


WAQF AND MICROFINANCE INTEGRATION STRATEGY IN IMPROVING WELFARE THROUGH COMMUNITY ECONOMIC EMPOWERMENT

Siti Darajatun^{1*}, Makhrus² 

¹ Universitas Muhammadiyah Purwokerto, Indonesia, atunsdj@gmail.com

² Universitas Muhammadiyah Purwokerto, Indonesia, makhrus@ump.ac.id

* Corresponding author

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ABSTRACT

Poverty and economic inequality remain persistent challenges in Indonesia, particularly in underdeveloped regions. Although waqf and microfinance have individually contributed to poverty alleviation, limited studies have examined their integrated application for sustainable community empowerment. This study addresses that gap by investigating how the Al-Qur'an Waqf Agency (BWA) and the Micro Waqf Bank (BWM) integrate waqf and microfinance to improve community welfare. The objective is to analyze the strategies, outcomes, and sustainability of their programs in supporting micro and small enterprises. Using a qualitative field research method, data were collected through purposive sampling and in-depth interviews with institutional stakeholders and beneficiaries. Inductive analysis was employed to identify key themes and patterns. The findings suggest that integrating waqf and microfinance enhances access to capital, improves financial literacy, and strengthens microenterprises, particularly in remote areas. Offline initiatives such as da'wah campaigns are complemented by digital platforms, significantly expanding outreach and public engagement. The study concludes that combining Islamic philanthropy and microfinance offers an effective model for inclusive and sustainable economic development. The implications highlight the need to strengthen digital infrastructure, enhance financial education, and foster multi-stakeholder collaboration. This research contributes to the formulation of policy and the development of practical strategies for leveraging Islamic social finance to address structural poverty and build resilient local economies.

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INTRODUCTION

Poverty remains one of the main challenges faced by developing countries,

including Indonesia. According to the Central Statistics Agency's 2024 report, the poverty rate is used to evaluate the success of government development efforts as of September 2024. The

percentage of the urban poor decreased by 0.59 million people, from 11.64 million to 11.05 million in March 2024.

Meanwhile, during the same period in rural areas, the number of people in poverty decreased by 0.57 million, from 13.58 million in March 2024 to 13.01 million in September 2024. The poverty line in September 2024 was recorded at 595,242 per capita per month, based on the average number of poor people in each household in Indonesia, which is 4.71 household members. Thus, the average poverty line per poor household is 2,803,590.00 per month (BPS, n.d.). Although various government programs have been designed to alleviate poverty, the expected results are often less than optimal. While there has been a decline in the number of poor people in urban and rural areas, the reality is that the welfare of the community, especially those in the economically disadvantaged groups, is still far from ideal. Limited income causes many households to struggle to meet their basic needs, exacerbating social and economic problems in the community.

Waqf itself is one of the Islamic economic instruments that has great potential to support social and economic development. Waqf has become an important issue in the relationship between Islamic law and national law. This is because wakaf is a form of worship that encompasses both religious activities and the development of physical facilities, particularly in the agricultural sector. Waqf plays a crucial role in supporting the development of Muslims' religious life, as well as contributing to efforts to achieve societal well-being, both spiritually and materially, in the pursuit of creating a just and prosperous society (Sulistiani, 2017).

Productive waqf, especially cash waqf, has great potential to support economic

empowerment, particularly in the MSME (Ministry of Micro, Small & Medium Enterprises) sector. In an economic context, waqf refers to the transfer of assets to be used productively for the benefit of the community. Well-managed waqf funds can be utilized to finance business capital for MSME players. However, the underutilization of productive waqf in Indonesia is primarily due to a lack of understanding and low community participation in its management. Based on a study (Samheri et al., 2021), Productive waqf can be applied in various sectors, including investment, business partnerships, and agribusiness, as well as optimal cash waqf management, to alleviate poverty. Additionally, Agustin (2021) states that cash waqf can be a solution in alleviating poverty, functioning as an Islamic finance instrument that supports economic programs and business partnerships. With proper management, a productive waqf can improve the economic and social welfare of the community, especially for the MSME sector.

Microfinance has also proven to be an effective tool for empowering low-income communities. Microfinance facilitates the development of enterprises, enhances revenue, and mitigates poverty levels in small communities by offering accessible and cheap financial options. The target of economic empowerment in microfinance is Small and medium-sized enterprises (SME) because they are more resilient to economic crises due to having loyal customers and the ability to absorb labor. At the same time, large businesses are more vulnerable and tend to lay off workers during crises. However, in reality, SME still face challenges in growing due to limited capital. This is caused by difficulties in accessing loans from financial institutions, as well as insufficient government attention

toward SME development (Ramdhan & Sukmana, 2020).

