern economy, hinders the optimisation of waqf assets for the productive sector. By actualising laws relevant to global challenges, such as managing cash waqf assets as a productive investment, these reforms can provide access to wider business opportunities, increase participation by various groups, including women, and encourage the creation of competitive economic opportunities. Waqf law reform into more adaptive laws to the modern era also has the potential to encourage the integration of waqf into the national economic system in a more structured manner and sustainably help the community's economy to survive the global recession. With a clear and progressive legal framework, cash waqf assets can be effectively managed through collaboration among Islamic financial institutions, the government, and the private sector, thereby creating a solid waqf-based economic ecosystem. Thus, this reform makes a significant contribution to creating an inclusive, efficient, and sustainable economic system amidst global dynamics.

RESULTS AND DISCUSSION

Productive Waqf Law Reform: A Legal Interdisciplinary Perspective to Strengthen Local Economies Amid Global Recession

The perspective of positive law and Islam is an interdisciplinary approach to examining the idea of reforming Indonesian waqf laws to support local economic empowerment. This interdisciplinary approach can ensure that Islamic law remains relevant and serves as the foundation for contemporary legal construction in the modern era⁶⁹. This synchronisation is to set the relevance of positive laws that accommodate sharia issues, keeping them linear with the Islamic principle⁷⁰. The content of Islamic economic values has been remarkably consistent in national legal politics, resulting in economic law

⁶⁹ Mohammad H. Fadel, "Islamic Jurisprudence, Islamic Law, and Modernity - Lockwood Press - Torrossa," accessed February 4, 2025, <https://www.torrossa.com/en/resources/an/5624651>.

⁷⁰ Trianah Sofiani and Heris Suhendar, "The Settlement Model of Non-Performing Financing Which Is More Effective and Legal Justice in Sharia Financing Companies," *Jurnal Hukum* 40, no. 1 (July 7, 2024): 61-75, <https://doi.org/10.26532/jh.v40i1.32794>.

products that cater to Sharia-based economic needs⁷¹. Sharia-based economic and legal policies have implications for making Islamic law more inclusive and contributing significantly to addressing contemporary global challenges⁷². This strategy is ideal for ensuring that Islamic Law remains internalised in the inclusive Indonesian waqf law draft, thereby overcoming the problems faced by contemporary society⁷³. Islamic teachings in the economic field must provide productive access to the economy, enabling people to create collective welfare⁷⁴. Therefore, legal reform seeks to enhance the productivity of waqf management, thereby helping the economy of the people to face global challenges, particularly the threat of a global recession in the contemporary era.

The study of legal reform requires an indicator that is relevant to the actualisation of waqf law so that it is relevant as a legal basis for productive management in accommodating the economic problems of the people. In this article, several indicators from different studies are selected as part of an integrative approach to analysing the idea of reforming Indonesian waqf laws to address local economic problems resulting from the global recession. The first indicator emphasises the "Fulfillment of Economic Rights" as the basis for analysing the relevance of laws that must have the content of protecting people's economic rights⁷⁵. The second indicator is "capacity and quality improvement" as the basis for analysing participant development instruments in the economic productivity sector

⁷¹ Andi Fariana, "Legal Politics as a Catalyst in Forming Sharia Economic Legal System in the Indonesia's New Order and Reform Era," *Ijtihad: Jurnal Wacana Hukum Islam Dan Kemanusiaan* 21 (2021): 197-212.

⁷² Aldona Piwko, "Contemporary Islamic Law between Tradition and Challenges of Modernity: Some Examples Worth Consideration," *Bogoslovni Vestnik* 81 (2021): 91-101.

⁷³ Badruddin Badruddin and Aditya Prastian Supriyadi, "Dinamika Hukum Islam Indonesia : Reaktualisasi Norma Islam dalam Menalarkan Hukum Positif Merespon Sosio-Kultural Era Kontemporer," *De Jure: Jurnal Hukum dan Syar'iah* 14, no. 1 (June 29, 2022): 38-57, <https://doi.org/10.18860/j-fsh.v14i1.15512>.

