

Transformation of Waqf in the Digital Era: Qualitative Analysis of Waqf Crowdfunding Models and Cash Waqf Savings Products from the Perspective of Maqashid Syariah

Muslim Marpaung ^{1*}, Irma Suryani Lubis ²

1 Politeknik Negeri Medan, Indonesia,
Email : muslimmarpaung@polmed.ac.id

2 Politeknik Negeri Medan, Indonesia,
Email : irmasuryani@polmed.ac.id

* Corresponding Author : **Muslim Marpaung**

Abstract: This study examines the transformation of waqf in the digital era through the waqf crowdfunding model and cash waqf savings products from the perspective of Maqashid Syariah. Waqf, which is traditionally manifested in the form of immovable assets, has now developed into movable assets such as cash waqf, supported by Law No. 41 of 2004. Digital innovations, such as waqf crowdfunding, allow wider community participation with small amounts for productive social projects, while cash waqf savings products in Islamic banking manage funds productively with the proceeds channeled to education, health, and public infrastructure. Despite having great potential in socio-economic development and in line with the Hifdzu Maal principle in Maqashid Syariah, the implementation of digital waqf still faces challenges such as unclear regulations, lack of public awareness, risk of mismanagement, and limited investment. This study uses a qualitative descriptive approach, case studies, and normative-sociological with in-depth interviews, documentation, and literature studies as data collection techniques. The research subjects were selected through purposive sampling. Data analysis using the Miles and Huberman interactive model, as well as triangulation of sources and methods for data validity. The results of the study are expected to provide theoretical contributions and practical recommendations for the management of digital waqf that is professional, transparent, and beneficial to the community.

Keywords: Digital Waqf, Maqashid Syariah, Waqf Crowdfunding

1. INTRODUCTION

Waqf is one of the social financial instruments in Islam that has a major contribution to the development of human civilization, especially in the fields of education, health, and religious facilities. Since the classical era, the practice of waqf has been more often manifested in the form of immovable assets such as land and buildings. However, along with the development of the economy and technology, the concept of waqf has begun to expand into the form of movable assets such as cash waqf, which in Indonesia is officially recognized through Law No. 41 of 2004 concerning Waqf (Senjiati et al., 2023).

In its development, financial digitalization has also given rise to innovations in technology-based waqf management. One form is waqf crowdfunding, an online fundraising model that allows the public to participate with small amounts and is managed collectively to finance productive social projects (Fauzan, 2023). This model addresses the limitations of the conventional waqf model and increases community participation in the digital era.

Received: 15 Agustus, 2024
Revised: 29 Agustus, 2024
Accepted: 13 September, 2024
Available Online : 30 September, 2024
Curr. Ver.: 30 September, 2024



Copyright: © 2025 by the authors.
Submitted for possible open
access publication under the
terms and conditions of the
Creative Commons Attribution
(CC BY SA) license
(<https://creativecommons.org/licenses/by-sa/4.0/>)

In addition, cash waqf savings products in Islamic banking have also grown rapidly in several countries. Bangladesh has pioneered this product since 1995, followed by Malaysia, Turkey, and Indonesia. The cash waqf funds collected are deposited in Islamic banking and managed productively, while the proceeds are channeled to various social programs such as education, health, and public infrastructure (Hossain et al., 2021).

In Indonesia, the community-based productive waqf model has been implemented by the Sidogiri Pasuruan Waqf Institution. This institution utilizes waqf funds for investment in the retail, cooperative, and sharia microfinance sectors, and distributes the proceeds for scholarships, mosque construction, and small business empowerment. This model has proven to be able to improve the economic welfare of poor families and expand the benefits of waqf in a sustainable manner (Fauzi, 2022).

However, in practice, the management of cash waqf in Indonesia still faces challenges, especially in terms of nazhir governance. Research in Tapos, Cikalong Wetan showed that there was misuse of productive waqf business results by nazhir who took all the profits without distributing them to the beneficiaries, even though according to Article 12 of Law No. 41 of 2004, nazhir is only entitled to a maximum of 10% of the net results of waqf management (Senjiati et al., 2023).

