

PRODUCTIVE WAQF AND MSME EMPOWERMENT: A SYSTEMATIC LITERATURE REVIEW ON MODELS, IMPACTS, AND IMPLEMENTATION CHALLENGES

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ABSTRACT

Productive waqf has emerged as a strategic Islamic social finance instrument with significant potential to support sustainable economic development, particularly through the empowerment of Micro, Small, and Medium Enterprises (MSMEs). Despite growing scholarly attention, existing studies remain fragmented and context-specific, lacking a comprehensive synthesis of productive waqf models, their empowerment outcomes, and implementation challenges. This study addresses this gap by providing an integrated and up-to-date review of productive waqf literature related to MSME empowerment. The research aims to identify dominant productive waqf models, analyze their impacts on MSMEs, and examine key implementation challenges. Employing a Systematic Literature Review (SLR) approach based on the PRISMA framework, this study reviews 15 peer-reviewed journal articles published between 2020 and 2025. The findings reveal that asset-based productive waqf models dominate the literature (60%), while cash- and financial-based models account for 40%. Productive waqf contributes positively to MSME development by enhancing access to capital, strengthening business capabilities, and fostering income growth, employment generation, and business sustainability. However, regulatory fragmentation, limited waqf literacy, and inadequate managerial capacity continue to hinder its effective implementation.

INTRODUCTION

Productive waqf has increasingly gained attention as a strategic instrument within Islamic social finance aimed at generating sustainable socioeconomic benefits (Priyadi et al., 2022). Unlike traditional consumptive waqf, productive waqf emphasizes the professional management of endowed assets to produce continuous economic returns that can be utilized for community development (Munawar & Mufraini, 2021). In recent years, productive waqf has been positioned as an alternative mechanism to support Micro, Small, and Medium Enterprises (MSMEs), particularly in developing economies where access to formal financial services remains limited (Rifan & Wahyudi, 2023).

The growing interest in productive waqf is closely related to the critical role of MSMEs in economic development. MSMEs contribute significantly to employment creation, income distribution, and economic resilience. However, MSMEs continue to face structural challenges, including limited access to capital, low managerial capacity, and vulnerability to economic shocks (Ermawati, 2025). In this context, productive waqf offers a distinctive value proposition by integrating sustainability principles, social justice, and economic empowerment, making it a potentially effective instrument for MSME development.

From a theoretical perspective, productive waqf is strongly connected to theories of sustainable development, economic empowerment, and Islamic social finance. Sustainable development theory emphasizes the long-term utilization of resources to generate lasting benefits, while economic empowerment theory highlights the importance of enhancing the capacity and autonomy of economic actors (Meyer et al., 2024; Sunny et al., 2024). Within the framework of Islamic social finance, productive waqf functions as a redistributive mechanism that extends beyond charitable giving toward productive and impact-oriented economic activities (Mukhid, 2024). The integration of these theoretical perspectives provides a strong conceptual foundation for positioning productive waqf as a viable tool for MSME empowerment.

Despite its theoretical relevance and growing practical application, existing research on productive waqf and MSME empowerment remains fragmented. From a theoretical standpoint, there is limited consensus on the most effective models of productive waqf for supporting MSMEs and their mechanisms of impact. Empirically, prior studies are largely context-specific and dominated by case studies, which constrains the generalizability of findings across regions and institutional settings. Methodologically, most studies employ isolated qualitative or quantitative approaches, while systematic syntheses of the accumulated evidence remain scarce.

The absence of a comprehensive and structured synthesis of the literature creates significant research gaps. To date, relatively few studies have applied a Systematic Literature Review (SLR) approach to examine productive waqf specifically in the context of MSME empowerment. Consequently, knowledge regarding research trends, implementation models, impact dimensions, and operational challenges remains dispersed and underdeveloped. Addressing these gaps is essential to advance both theoretical understanding and evidence-based policy formulation.

Accordingly, this study aims to conduct a Systematic Literature Review of scholarly research on productive waqf and MSME empowerment. Specifically, the study seeks to identify dominant models of productive waqf, analyze their economic and social impacts

on MSMEs, and examine the key challenges encountered in implementation. By adopting the PRISMA guidelines, this review ensures methodological rigor, transparency, and replicability in the literature selection and analysis process.