⁷⁴ Fadli Daud Abdullah et al., "Contemporary Challenges for Sharia Financial Institutions to Increase Competitiveness and Product Innovation Perspective of Sharia Economic Law: Evidence in Indonesia," *MILRev: Metro Islamic Law Review* 3, no. 2 (December 6, 2024): 141-173, <https://doi.org/10.32332/milrev.v3i2.9202>.

⁷⁵ Gillian MacNaughton, Diane Frey, and Catherine Porter, *Human Rights and Economic Inequalities* (Cambridge University Press, 2021).

sustainably⁷⁶. The next indicator is the “Collaborative Ecosystem”, which serves as the basis for branding analysis through the development of collaboration between internal and external sectors to support the economic sector⁷⁷.

Figure 4

Three indicators to analyse the idea of productive waqf law reform for economic empowerment



Data Source: MacNaughton (2021), Samuel B. Moore (2009), E. Aminullah (2022)

The first indicator is the fulfilment of economic rights. The relevance of this indicator to the idea of reform of productive waqf law lies in the interactive relationship of the economy. International agreements stipulate that economic rights are part of global rights, which implies that every country is obliged to take concrete steps towards its fulfilment⁷⁸. These efforts align with the responsibility of leaders in Islam to take care of their people (H.R. Bukhari & Muslim). The state can intervene in the great potential of productive waqf in the financial sector as part of strategic steps to fulfil economic rights through the distribution of the value of benefits from waqf⁷⁹. However, the challenge of optimising the benefits of cash waqf assets requires strong legal certainty in the law related to the projection

⁷⁶ Samuel B. Moore and Susan L. Manring, “Strategy Development in Small and Medium Sized Enterprises for Sustainability and Increased Value Creation,” *Journal of Cleaner Production* 17, no. 2 (January 1, 2009): 276–282, <https://doi.org/10.1016/j.jclepro.2008.06.004>.

⁷⁷ Erman Aminullah et al., “Interactive Components of Digital MSMEs Ecosystem for Inclusive Digital Economy in Indonesia,” *Journal of the Knowledge Economy* 15, no. 1 (November 12, 2022): 487–517, <https://doi.org/10.1007/s13132-022-01086-8>.

⁷⁸ S. K. Chatterjee, “The Charter of Economic Rights and Duties of States: An Evaluation After 15 Years | International & Comparative Law Quarterly,” *Cambridge Core*, accessed February 5, 2025, <https://doi.org/10.1093/iclqaj/40.3.669>.

⁷⁹ Elvi Nasriandani, “The Impact of Waqf from a Macroeconomic Perspective as An Instrument of State Revenue,” *Transforma Jurnal Manajemen* 1, no. 2 (August 1, 2023): 75–84, <https://doi.org/10.56457/tjm.v1i2.64>.

of waqf management in the economic empowerment sector. Therefore, the waqf provides legal certainty as a source of capital for the economic development of the people, thereby advancing their general welfare, as stated in Articles 5 and 22 of the Waqf Law. The contribution of cash waqf assets in the economic empowerment sector strongly supports efforts to realise people's economic rights collectively based on Article 33 of the 1945 Constitution. The distribution of assets, according to Islamic principles, aims to provide benefits to vulnerable communities by promoting equality of access and social justice⁸⁰. From *Maslahah Mursalah*'s perspective, efforts to fulfil people's economic rights are a fair economic representation to avoid social inequality⁸¹. Considering that Islam prohibits the possession of property by only a few people in creating justice at every level of society (QS. Al-Hasyr). Optimising economic benefits creates a paradigm transformation of waqf that is not only of worship value but also serves as a socio-economic instrument in overcoming poverty to support sustainable development⁸².