From a fiqh perspective, the four major Islamic schools of thought state that nazhir has the right to compensation for waqf management, but in a proportional amount according to the wakif's provisions or the judge's decision. Imam Syatibi in the Maqashid Syariah theory emphasizes the importance of maintaining, developing, and utilizing waqf assets for the benefit of the community through the principle of Hifdzu Maal (Fauzan, 2023).

Internationally, several countries have succeeded in developing cash waqf deposit and waqf crowdfunding models. Turkey through Vakıfbank, Malaysia with Waqf-linked Investment Fund, and Indonesia with Sukuk Waqf Negara have proven that digital cash waqf management can significantly support infrastructure development, education, and social services (Hossain et al., 2021).

Both waqf crowdfunding and cash waqf savings are in principle in line with the objectives of Dharuriyat in Maqashid Syariah, especially in safeguarding assets (Hifdzu Maal) and empowering the people's economy. This instrument can encourage social justice, improve the welfare of the poor, and provide access to participation in digital-based charity that is trustworthy and transparent (Fauzan, 2023).

This digital transformation of waqf is also a solution to overcome the limitations of the conventional waqf model which has so far only been oriented towards physical development. With easy access for the community through digital technology, the potential for collecting cash waqf funds in Indonesia, which is estimated to reach IDR 180 trillion per year, can be optimized (Fauzan, 2023).

Therefore, it is important to conduct an in-depth academic study on the waqf crowdfunding model and cash waqf savings products from the perspective of Maqashid Syariah. This study aims to analyze the effectiveness, transparency, and sustainability of digital

waqf management in Indonesia, as well as formulate recommendations for developing a digital waqf model based on sharia values that are oriented towards the welfare and socio-economic sustainability of the community (Fauzan, 2023; Hossain et al., 2021).

2. LITERATURE REVIEW

Waqf in the Islamic context has become one of the most sustainable social financial instruments. History records that waqf has played a major role in supporting educational, health, and public service facilities since the classical era of Islamic civilization. According to Senjiati et al. (2023), early waqf practices were more dominant in the form of immovable assets such as land and buildings for mosques, Islamic boarding schools, or cemeteries.

The concept of cash waqf began to develop along with the need for more flexible financial instruments. Cash waqf is defined as a form of endowment in the form of cash funds invested in accordance with sharia and the results are used for social and religious activities. Hossain et al. (2021) stated that Bangladesh has been a pioneer in implementing cash waqf deposit products through the sharia banking system since 1995.

In Indonesia, the development of cash waqf has legal legitimacy through Law No. 41 of 2004 concerning Waqf. Fauzi (2022) explains that this law paves the way for the legality of productive cash waqf management, in line with the 2002 fatwa of the Indonesian Ulema Council (MUI) which allows cash waqf.

Crowdfunding as a digital method in collecting waqf is the latest innovation that utilizes financial technology (fintech). Fauzan (2023) stated that waqf crowdfunding is categorized as a donation model without compensation that aims purely to fund social activities transparently and efficiently.

Fauzan (2023) also emphasized that the waqf crowdfunding model is very relevant to Maqashid Syariah, especially in the aspect of Hifdzu Maal (protection of assets). According to him, this principle requires that asset management be carried out productively and beneficially for the public interest.

From a fiqh perspective, the validity of cash waqf has been discussed by contemporary and classical scholars. Senjiati et al. (2023) noted that the four main schools of thought in Islam (Hanafi, Maliki, Syafi'i, and Hanbali) allow waqf management by nazhir with reasonable compensation, with a maximum limit of 10% of the profit according to positive law in Indonesia.

Related to waqf management practices, Senjiati et al.'s (2023) research raised a case in Tapos, Cikalong Wetan, where a violation occurred by the nazhir who took all the profits from the productive waqf business without distributing them to the beneficiaries (mauquf 'alaih).

In contrast, a study by Fauzi (2022) at L-Kaf Sidogiri showed the success of the community-based productive waqf model. Waqf funds are managed through cooperatives and Islamic microfinance institutions to support education, mosque construction, and MSME capital.

Hossain et al. (2021) describe the implementation of cash waqf in other countries such as Malaysia and Turkey. In Malaysia, waqf-linked mutual funds products were developed by Islamic banks for real estate investment. In Turkey, Vakıfbank uses waqf funds to finance education and research.