This study contributes to the literature in several ways. Theoretically, it enriches Islamic social finance research by providing a structured conceptual mapping of productive waqf in relation to MSME empowerment. Empirically, it synthesizes evidence from diverse contexts to highlight common patterns, outcomes, and limitations. Practically, the findings offer valuable insights for policymakers, waqf institutions, and development practitioners in designing and implementing more effective and sustainable productive waqf initiatives to support MSMEs.

LITERATURE REVIEW

Productive Waqf in Islamic Social Finance

Productive waqf constitutes a core component of Islamic social finance that aims to generate sustainable economic returns through the professional management of endowed assets. Contemporary literature emphasizes a paradigm shift from traditional consumptive waqf toward productive and investment-oriented waqf models that support long-term socioeconomic development (Timur et al., 2025). Recent studies highlight that productive waqf enhances financial inclusion by mobilizing idle assets and channeling them into productive economic activities, particularly for underserved groups such as MSMEs (Syarifuddin, 2024). From a theoretical standpoint, productive waqf aligns with Islamic economic principles that emphasize value creation, social justice, and intergenerational equity. Empirical studies demonstrate that well-governed waqf institutions are capable of transforming charitable capital into sustainable economic resources, thereby extending the function of waqf beyond philanthropy into productive economic empowerment (Kamaruzaman & Ishak, 2023)

MSME Empowerment and Economic Sustainability

MSMEs are widely recognized as key drivers of economic growth, employment generation, and poverty reduction. MSMEs often face persistent challenges related to limited access to financing, weak managerial capacity, and institutional constraints (Kamaruzaman & Ishak, 2023). Recent research emphasizes that empowerment-oriented interventions—such as access to ethical financing, capacity building, and institutional support—are essential to enhance MSME sustainability and resilience (Jaya & Mashadi, 2025). In this context, Islamic social finance instruments, including productive waqf, have been increasingly explored as alternative mechanisms to support MSME development. Studies indicate that productive waqf-based financing contributes not only to capital provision but also to improvements in business performance, income stability, and social welfare outcomes (Bisaidah et al., 2025; Muttaqim et al., 2025).

Models of Productive Waqf for MSME Empowerment

The literature identifies several models of productive waqf applied to MSME empowerment. These include cash waqf-based microfinance, waqf-linked business ventures, waqf investment funds, and integrated waqf–zakat–microfinance models

(Bisaidah et al., 2025). Each model differs in governance structure, risk-sharing mechanisms, and target beneficiaries. However, the effectiveness of these models largely depends on institutional governance, regulatory support, and managerial professionalism. Weak governance structures have been identified as a major constraint limiting the impact of productive waqf initiatives on MSME performance (Muttaqim et al., 2025).

Impacts and Implementation Challenges

Recent empirical studies report that productive waqf contributes positively to MSME empowerment by improving access to financing, enhancing business capacity, and increasing income stability (Laila et al., 2023). Additionally, productive waqf initiatives have been found to generate broader social impacts, including employment creation and community development (Rahman et al., 2021). Despite these positive outcomes, several challenges persist. Key implementation barriers include regulatory uncertainty, limited public awareness, insufficient professional expertise among waqf managers, and difficulties in measuring impact (Laila et al., 2023). These challenges indicate the need for integrated governance frameworks and evidence-based policy support to enhance the effectiveness and sustainability of productive waqf programs.

Research Gap and Conceptual Foundation

Although the existing literature provides valuable insights into productive waqf and MSME empowerment, prior studies remain fragmented and context-specific. Most research focuses on individual models or isolated case studies, offering limited cross-contextual comparison. Furthermore, few studies systematically synthesize empirical evidence to identify dominant patterns, impact dimensions, and recurring challenges across different institutional and geographic settings.

As an exploratory study, this Systematic Literature Review does not aim to test causal hypotheses but rather to address the following research questions:

- (1) What productive waqf models are most frequently applied to MSME empowerment?
- (2) What economic and social impacts are associated with these models?
- (3) What challenges constrain the effective implementation of productive waqf for MSMEs?

By synthesizing recent literature (2020–2025), this study establishes a comprehensive conceptual foundation for understanding the relationship between productive waqf models, MSME empowerment outcomes, and implementation challenges. The findings are expected to inform future empirical research and support policy development in Islamic social finance and MSME empowerment.