The idea of optimising the benefits of cash waqf assets in the economic sector plays a crucial role in fulfilling people's economic rights in the face of the threat of a global recession. However, changes and additions to the necessary rules are necessary to support the management of money distribution, allowing assets in the economic sector to run optimally. These provisions include the management of the community's economic empowerment model through the distribution of cash waqf assets. The Waqf Law has regulated several provisions for the management of waqf in the productive sector. Based on Article 11, *nazhir* plays a leading role in waqf management. *Nazhir* can also determine the projection of the management of cash waqf assets based on Articles 42 and 43, paragraph (2), asserting that *nazhir* is obliged to manage waqf assets according to their purpose,

⁸⁰ Ali Murtadho Emzaed, Ibnu Elmi AS Pelu, and Shakhzod Tokhirov, "Islamic Law Legislation in Indonesia: Anomalies of the Relationship between Political Configuration and Zakat Legal Product during the Reform Era | Al-Manahij: Jurnal Kajian Hukum Islam," May 30, 2023, <https://ejournal.uinsaizu.ac.id/index.php/almanahij/article/view/7815>.

⁸¹ Andi Fariana and Sufiarina Sufiarina, "Justice (al Mashlahah) for the Economic Dimension," *Istinbath* 18, no. 2 (2019), <https://www.istinbath.or.id/index.php/ijhi/article/download/168/67>.

⁸² Habibah Moslem and Erika Amalia, "Cash Waqf Management in the Tabung Waqf Program Dompot Dhuafa and Its Implications for Sustainable Development Goals | Proceeding of International Conference on Islamic Economics, Islamic Banking, Zakah and Waqf," February 5, 2024, <https://proceedings.uinsaizu.ac.id/index.php/ieibzawa/article/view/776>.

function, and allocation carried out productively. However, the Waqf Law does not have provisions regarding the economic empowerment model through the distribution of benefits from waqf assets. This problem can leave a void in structured and systematic management direction, ensuring that waqf management can function systematically for economic empowerment.

The absence of economic empowerment modelling rules has an impact on the nuclear program of resource utilisation for capital sources in helping the poor and marginalised⁸³. Counterproductive economic programmes, due to a lack of proportional legal support, create counterproductive goals that contribute to economic inequality⁸⁴. Supporting the management of cash waqf assets that function optimally in the economic empowerment sector certainly requires the provision of a structured and systematic empowerment model. A concrete economic empowerment model can serve as a catalyst for community economic resilience to survive and even thrive amid economic uncertainty during a global recession⁸⁵.

Some recommendations for community economic empowerment through the distribution of waqf assets that can be accommodated in the rules include the following: First, legal certainty of the provision of capital without *riba* (usury practice) in the Waqf Law. The system of this first model is linear, as per Article 43, paragraph (2) of the Waqf Law, which governs the management of waqf assets that align with sharia principles. Cash waqf can help mitigate the global recession by providing interest-free financing for MSMEs through the Qardhul Hasan scheme, allowing them to develop without a high debt burden. Sharia business models, such as *mudharabah* and *musharakah*, also encourage investment

⁸³ Alfrin Ernest M. Usmany, "Impact Of Government Regulations On Small Business Performance: A Comparative Study," *International Journal Of Business, Law, And Education* 5, No. 2 (May 8, 2024): 1614-1623, <https://doi.org/10.56442/ijble.V5i2.664>.

⁸⁴ Philip R. Jr Lochner, "Economic Regulation And Democratic Government," *Journal Of Corporation Law* 25 (2000 1999): 831.