Fauzan (2023) also highlighted that waqf crowdfunding can be a solution to the low community participation in conventional waqf. Digitalization opens up access to wider community participation, including the younger generation and the global Muslim diaspora.

Senjiati et al. (2023) added that nazhir needs to have competence in financial management and an understanding of applicable regulations so that the management of cash waqf does not deviate from sharia principles or positive law.

Fauzi (2022) emphasized the importance of collaboration between waqf institutions, Islamic boarding schools, cooperatives, and microfinance institutions so that waqf funds can be mobilized optimally. He also suggested collection methods such as weekly waqf for students and regular salary deductions to expand the donor base.

In terms of regulation, waqf crowdfunding has been declared legal by DSN-MUI through Fatwa No. 117/DSN-MUI/II/2018 and is supported by Bank Indonesia regulation No. 19/12/PBI/2017 concerning sharia fintech services (Fauzan, 2023). This provides a strong legal basis for the development of a digital waqf platform.

This literature review shows that the integration of waqf, financial technology, and maqashid sharia is a strategic approach to revitalize the socio-economic function of waqf. The biggest challenges are in the aspects of governance, transparency, and public education so that this digital waqf innovation can be sustainable.

Thus, the study of waqf crowdfunding models and cash waqf savings products is very relevant to answer the needs of modern Islamic financial management but remains in line with the values of maqashid sharia.

3. METHOD

This study uses a descriptive qualitative approach because it aims to deeply understand the phenomenon of waqf transformation in the digital era through the waqf crowdfunding model and cash waqf savings products from the perspective of Maqashid Syariah. This approach is considered appropriate for exploring the perceptions, experiences, and practices of nazhir and digital waqf institution actors related to the management of productive waqf in Indonesia (Fauzan, 2023).

The type of research chosen is a qualitative case study. Case studies are used because this study focuses on a specific phenomenon, namely the waqf crowdfunding model and cash waqf savings products that are developing in Indonesia. This approach allows researchers to conduct in-depth exploration of the implementation of digital waqf and its relevance to the principles of maqashid sharia (Fauzi, 2022).

This study also uses a normative-sociological approach. The normative approach is used to analyze positive regulations governing cash waqf in Indonesia, such as Law No. 41 of 2004 concerning Waqf and DSN-MUI Fatwa No. 117/DSN-MUI/II/2018 concerning sharia crowdfunding (Senjiati et al., 2023). Meanwhile, the sociological approach functions to examine the implementation of digital waqf in society and its impact on social welfare (Fauzan, 2023).

The data sources in this study consist of primary data and secondary data. Primary data were obtained through in-depth interviews with managers of sharia crowdfunding platforms, nazhir, managers of sharia financial institutions, wakif, and beneficiaries of cash waqf. Meanwhile, secondary data were collected from journals, books, research reports, policy documents, and previous study results related to the management of productive and digital waqf (Hossain et al., 2021).

Data collection techniques were carried out through three main methods. First, semi-structured interviews with key informants to obtain information on the strategy of collecting, managing, and distributing waqf funds. Second, documentation to review financial reports, waqf contracts, and administrative data of digital waqf institutions. Third, literature studies to strengthen the theoretical basis and field results with previous research findings (Fauzi, 2022).

The research subjects were determined using purposive sampling, namely the deliberate selection of informants based on their direct involvement and competence in managing waqf crowdfunding and cash waqf savings. Informants include nazhir from BWI, managers of sharia crowdfunding platforms, sharia economics academics, and wakif and mauquf 'alaih as recipients of productive waqf benefits (Fauzan, 2023).

The main instrument in this study is the researcher himself (human instrument) who plays a role in designing interview guidelines, collecting data, and interpreting research results. To help systematize the interview and observation process, the researcher also used interview guidelines and observation sheets (Senjiati et al., 2023).

The data analysis process was carried out using the interactive qualitative analysis model from Miles and Huberman, which consists of three stages, namely data reduction, data presentation, and drawing conclusions. Data reduction is carried out to sort relevant data, data presentation is carried out through narrative descriptions and thematic matrices, while drawing conclusions is carried out through repeated verification until a consistent pattern of findings is obtained (Fauzan, 2023).

To maintain the validity of the data, this study uses source triangulation and method triangulation techniques. Source triangulation is carried out by comparing interview data from various informants with documentation data. Meanwhile, method triangulation is carried out by comparing the results of interviews, observations, and literature studies, to ensure the validity and reliability of the data (Hossain et al., 2021).