RESEARCH METHOD

This study adopts a qualitative exploratory research design using a Systematic Literature Review (SLR) approach. The SLR method is employed to systematically identify, evaluate, and synthesize existing scholarly literature related to productive waqf and MSME empowerment. This approach is appropriate for addressing fragmented research findings and for developing a comprehensive understanding of models, impacts, and implementation challenges reported in prior studies. The review follows the PRISMA

(Preferred Reporting Items for Systematic Reviews and Meta-Analyses) guidelines to ensure transparency, rigor, and replicability in the literature selection and analysis process.

Data Sources and Sample Selection

Data were collected from reputable academic databases, including:

- Scopus
- Web of Science
- Google Scholar
- SINTA (for Indonesian-context studies)

The sample of articles was determined using a systematic screening process, consisting of identification, screening, eligibility, and inclusion stages. The inclusion criteria were:

- Peer-reviewed journal articles
- Published between 2020 and 2025
- Written in English or Indonesian
- Explicitly addressing productive waqf and MSME empowerment

Articles such as conference proceedings, editorials, non-peer-reviewed publications, and duplicate records were excluded.

Data Collection Procedure

The literature search was conducted using predefined keywords and Boolean operators, such as:

- "productive waqf" OR "cash waqf"
- AND ("MSMEs" OR "UMKM")
- AND ("empowerment" OR "economic development")

Variable Conceptualization and Operationalization

As an exploratory SLR, this study does not operationalize variables in a statistical sense. Instead, key analytical constructs were derived from the literature and categorized into thematic dimensions, including:

1. Productive waqf models (e.g., cash waqf microfinance, waqf-based enterprises)
2. MSME empowerment outcomes (e.g., access to finance, income growth, business sustainability)
3. Implementation challenges (e.g., governance, regulation, managerial capacity)

These constructs were used as analytical lenses to guide data extraction and thematic synthesis.

Criteria	Inclusion	Exclusion
Publication Year	2020–2025	Outside the specified period
Language	English and Indonesian	Other languages
Article Type	Peer-reviewed empirical studies, conceptual papers, and systematic literature reviews	Opinion articles, editorials, conference proceedings, or non-peer-reviewed reports
Research Focus	Productive waqf and MSME empowerment	Studies unrelated to productive waqf or MSME empowerment
Accessibility	Full-text articles available	Abstract-only or inaccessible full-text articles

Inclusion and Exclusion Criteria
Table 1. Inclusion and Exclusion Criteria

PRISMA Flow Diagram

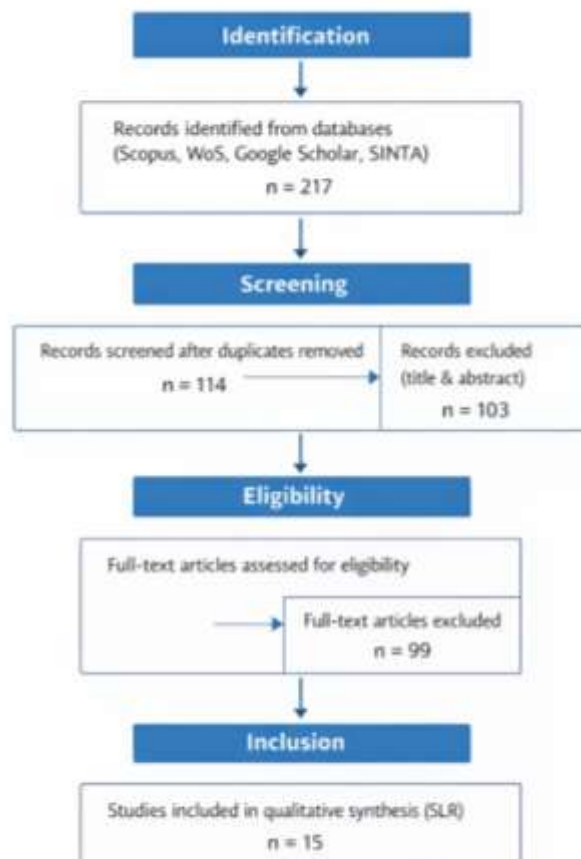


Figure 1. PRISMA Flow Diagram

RESEARCH RESULTS AND DISCUSSION

Table 2. Summary of Included Studies (2020–2025)