Since the 1997 monetary crisis, MSMEs have played a crucial role in Indonesia's economic recovery, providing new jobs, driving economic growth, and reducing poverty. In addition to being a significant source of income for many families, MSMEs also absorb labor and contribute to more inclusive economic growth (Harahap et al., 2025). However, limited access to financing remains a significant challenge for MSMEs. Many MSMEs struggle to access financing from formal financial institutions due to stringent requirements, including high collateral requirements and unaffordable interest rates. This hinders their business development, exacerbates poverty, and prevents MSMEs from contributing to poverty alleviation to the fullest extent possible. Bank Wakaf Mikro (BWM) has great potential to drive Indonesia's economic progress and support MSMEs. This potential is expected to build and strengthen public confidence in Indonesia's economic development (Yasmin et al., 2022). The Otoritas Jasa Keuangan (OJK) itself launched the Bank Wakaf Mikro (BWM) in October 2017 to address community capital issues and support government programs aimed at reducing poverty.

Researchers conducted a study at two institutions focused on social welfare and community empowerment: the Al-Qur'an Purwokerto Waqf Agency, which emphasizes social aspects, and Amanah Berkah Nusantara Purwokerto (BWM), which focuses on profit or the empowerment of MSMEs. Although both institutions have proven effective, they still face numerous challenges in their implementation. One of the main challenges is the lack of public awareness regarding the importance of social funding, such as waqf and

microfinance institutions, as tools for achieving sustainable social development and advocating for economic equity.

This often results in many programs focused on economic and social empowerment only succeeding in the short term and failing to sustain their impact in the long run (Achmad, 2020; Rudianto et al., 2021; Syaripuddin, 2024). These programs often cease after implementation is complete, without considering their long-term sustainability.

The solutions to this problem need stronger collaboration between the government, financial institutions, and civil society. An effective empowerment system to overcome poverty in developing countries must involve various parties who are competent in their fields. Success in developing MSMEs depends heavily on active participation in providing training and counseling to business actors, as well as providing information that can help them overcome existing limitations, whether in terms of capital, management, or market control (Hafsah, 2004). This approach will strengthen the MSME economy and improve the social welfare of the community.

Cash waqf plays a crucial role in a just Islamic economy, with funds collected being utilized for investments in productive projects, including education, healthcare, and MSME development. The Results from these investments are then distributed to support social activities and poverty alleviation. Cash waqf is also utilized as a source of microfinance for micro-entrepreneurs, thereby improving social welfare and reducing economic inequality (Sukmana et al., 2023). Sharia financial institutions collect public funds and channel them through financing, thereby facilitating financial transactions and providing non-interest-based fund

management. Sharia banks operate with social values, supporting economic justice (Awwalunnisa, 2021). This study aims to examine the integration of productive waqf and microfinance in overcoming poverty and empowering MSMEs, which is expected to produce a sustainable Islamic-based empowerment model to create more significant social and economic impacts.

LITERATURE REVIEW

Strategy and Integration

Strategy involves the development of a long-term plan to effectively manage environmental opportunities and threats, taking into account the company's strengths and weaknesses. There are four elements in strategy formulation, namely vision and mission, goals, strategies, and policies (Akdon, 2016). Strategy, according to Webster's New World Dictionary, is a skill for planning and managing organizations to achieve goals. This strategy is a clever way to carry out the mission that the organization has determined by finding ways to implement an activity or program that enhances its ability to survive. It is also essential as a means of commitment to quality and effectiveness for the organization (Setyani, 2018).

Any decision in a competitive situation with two or more interests. An optimal strategy is achieved by applying the criteria of minimax for minimizing loss and maximax for maximizing gain (Enjeli, 2022). In an economic context, the theory helps determine the optimal strategy by utilizing waqf and microfinance institutions to determine the best approach to community empowerment, such as strategic allocation of waqf funds and inclusive financing. This approach resembles the application of the theory in marketing strategy,

where decisions are made to achieve the best outcome for all parties involved, such as the community, financial institutions, and micro-enterprises.

The concept of integration in general is not foreign to the world of education. The discussion of integration has been explained in Law Number 20 of 2003, which incorporates the latest government policy aimed at combining general and religious education. The goal is to produce a generation those are religiously, noble, creative, skilled, independent, and responsible (Sunarti et al., 2021). So that integration can be interpreted as a process of blending or fusing various elements until they merge into a unified whole, resulting in something complex and whole.