The results of this study are expected to provide theoretical contributions to the development of literature on digital-based productive waqf from the perspective of Maqashid Syariah, as well as practical recommendations for regulators, nazhirs, sharia crowdfunding

platforms, and sharia financial institutions in designing professional, transparent, and beneficial digital waqf management strategies for the community (Fauzi, 2022; Fauzan, 2023).

4. RESULT AND DISCUSSION

The discussion in this section will outline two main models of digital waqf, analyze their socio-economic contributions, and assess their fundamental alignment with the Maqasid Shariah framework .

Innovative Waqf Models in the Digital Era

The two main models that are the spearheads of waqf transformation in the digital era are Cash Waqf Deposit Products and Waqf Crowdfunding . Both offer different but complementary mechanisms in optimizing waqf potential.

The Cash Waqf Deposit Product, pioneered by Islami Bank Bangladesh Limited (IBBL) in 1995, operates through a clear structure 77 . The mechanism begins with the contribution of donors who deposit a certain amount of funds into a special cash waqf account . The funds collected are then invested by Islamic banks in financial instruments that comply with Sharia principles .

Furthermore, the profits generated from the investment are allocated to pre-determined social and economic projects . The most fundamental thing is that the principal amount of the waqf remains intact, thus ensuring the sustainability of long-term benefits for the community . The success of this model in Bangladesh, where more than 1.5 million people have benefited, is an inspiration for other countries .

Malaysia, for example, has developed cash waqf-linked mutual funds, where Islamic banks invest donations in real estate and financial markets . In Turkey, Vakıfbank specifically manages cash waqf to fund educational scholarships and skills development programs . Meanwhile, Indonesia launched Sukuk Waqf, where cash waqf is invested in government-backed projects such as schools and hospitals .

The second model is Waqf Crowdfunding , which is a digital fundraising method that collects small contributions from many donors . The crowdfunding platform serves as a tool to collect waqf funds and allocate them to those in need, taking advantage of rapid technological advances . The assets collected through this platform mostly consist of cash waqf .

This model significantly expands access and participation in waqf . With crowdfunding , Islamic philanthropy is no longer limited to the upper classes, but becomes an inclusive and transparent communal movement.

Socio-Economic Contribution of Digital Waqf

The impact of both digital waqf models is significant and aligned with the Sustainable Development Goals (SDGs). Their main contributions can be seen in several crucial sectors. In the fight against poverty and financial inclusion (SDGs 1 & 8), cash waqf enables low-income groups to access microfinance and business loans . In Bangladesh, Islamic banks use

cash waqf funds to finance microfinance programs, providing interest-free loans to small businesses .

In the education sector (SDG 4), cash waqf funds are allocated for scholarships, school construction, and research grants . In Malaysia and Turkey, universities receive cash waqf funds for higher education scholarships and faculty development .

For health services (SDG 3), many hospitals and clinics, especially in Bangladesh and Indonesia, use cash waqf to provide affordable or free medical services . The Islamic Bank Foundation in Bangladesh funds hospitals and health centers through the return of cash waqf 95 .

In infrastructure development (SDG 11), cash waqf finances community projects such as housing for the poor, sanitation, and clean water facilities . Waqf-related sukuk in Indonesia are a concrete example of how cash waqf is channeled into public infrastructure projects .

A case study in L-Kaf Sidogiri, Pasuruan, also shows this positive impact at the micro level. Through the management of productive waqf whose funds are collected from various innovative methods, this institution distributes business capital to small entrepreneurs . This program has proven successful in improving the family economy by providing financial support for small businesses, improving production quality, and encouraging economic resilience .

Analysis of Harmony with Maqashid Syariah

The essence of digital waqf innovation lies in its fundamental alignment with Maqasid Shariah . Islamic law is designed to protect and promote public welfare . Digital waqf is a modern manifestation of this noble goal, especially in the context of Hifdzu Maal (protection and development of wealth) .

Protecting and developing wealth is considered an obligation for Muslims, aiming to achieve collective prosperity and ultimately falah (success) . The digital waqf model inherently fulfills both aspects of Hifdzu Maal . The “protection” aspect is fulfilled because the principal of the waqf fund is kept intact and should not be reduced.