⁸⁵ Manita Rao, Juliet Ann Musso, And Matthew M. Young, "Resist, Recover, Renew: Fiscal Resilience As A Strategic Response To Economic Uncertainty," *The American Review Of Public Administration* 53, No. 7-8 (October 1, 2023): 296-315, <https://doi.org/10.1177/02750740231186424>.

cooperation and profit sharing, thereby increasing economic productivity⁸⁶. This approach empowers small businesses. The funding program, derived from the distribution of cash waqf assets, can also help people start a business even when they do not have sufficient funds for a start-up. Optimising this programme can create a new MSME ecosystem in the community. If the community's MSME ecosystem is growing, it will have a positive impact on creating jobs to address unemployment. Waqf assets that have been successfully managed to help the community's business resilience strongly represent the goal of "istislah" (public benefit) in Islam through economic empowerment⁸⁷.

Second, in terms of sustainable economic infrastructure, cash assets from waqf can be utilised to provide machinery, production tools, or raw materials for MSMEs, thereby increasing production capacity without incurring significant initial expenses. In addition to promoting business growth, investing in sustainable economic infrastructure initiatives is also a crucial strategy for enhancing economic resilience in the face of a global recession threat⁸⁸. Third, in terms of providing subsidised space, the cash assets from waqf can be used to provide subsidised business space for MSMEs, helping them reduce operational costs and increase their profitability⁸⁹. This initiative also serves as an economic resilience strategy, enabling MSMEs to thrive and contribute to economic stability during a global recession.

Figure 5

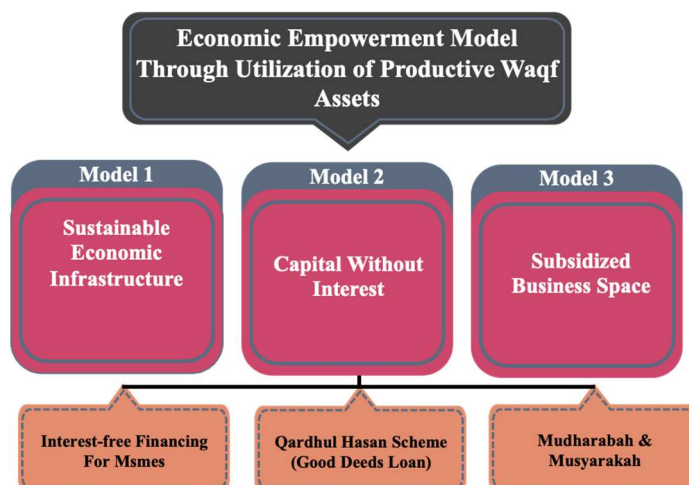
Recommendations for Technical Arrangements for Economic Empowerment Modelling Through Waqf

⁸⁶ Azhar Alam Et Al., "Analysis Of The Effect F Revenue Share Of Mudharabah And Musyarakah Financing Proceeds On Return On Investment (Roi) Of An Islamic Bank: A Case Study," *Imara: Jurnal Riset Ekonomi Islam* 7, No. 1 (2023): 54-65.

⁸⁷ Zawawi Zawawi et al., "Waqf and Sustainable Development Law: Models of Waqf Institutions in the Kingdom of Saudi Arabia and Indonesia," *Ijtihad : Jurnal Wacana Hukum Islam Dan Kemanusiaan* 23, no. 1 (July 10, 2023): 93-114, <https://doi.org/10.18326/ijtihad.v23i1.93-114>.

⁸⁸ Shade T. Shutters Et Al., "Resilience Of Urban Economic Structures Following The Great Recession," *Sustainability* 13, No. 4 (February 23, 2021): 2374, <https://doi.org/10.3390/Su13042374>.

⁸⁹ Syamsuri, S., Safitri, D., & Kamaluddin, I. (2024). The Role Of Money Waqf Towards Empowering Msmes In Reducing Production Costs. *Journal Of Economics, Finance And Management Studies*. <https://doi.org/10.47191/Jefms/V7-I1-62>.



Data Source: Author's recommendation on engineering model to support Economic Empowerment Model Through Waqf

The second indicator is Capacity and Equality Improvement. The reform of waqf law in this sector aims to provide legal certainty in regulating the empowerment of quality human resources to optimally contribute to economic practices. Human resources need education to improve quality and capacity to help increase work productivity⁹⁰.