Knowledge integration theory, as developed by Sun et al. (2019), supports this approach with theory, emphasizing the importance of combining different sources of information and knowledge to achieve optimal outcomes. Thus, in the context of waqf and microfinance, this approach is facilitated by the integration of community-based and digital technologies, which enables institutions such as BWA and BWM to provide solutions based on locally relevant data and knowledge.

Waqf

The term waqf, or awqaf, comes from Arabic and means to stop, hold back, or maintain something. Waqf is referred to as *al-habsu 'an at-tasarruf*, which means to hold back or keep. From a Sharia perspective, waqf is defined as the voluntary, permanent, and irrevocable transfer of property, whether in the form of money or goods, solely for the benefit of Allah SWT (Husin, 2020).

Waqf is one of the sources of economic power for Muslims that is now receiving attention from various circles. Waqf is also an

instrument of Islamic philanthropy that plays a role in empowering the economy for the benefit of the people. In general, waqf assets that have been endowed no longer belong to the waqif, and the contract is binding. The status of waqf assets is to be used for the common good and benefit; therefore, in this case, the *wakif* no longer acts legally on the asset because the *nazhir* has taken responsibility. With the separation of ownership of the waqf asset from the original owner, the obligation of maintenance and everything related to the waqf asset shifts to the responsibility of the *nazhir* (Pramono et al., 2019).

There are various types of waqf, one of which is the cash waqf, which directly contributes to economic development. Cash waqf has become an alternative in distributing wealth to support development. It plays a significant role in education, health, religious institutions, and other public services. In addition, waqf funds can strengthen a country's economy, both as a source of development capital and through other functions (Hanafi et al., 2023).

Waqf is a holy and noble legal act, as a *jariah shodaqah* whose rewards continue to flow even though the waqf holder has passed away. Hence, the function of waqf is to take the benefits of the Waqf object under the Waqf objectives stated in the Waqf pledge, especially for the benefit of worship and other public purposes under Islamic teachings. Furthermore, Law Number 41 of 2004 concerning Waqf directs that waqf is to be empowered, and waqf is also an instrument in building the socio-economic life of Muslims. The presence of the Waqf Law creates momentum towards the productive empowerment of waqf, as it encompasses a comprehensive understanding and modern management patterns for harnessing the

potential of waqf. With the existence of this Waqf Law, it can provide certainty to both parties who donate and those who receive donated objects (Sadi, 2021).

The legal basis for waqf in Indonesia is regulated in various laws and regulations, one of which is Law Number 41 of 2004 concerning Waqf. This law explains the details of the basis of waqf, its purpose and function, as well as the pillars and conditions, and also outlines the provisions of the *nazhir* and others related to waqf. On the other hand, Islamic jurists mention several legal bases for Waqf in Islamic law, which include verses of the Qur'an, Hadith, Ijma', and Ijtihad of Islamic jurists. The following arguments regulate Waqf in Q.S. Ali Imron verse 92:

لَنْ تَنَالُوا الْبِرَّ حَتَّى تُنْفِقُوا مِمَّا تُحِبُّونَ ۚ وَمَا تُنْفِقُوا
مِنْ شَيْءٍ فَإِنَّ اللَّهَ بِهِ عَلِيمٌ ﴿٩٢﴾

Meaning: You will never attain (complete) virtue until you spend some of the wealth you love. Whatever you spend, Allah knows best (Ali Imron: 92).

The legal basis for explaining waqf in the Qur'an is not found explicitly; the Qur'an only mentions it in a general sense, not explicitly and specifically using the word waqf. The *fuqaha* have utilized these general verses as the basis for Waqf in Islam, such as the verses that discuss *shodaqah*, *infaq*, and *jariyah* charity. The scholars interpreted it that the waqf was included in the scope of the verse (Halim, 2005). Evidence of the effective utilization of waqf in several countries, such as Malaysia, shows that waqf management has been a focus of the government since the 1980s through the State Islamic Religious Council (MAIN) and the Waqf, Zakat, and Hajj Department

(JAWHAR). Waqf is utilized to construct social facilities, with most waqf land being allocated for educational and healthcare purposes (Fauza, 2015). In addition, cash waqf and share waqf have been implemented in states such as Johor, where Johor Corporation Berhad (JCorp) has donated its land for social purposes and the development of public facilities. This system enables the community to participate in investments that support social activities without expecting direct financial returns (Waqaf An-Nur, 2020).