No	Paper	Productive Waqf Model	MSME Empowerment Impact	Implementation Challenges
1.	Optimizing Productive Waqf: Driving the Growth of Small and Medium Enterprises in Padang (Widad Rifai, 2024)	Asset-based (involves donating assets such as land or money)	Improved access to capital, reduced financial constraints, enhanced operational capacity, increased sales and revenue, improved business sustainability, Stimulated entrepreneurship.	Weak regulatory framework, low public awareness, bureaucratic constraints, limited manager capacity, insufficient MSME support, limited financial access in Padang.
2.	Peran Wakaf Produktif dalam Pemberdayaan Ekonomi Umat: Studi pada Model Pengelolaan Berbasis Maqashid Syariah (Rupita & Mawardi, 2025)	Asset-based waqf (land, buildings)	Capital provision for MSMEs, support for social and economic programs, Enhanced business capacity and independence, Job creation and income growth, Improved business sustainability, Promotion of entrepreneurship.	Weak and unsupportive regulations, Low public literacy on waqf, Poor coordination between waqf institutions and government, Implied financial and operational constraints, Implied institutional capacity limitations, Need for stronger collaboration and digitalization.
3.	Peran Produktif Wakaf pada Bank Wakaf Mikro di Masyarakat Kota Jambi (Anggraeni&Anggraini, 2024)	Financial-based waqf (capital assistance)	Improved access to business capital, Business expansion and job creation, Enhanced competitiveness and capacity, Increased income and sustainability, Training and mentoring support, Improved welfare and motivation.	Limited access to alternative financing, Weak marketing and product development, Limited institutional capacity of MWBs, Regulatory constraints on microfinance, Balancing social and commercial goals, Limited geographical coverage.

No	Paper	Waqf Productive Model	MSME Empowerment Impact	Implementation Challenges
4.	The Productivity of West Sumatra Muhammadiyah Cash Waqf as a Model for the Development of Sharia Investment in Empowering UMKM (Elfia&Duhriah, 2022)	Cash waqf model	Capital investment as main productivity source, limited business development implementation, indirect economic benefits through community programs, weak enhancement of business capacity, limited support for entrepreneurship, productivity constrained by management issues.	Lack of professional management, inadequate development and investment models, financial and operational inefficiencies, weak institutional capacity in fund distribution, failed or suboptimal business ventures, need for strategic and professional investment.
5.	Strategy For Optimizing The Utilization Of Productive WakafFor Empowering Umkm In Banjar District (Mardini, 2025)	Asset-based productive waqf	Improved access to business financing, More stable capital for MSMEs, Enhanced managerial and business skills, Increased income and job creation, Improved business sustainability, Strengthened entrepreneurship capacity.	Weak regulatory support, low literacy on productive waqf, limited professional management capacity, insufficient inter-institutional coordination, financial and operational inefficiencies, need for sharia-compliant and transparent governance
6.	Training in Waqf Administration for MSMEs: A Novel Paradigm of Community-Centric Sharia Economic Framework in the Mujahadah Mosque Vicinity of Rintis Village, Pekanbaru (Wali Saputra, 2025)	Asset and infrastructure-based waqf	Improved access to capital and assets, Enhanced administrative and financial literacy, Formation of waqf-oriented business groups, Potential income growth and job creation, Improved business autonomy and sustainability, Strengthened entrepreneurial skills	Weak regulatory and transparency frameworks, low public literacy on waqf, limited qualified human resources, weak administrative and reporting capacity, poor institutional coordination, need for accountability and digital capacity

No	Paper	Waqf Productive Model	MSME Empowerment Impact	Implementation Challenges
7.	An Islamic Legal Review OfThe Implementation Of Productive Waqf At Darul Izzah Foundation, South Tangerang (Khabibi et al., 2024)	Asset-based productive waqf	Alternative sustainable funding through halal businesses, potential business expansion and job creation, community involvement in governance, support for entrepreneurship development, skills enhancement through participatory management.	Low public awareness of productive waqf, limited qualified human resources, weak professional management capacity, limited understanding of legal and operational aspects, need for stronger community-based governance.
8.	Model Of Productive Waqf Policy Governance For Sustainable Economic Development: A Pestel Analysis Approach (Muis et al., 2025)	Asset-based productive waqf (land-based)	Improved financial stability and capital access, capacity building through training and infrastructure, income growth and job creation, contribution to economic performance (GDP impact), enhanced skills and entrepreneurship	Fragmented and ineffective policy frameworks, low waqf literacy and public awareness, weak waqf management and human resources, limited financial access and poor data systems, need for integrated Islamic social finance governance
9.	The Role of Micro Waqf Bank in Supporting MSMEs through Productive Waqf (Rifan & Wahyudi, 2023)	Cash-based productive waqf	Improved access to business capital, focus on women MSME actors, training in online business and marketing, increased income and business sustainability, enhanced skills and entrepreneurial motivation	Limited access to formal finance (unbankable MSMEs), weak market access, low digital and social media literacy, limited interaction between bwm and community, institutional discipline and participation issues