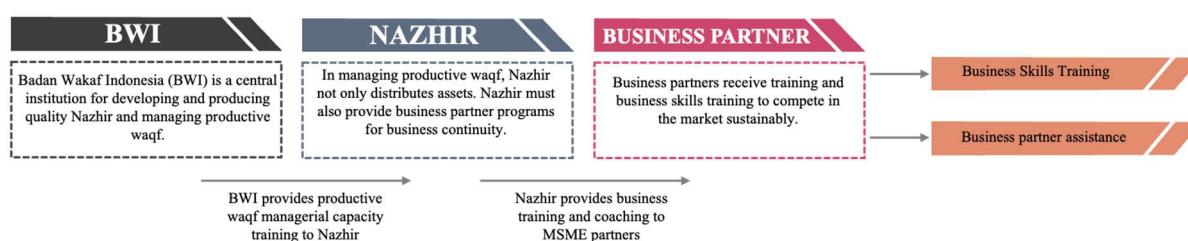
These efforts are urgently needed to support the success of the human resource ecosystem in managing cash waqf assets effectively, thereby enhancing productivity in the economic empowerment sector. The first human resource sector that needs this development is *nazhir*. In Article 11 of the Waqf Law, *nazhir* is the authority on the management of waqf assets. To maintain quality, Article 49, paragraph (1), letter a, instructs the Indonesian Waqf Board to play a role in enhancing the capacity of *nazhir* for managing waqf assets. However, the law does not specify the forms of capacity and quality development proportionally for *nazhir* in relation to the management of cash waqf assets for economic empowerment. The provisions of the *nazhir* guidance rules in the management of waqf assets for community economic empowerment need to be strengthened with stricter standards of competence, transparency, and accountability.

⁹⁰ Phung Phi Tran, "High-Quality Human Resources in the Labor Market: A First Assessment of Potential and Obstacles," *Sage Open* 14, no. 3 (July 1, 2024): 21582440241267259, <https://doi.org/10.1177/21582440241267259>.

Reform of waqf law can include mandatory certification for *nazhir*, periodic audits by independent institutions, and incentives for *nazhir* who successfully develop waqf assets productively. The *nazhir* coaching rules can provide legal certainty for investing in quality human resources that support the institution's goals. Investment in education and training for human resources is essential in maintaining the quality of workers to always contribute to the achievement of the institution's vision⁹¹.

Figure 6

Illustration of the content of the regulation of quality and capacity development in the productive waqf ecosystem



Data Source: Author's recommendation on engineering model to support Economic Empowerment Model Through Waqf

The second sector that needs coaching is MSME partners, who receive a portion of waqf assets from *nazhir*. Based on Article 42 of the Waqf Law, *nazhir* has the opportunity to coach partners to support the management and development of waqf assets according to their assets and designations. However, the Waqf Law does not concretely regulate the types of partner development that *nazhir* can carry out. The development of business partners has a role in improving business skills and overcoming the lack of business capacity to compete in the market⁹². It is necessary to regulate the type of business development program to ensure legal certainty, allowing *nazhir's* partners to receive assistance with business continuity. The goal is for MSMEs to gain various new skills and insights to develop their businesses amid fierce business competition. With this scheme, *nazhir's* role

⁹¹ Irada Nabiyeva, "Quality of Workforce and Investments in Human Capital," SSRN Scholarly Paper (Rochester, NY: Social Science Research Network), accessed February 6, 2025, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3499858.

⁹² Hsian-Ming Liu, "Effect of Partnership Quality on SMEs Success: Mediating Role of Coordination Capability and Organisational Agility," *Total Quality Management & Business Excellence* 32, no. 15-16 (November 17, 2021): 1786-1802, <https://doi.org/10.1080/14783363.2020.1773782>.

is not only to distribute capital but also to oversee the efforts of MSME partners to survive various challenges in business. Several concrete programmes from *nazhir* can be conducted to assist MSMEs, enabling them to enhance their long-term business resilience.