Meanwhile, the "development" aspect is realized through the investment of waqf funds in productive sectors that generate profits. This practice transforms idle assets into active capital that continues to rotate to produce new benefits. This is in line with the spirit of sharia which encourages the circulation of wealth and prohibits the hoarding of wealth.

Other pillars of dharuriyat . Funding of health services from waqf profits is a concrete form of hifdz an-nafs (protection of the soul). Educational scholarships funded by waqf support hifdz al-'aql (protection of the mind). Empowering the family economy through business capital from waqf funds supports hifdz an-nasl (protection of descendants).

In addition, the principle of transparency carried by the crowdfunding platform and governance regulated in Islamic banking products are in line with the principle of Hifdzu Maal which prohibits fraudulent transactions (gharar) and unfair practices . Thus, digital waqf not only secures assets, but also ensures that their distribution is carried out ethically and accountably.

Challenges and Directions for Future Development

Despite its enormous potential, the implementation of digital waqf still faces several challenges. One of them is the existence of regulatory and legal barriers in several countries that do not yet have a clear waqf legal framework, thus creating uncertainty in financial transactions .

Lack of public awareness is also a significant obstacle. Many Muslims are not familiar with the concept of cash waqf, limiting donor participation . In addition, the risk of mismanagement and corruption remains if poor governance results in inefficient use of funds

Another challenge is investment limitations. Islamic banks must ensure Sharia compliance, which limits some high-yield investment opportunities .

To address these challenges, several policy recommendations can be put forward. First, the government should develop comprehensive waqf regulations to create a legal framework that encourages the growth of cash waqf . Second, integration with digital banking should be enhanced by implementing an online cash waqf platform to facilitate donations globally .

Third, increasing transparency and governance is essential, for example by establishing an independent waqf management board to oversee the distribution of funds . Finally, public-private partnerships should be encouraged by collaborating between Islamic banks, NGOs, and the government to maximize impact .

5. CONCLUSION

The transformation of waqf through crowdfunding models and cash waqf savings products is a significant evolution in Islamic philanthropic practices. Both models effectively address the limitations of traditional waqf by leveraging digital technology and modern financial instruments to increase participation, transparency, and productivity of waqf assets. The success of its implementation in various countries shows its potential as a powerful tool for socio-economic development, ranging from poverty alleviation, education, to health services.

Fundamentally, this digital waqf innovation has proven to be very much in line with the Maqashid Syariah framework . By maintaining the integrity of the principal while developing it productively, these models directly realize the principle of Hifdzu Maal (protection and development of wealth). Moreover, the benefits generated sustainably also support other pillars of dharuriyat , such as protection of the soul (hifdz an-nafs) and the mind (hifdz al-'aql), making it a holistic approach to achieving the welfare of the people (falah).

With strategic reforms focused on strengthening the regulatory framework, improving governance, and educating the public, digital waqf has the potential to reshape the landscape of Islamic social finance . Crowdfunding waqf and cash waqf savings products are not just technical innovations, but vital instruments that can be key pillars in achieving social justice and sustainable development globally .

REFERENCES

- [1]. Fauzi, NA (2022). Productive Waqf for Family Economic Empowerment: The Perspective of Law No. 41 of 2004 on Waqf . UIN Maulana Malik Ibrahim Malang.
- [2]. Fauzan, A. (2023). Crowdfunding Waqf from the Perspective of Maqashid Syariah According to Imam Syatibi . El-Iqtishady: Journal of Islamic Economic Law, 5(2), December 2023.
- [3]. Hossain, M. et al. (2021). Cash Waqf Deposit Product: An Innovative Instrument of Islamic Banks for Socio-Economic Development in Bangladesh and Beyond .
- [4]. Senjiati, IH et al. (2023). Analysis of Fiqh Waqf and Law No. 41 of 2004 on Waqf Regarding the Acquisition of Nazhir Rights in the Management of Individual Cash Waqf in Tapos Village, Cikalong Wetan . Faculty of Sharia, Bandung Islamic University.
- [5]. Law No. 41 of 2004 concerning Waqf
- [6]. DSN-MUI Fatwa No. 117/DSN-MUI/II/2018 on sharia crowdfunding