No	Paper	Waqf Model	Productive MSME Empowerment Impact	Implementation Challenges
10.	Mudharabah Linked Waqf: Inovasi Model Pembiayaan Berkelanjutan untuk UMKM (Majid, 2021)	Cash waqf-based model	Improved access to capital, Training and infrastructure support, Reduced financing margins (Murabaha), Increased income and job creation potential, Enhanced Islamic finance literacy, Strengthened entrepreneurship capacity	Limited access to financing and operations, Low human resource and marketing capacity, Compliance with Islamic finance principles, Risk management and audit requirements, Need for stronger institutional capacity
11.	Waqf management and accountability: Waqf land financing models for economic wellbeing (Priyadi et al., 2022)	Asset-based waqf (waqf land)	Improved access to capital and investment, infrastructure development through waqf assets, job creation and income generation, enhanced business sustainability, skills and entrepreneurship development	Strong government control over waqf assets, limited public trust and legitimacy, bureaucracy and corruption risks, limited or absent funding, weak local-level management capacity, need for transparency and accountability
12.	Implementation of Corporate Waqf Core Principles in the Development of Waqf in Indonesia (Huda & Santoso, 2022)	Asset and infrastructure-based waqf	Access to business capital via micro waqf banks, community empowerment through labor cooperation, support for micro-economic activities, skills and entrepreneurship development, indirect contribution to local economic growth	Complex and fragmented governance, low public understanding of waqf law, asset mismanagement and unclear nazir roles, limited government support, weak professional and institutional capacity, need for governance reform aligned with islamic principles

No	Paper	Waqf Model	Productive MSME Empowerment Impact	Implementation Challenges
13.	Designing waqf-based financing model for livestock project: empirical evidence from Indonesia (Sukmana et al., 2024)	Asset-based waqf (idle waqf land)	Improved access to productive assets (land), formation of breeders' cooperative, income growth and job creation potential, enhanced business sustainability, improved skills and entrepreneurship	Coordination between pesantren and waqf managers, management of waqf land assets, potential regulatory constraints, institutional capacity limitations, context-specific challenges in indonesia
14.	The Role of Micro Waqf Bank in Women's Micro-Business Empowerment through Islamic Social Finance: Mixed-Method Evidence from Mawaridussalam Indonesia (Soemitra et al., 2022)	Cash waqf-based model	Improved access to micro-capital, Strong mentoring and capacity building, Increased income and business sustainability, Business continuity during COVID-19, Enhanced skills and entrepreneurship	COVID-19 restrictions on face-to-face activities, Limited access to digital technology for mentoring, Difficulty maintaining sales during the pandemic, Need to shift to virtual transactions and risk mitigation
15.	40-Year Bibliometric Analysis Of Waqf: Its Current Status And Development, And Paths For Future Research (Aldeen, 2021)	Cash waqf-based model	Potential access to capital and investment, Support for human capital and education, Contribution to job creation and income growth, Support for business sustainability, Digital models (e-waqf, waqfchain) enhance entrepreneurship	Limited trustee (nadzir) expertise and capacity, Credibility issues affecting participation, High capital needs for asset management, Weak transparency and accountability, Limited research focus beyond Malaysia and Indonesia

Literature Synthesis Results

Waqf Productive Model

A simple frequency analysis of the 15 reviewed studies indicates that asset-based productive waqf models appeared in 9 studies (60%), while cash- or financial-based waqf models appeared in 6 studies (40%). This finding indicates that asset-based waqf is the most frequently discussed model within the reviewed literature, although cash-based waqf models also constitute a substantial proportion of the studies reviewed. Nevertheless, the relatively balanced distribution suggests an increasing prominence of cash waqf and financial-based mechanisms, particularly through Micro Waqf Banks, revolving funds, and integrated Islamic microfinance schemes. Therefore, the literature demonstrates not only the continued relevance of traditional asset-based waqf but also the growing importance of flexible financial waqf models in supporting MSME empowerment.