The first programme is business skills training. The main training to support the sustainability of MSMEs includes financial management, digital marketing, and operational management. Financial training aids in cash flow management, financial statement preparation, and tax compliance. Digital marketing focuses on online strategies, creative content, and digital advertising to increase sales. Meanwhile, operational management ensures production efficiency, stock management, and the use of technology in business. Business skills training is crucial for MSME partners to sustainably increase competitiveness and survive the global recession⁹³.

The second programme is mentoring business partners. This program requires *nazhir* to provide follow-up after providing training to MSME partners. Assistance for MSME partners should cover a long-term investment to improve competitiveness, sustainability, and overall economic growth. With the right guidance, MSMEs can grow more rapidly to ensure they are better equipped to survive the threat of a global recession. Effective assistance for business partners must be structured, sustainable, and tailored to the needs of MSMEs. This process includes identifying challenges, preparing a business roadmap, and performing periodic evaluations. Through mentorship and coaching, MSMEs receive direct guidance from experienced practitioners to increase competitiveness and ensure business sustainability⁹⁴.

The third indicator is the Collaborative Ecosystem. Relevance Productive waqf legal reform in this sector aims to provide legal certainty that is useful in branding MSME products fostered by *nazhir*. In Article 49 of the Waqf Law, BWI can collaborate with the

⁹³ Eleonora Bartoloni, Alessandro Arrighetti, And Fabio Landini, "Recession And Firm Survival: Is Selection Based On Cleansing Or Skill Accumulation?," *Small Business Economics* 57, No. 4 (August 19, 2020): 1893–1914, <https://doi.org/10.1007/S11187-020-00378-0>.

⁹⁴ Geok Chew Gan Et Al., "Executive Coaching Effectiveness: Towards Sustainable Business Excellence," *Total Quality Management & Business Excellence* 32, No. 13–14 (October 3, 2021): 1405–1423, <https://doi.org/10.1080/14783363.2020.1724507>.

relevant agencies and private sectors in branding and managing productive waqf assets. BWI can proactively brand *nazhir's* fostered products with related parties to expand the business market. However, to support the role of branding, it is necessary to add rules to guide the branding program from BWI to increase business productivity collaboratively. Considering the work of the Collaborative Ecosystem, which utilises each market network, can increase the branding of MSME products to access wider marketing opportunities⁹⁵. The development of the digital era can be a highly effective branding medium for cooperation, further expanding the market for MSME products globally⁹⁶. Product branding through a business collaboration mechanism can reduce MSME operational costs, contributing to increased production efficiency and survival in the global recession era⁹⁷. Optimising the digital network to expand the MSME market is highly influential in creating market diversification and reducing dependence that may be affected by recessions, such as during the COVID-19 pandemic⁹⁸.

The renewal of the waqf law accommodates the "Collaborative Ecosystem", which will play a very important role in branding the results fostered by *nazhir's* partners to expand the transaction market. The use of digital marketing for branding collaboration will be useful in reducing the operational costs of business partners and providing value efficiency that can be diverted to product innovation. The increasingly extensive marketing of business partner products is a manifestation of market diversification. Therefore, the influence of the global recession, which can reduce domestic purchasing power, will not have an effect because the source of business transactions also comes from abroad.

⁹⁵ Hernandez-Vargas Luis Jennifer, "Networking And Collaborative Ecosystems As Catalysts For Small Business Growth In Competitive Marketplaces: A Quantitative And Qualitative Analysis," *International Journal Of Entrepreneurship And Small Business (Ijesb)* 2, No. 1 (N.D.): 1-6.