The reviewed literature demonstrates that asset-based waqf models are the most dominant form of productive waqf implementation. These models involve the donation of tangible assets such as land, buildings, infrastructure, transport vehicles, and institutional facilities, which are subsequently optimized for income-generating activities. Asset-based waqf is widely applied across sectors including MSMEs, agriculture, education, healthcare, and community welfare. Income generated from managed waqf assets is reinvested to support economic empowerment programs, particularly for small businesses and local communities (Rupita & Mawardi, 2025; Widad Rifai, 2024). The predominance of asset-based waqf may be attributed to its strong historical roots within the classical waqf tradition, where immovable assets such as land and buildings have long been regarded as sustainable instruments for generating perpetual social benefits. Moreover, these assets provide a relatively stable source of revenue and are often perceived as less risky than financial instruments, making them attractive for long-term community development initiatives. The effectiveness of this model largely depends on professional asset management and the ability of waqf institutions to transform idle assets into productive economic resources (Mardini, 2025).

In addition to asset-based models, the literature highlights the growing importance of cash waqf and cash-based financing models, particularly through mechanisms such as micro waqf banks, qardh-based financing, revolving funds, and integration with Islamic financial institutions. Cash waqf models provide flexible capital access for MSMEs, especially micro-entrepreneurs in rural areas and communities surrounding Islamic boarding schools (Elfia&Duhriah, 2022; Majid, 2021; Wali Saputra, 2025). Unlike asset-based waqf, cash waqf allows funds to be mobilized and distributed more rapidly, enabling beneficiaries to respond to immediate business needs and market opportunities. The increasing prominence of cash waqf can also be linked to financial innovation, digitalization, and the growing demand for inclusive financing mechanisms capable of reaching underserved communities. Several studies further emphasize hybrid and integrated waqf models that combine cash waqf with commercial funds, Islamic microfinance, crowdfunding platforms, and partnerships with cooperatives or BMTs. These integrated approaches are considered more scalable and sustainable because they leverage multiple funding sources while reducing dependence on a single financing

mechanism.

From an institutional perspective, waqf management structures vary considerably across countries and organizational settings, ranging from centralized government-led systems to community-based, cooperative, and corporate governance models. Professional waqf institutions, micro waqf banks, pesantren, Islamic financial institutions, and government agencies play key roles as managers and facilitators. Stakeholders involved include nazhir, donors, MSME actors, community members, Islamic financial institutions, and regulators. While participatory and transparent governance models are increasingly promoted, several studies identify limited managerial capacity, weak stakeholder coordination, and regulatory fragmentation as persistent barriers to effective implementation. Regulatory fragmentation often arises because waqf governance frameworks differ substantially across jurisdictions, with variations in legal regulations, supervisory authorities, reporting standards, and investment policies. These institutional differences may hinder collaboration among stakeholders, limit resource mobilization, and create inconsistencies in productive waqf management practices. Consequently, the success of productive waqf initiatives depends not only on the availability of waqf assets or funds but also on governance quality, institutional capacity, regulatory support, and effective collaboration among stakeholders. Overall, the synthesis indicates that productive waqf models are highly diverse and adaptable; however, their long-term effectiveness in empowering MSMEs is strongly influenced by the interaction between funding mechanisms, governance arrangements, and the broader institutional environment.

MSME Empowerment Impact

The reviewed studies consistently indicate that productive waqf provides direct financial benefits to MSMEs by improving access to capital and investment opportunities. Through mechanisms such as cash waqf funds, Micro Waqf Banks, waqf land utilization, and waqf-based financing schemes, productive waqf helps alleviate financial constraints and supports MSME operational needs. These financing arrangements are particularly beneficial for MSMEs that face difficulties accessing conventional financial institutions, enabling business expansion and continuity.

In addition to financial support, productive waqf contributes significantly to business capacity enhancement. Many studies highlight the role of waqf-funded training, mentoring, and infrastructure development in improving managerial skills, competitiveness, and innovation among MSME actors. Capacity-building initiatives (financial literacy, marketing skills, and entrepreneurship training) encourage economic independence and foster a culture of innovation (Majid, 2021; Wali Saputra, 2025). However, several studies also note that limited institutional professionalism and weak managerial capacity can restrict the effective implementation of these programs.

From an economic and qualitative perspective, productive waqf is associated with positive economic outcomes, such as increased income, job creation, improved business sustainability, and resilience during economic challenges (Khabibi et al., 2024; Majid, 2021; Muis et al., 2025). Beyond measurable economic gains, productive waqf initiatives also promote qualitative improvements, including enhanced entrepreneurial motivation, self-confidence, and human capital development. Nevertheless, the literature identifies

persistent challenges faced by MSMEs, such as bureaucratic barriers, low awareness of waqf mechanisms, limited institutional support, and regulatory constraints, which underscore the importance of strengthened governance and integrated support systems.