⁹⁶ Amalia Georgescu, Marc K Peter, And Silvia Avasilcai, "A Business Ecosystem Framework For Sme Development Through Associative And Non-Associative Business Structures In The Digital Age," *Cogent Business & Management* 9, No. 1 (December 31, 2022): 2143310, <https://doi.org/10.1080/23311975.2022.2143310>.

⁹⁷ Xin Geng, Harish Krishnan, And Milind G. Sohoni, "Operational Collaboration Between Rivals: The Impact Of Cost Reduction," *Production And Operations Management* 31, No. 4 (April 1, 2022): 1856-71, <https://doi.org/10.1111/Poms.13651>.

⁹⁸ Rizal Yaya et al., "Innovation-Based Diversification Strategies and the Survival of Emerging Economy Village-Owned Enterprises (VOEs) in the COVID-19 Recession," July 29, 2022, <https://doi.org/10.1108/JEEE-06-2021-0213>.

Some strategies that can be implemented include partnering with big brands. Such partnering is a strategic step to increase product exposure and expand market reach by attracting greater consumer attention, thereby enabling them to compete effectively in the market⁹⁹. BWI's main task is to explore collaborations with major brands to create partnerships that can provide marketing access to the products of *nazhir's* fostered business partners. Second, the use of a shared digital platform. The use of a shared digital platform for marketing and distribution is very helpful in optimising promotional strategies and accelerating the distribution process with more efficient costs¹⁰⁰. BWI needs to build a network with marketplaces, social commerce, and waqf-based e-commerce platforms to boost the marketing of *nazhir's* business migration-fostered products. Collaboration with Muslim influencers, Islamic business communities, and Sharia bloggers can also improve branding. Then partnerships with Sharia logistics and halal retail, such as HalalMart, can accelerate distribution with efficient costs.

CONCLUSION

The urgency of productive waqf legal reform in Indonesia lies in providing a transparent, adaptive, and proportional legal framework that optimises cash waqf assets to support the local economy amid the contemporary global recession. Current regulations are outdated and lack technical guidelines for productive asset management. This results in limited distribution of waqf benefits to the economic sector and minimal public access to waqf-based economic empowerment. Reforming the waqf legal system will enhance legal certainty, ensure fair access to economic opportunities, and align waqf governance with modern economic demands, sustaining local economic resilience during global instability. Productive waqf legal reform, from the perspective of Islamic law, contributes to strengthening local economies amid the global recession by fulfilling the people's economic

⁹⁹ Uloma Stella Nwabekee et al., "Brand Management and Market Expansion in Emerging Economies: A Comparative Analysis," *International Journal of Management & Entrepreneurship Research* 6, no. 9 (September 4, 2024): 2913–2939, <https://doi.org/10.51594/ijmer.v6i9.1531>.

¹⁰⁰ Mohamad Arfiman Yosep et al., "Does Digital Marketing Platforms Affect Business Performance? A Mini-Review Approach," in *Proceedings of the International Conference on Industrial Engineering and Operations Management*, 2021, 4372–86, <http://www.ieomsociety.org/singapore2021/papers/772.pdf>.

rights through the equitable distribution of cash waqf assets based on *maslahah* and social justice principles. This reform aligns with Islamic teachings that prohibit wealth concentration and emphasise economic empowerment for the poor and marginalised, enabling waqf to function as worship and as a socio-economic instrument. By integrating Sharia principles into legal structures, the reform supports MSMEs through interest-free capital, structured human resource development, and collaborative digital ecosystems, ensuring sustainable economic resilience in line with Islamic objectives of public welfare.

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All authors contributed significantly to the writing of this journal article. Miftahul Huda played a key role in formulating the main idea and developing the central issues of the research, which served as the conceptual foundation of the paper. Aditya Prastian Supriyadi contributed to the analysis presented and strengthening the legal arguments systematically. Meanwhile, Ramadhita contributed to the analysis to enriching the depth of the study and supporting the formulation of the conclusions.

CONFLICT OF INTEREST

The authors state that there is no conflict of interest in the publication of this article.

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