Implementation Challenges

The reviewed studies consistently identify regulatory barriers as a major challenge in the implementation of productive waqf. The absence of comprehensive and integrated regulatory frameworks often results in inconsistencies in waqf asset management, limited legal protection, and weak transparency mechanisms. In several contexts, uncoordinated or ineffective policies, government control over waqf assets, and differences in institutional frameworks across countries further complicate implementation (Majid, 2021; Sukmana et al., 2024; Widad Rifai, 2024). These regulatory gaps hinder innovation, restrict collaboration with financial institutions, and reduce public trust in productive waqf initiatives.

The persistence of regulatory fragmentation can be attributed to the diversity of waqf governance systems across countries and regions. In some jurisdictions, waqf management is governed through centralized systems under state supervision, whereas in others it is administered through decentralized arrangements involving religious organizations, local authorities, or independent waqf institutions. Such variations often create differences in asset registration procedures, investment regulations, reporting standards, and beneficiary distribution mechanisms. Furthermore, the rapid emergence of innovative waqf models (including digital waqf platforms, corporate waqf, and integrated waqf–Islamic microfinance schemes) has frequently outpaced regulatory adaptation. Consequently, waqf institutions may operate within unclear or overlapping legal frameworks, creating uncertainty that discourages investment partnerships, limits operational efficiency, and constrains long-term program sustainability.

Another major challenge relates to managerial capacity and human resource quality. The literature highlights low levels of waqf literacy among donors, beneficiaries, and MSME actors, as well as limited understanding of productive waqf mechanisms and relevant regulations. In addition, many waqf institutions face shortages of qualified personnel with expertise in financial management, investment planning, business development, and performance monitoring. Productive waqf requires managerial competencies that extend beyond traditional charitable administration, yet many institutions continue to rely on conventional management practices. Weak coordination among waqf institutions, government agencies, and financial intermediaries further reduces program effectiveness and limits the ability of productive waqf initiatives to generate sustainable economic outcomes (Mardini, 2025; Rupita&Mawardi, 2025).

The literature also identifies financial, operational, and context-specific constraints that affect implementation outcomes. MSMEs supported through productive waqf frequently encounter limited access to financing, operational inefficiencies, market access constraints, and challenges in product development. At the institutional level, insufficient data systems, weak monitoring mechanisms, and limited stakeholder collaboration further exacerbate these difficulties (Priyadi et al., 2022; Sukmana et al., 2024). External factors, including regional economic disparities, geographical limitations, and economic shocks such as the COVID-19 pandemic, have also been reported as

influencing program performance and sustainability (Soemitra et al., 2022).

Taken together, the reviewed studies suggest that these challenges are interconnected rather than isolated. Regulatory uncertainty can weaken institutional capacity, while managerial limitations may reduce stakeholder confidence and public participation. Similarly, inadequate collaboration among stakeholders can limit access to financial resources and reduce program effectiveness. Therefore, the successful implementation of productive waqf requires a comprehensive approach that simultaneously strengthens regulatory frameworks, enhances managerial professionalism, improves public awareness through education and digitalization, and promotes stronger partnerships among governments, waqf institutions, Islamic financial institutions, and local communities.

CONCLUSION

This study systematically reviewed 15 articles published between 2020 and 2025 to examine productive waqf models, their impacts on MSME empowerment, and the challenges affecting their implementation. The findings indicate that asset-based productive waqf remains the most frequently discussed model (60%), although cash-based and financial waqf models (40%) are gaining prominence through innovations such as Micro Waqf Banks and integrated Islamic microfinance schemes. Overall, the effectiveness of productive waqf depends not only on the availability of waqf assets and funds but also on governance quality, institutional capacity, regulatory support, and stakeholder collaboration. Future research should move beyond descriptive analyses and examine factors influencing productive waqf effectiveness, including governance quality, digitalization capability, nazhir professionalism, stakeholder collaboration, financial literacy, and institutional trust. Comparative studies across countries are also needed to explore the impact of different regulatory environments. Methodologically, future studies may employ SEM, panel data analysis, mixed-method approaches, and impact evaluation techniques to better understand the relationship between productive waqf and MSME empowerment outcomes.

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