Other countries include Bangladesh, with its Social Islamic Bank Limited (SIBL) program, which manages cash waqf to alleviate poverty and fund education, health, and infrastructure projects. The cash waqf certificate system offered enables middle-income communities to contribute to social development, with the income generated being used for the common good (Fauza, 2015).

The following country is Saudi Arabia, with its Majelis Tinggi Wakaf program, which manages waqf funds to build facilities around the Masjidil Haram and Masjid Nabawi, with projects that support the education and health sectors. Egypt has also been successful in managing waqf, with waqf funds used to build Al-Azhar University and other public facilities, which offer free services to the community (Muhsan, 2013). By implementing successful cash waqf models in countries such as Malaysia, Bangladesh, and across the Middle East, Indonesia holds significant potential to optimize waqf as a powerful tool for poverty alleviation and fostering more inclusive economic development.

This approach could not only provide essential financial support to underserved communities but also contribute to the growth and sustainability of the Micro, Small, and Medium Enterprises (MSMEs) sector. By

leveraging waqf for economic empowerment, Indonesia has the opportunity to build a more equitable and sustainable economy, aligning with broader social and economic goals. Furthermore, developing this model could foster new forms of financial inclusion, strengthening the socio-economic fabric and promoting long-term prosperity for all societal segments.

Microfinance and Economic Empowerment

Microfinance refers to the provision of a wide range of financial services, including credit, savings, insurance, and fund transfers, specifically designed for low-income individuals or families and their microenterprises. This definition emphasizes the importance of diversifying financial services, which were previously more often associated with microcredit, as well as highlighting its primary target: the poor or low-income individuals. Microfinance has two main characteristics that distinguish it from formal financial services: small loan or deposit amounts and the absence of collateral for assets. Microfinance services can be provided by microfinance institutions that specialize in such services, such as formal financial institutions with microfinance service units, development or poverty alleviation programs with microfinance components, and informal community organizations (Usman, 2004). Many institutions or programs are included in the Microeconomy, which small and medium enterprises (SMEs) need to fulfill this role, especially in terms of capital that can be used to expand markets and develop businesses. This makes SME an important contributor to the national economy (Pudyastuti, 2022).

The existence of microfinance institutions, which are strategically important in increasing the economic empowerment of

small and medium-sized communities, must always be nurtured and maintained, making them one of the best alternatives for overcoming the obstacles to the development of small micro businesses, especially in terms of capital. This empowerment is achieved by optimizing the use of the services and products available at microfinance institutions. The development of micro and small businesses, characterized by increased capital or diversification of business types, will have a positive impact on income levels and overall income, ultimately reducing poverty and unemployment (Pudyastuti, 2022).

Bank by Muhammad Yunus (2006 Nobel Peace Prize laureate) in Bangladesh in the early 1980s, global financial institutions began to pay close attention to microfinance as a solution to reduce poverty while generating profits. Microfinance itself has grown since its inception in the 1980s into a large industry that has attracted the attention of practitioners, investors, and the public. Microfinance institutions are one of the pillars of the financial intermediation process. Microfinance is essential for small and medium-sized enterprises to support consumption and production, as well as to save their business earnings. The growth of the microfinance sector has proven effective in providing financial services to low-income and poor communities. The availability of microfinance institutions (MFIs) is expected to cater to two profiles: social institutions that prioritize the poor, regardless of their creditworthiness, and commercial institutions that focus on efficiency and effectiveness in disbursing funds (Damayanti, 2018).

Welfare

Welfare is a system of life that is characterized by a sense of safety, decency, and

inner and outer peace, allowing every citizen to make efforts to fulfill their best physical, spiritual, and social needs, as well as those of their households and society (Sunarti, 2016).

The characteristic of social welfare is the importance of a human being, because in social welfare efforts, humans are both the subject and object of development itself. Therefore, development is expected to encourage and foster human values, rather than development that is destructive. Development is essentially designed and carried out by humans, for the benefit of humanity. This is what is meant by "humans as subjects and objects of development." Humans have moral values within themselves that come from religious teachings. This moral value, derived from religion, serves as the basis for development towards social welfare, benefiting humanity (Colina, 2021).

Sustainable Development

Sustainable development is development that meets the needs of the present without compromising the needs of future generations. The goal of sustainable development is to manage natural resources wisely and responsibly. The concept of sustainable development arises when various failures occur in the implementation of development. The process that takes place is monotonous, meaning it is uniform throughout. In practice, the concept of sustainable development was strengthened by national leaders through various agreements, including the Rio Declaration at the 1992 Earth Summit (Tay & Rusmiwari, 2019).

Sustainable development aims to optimize the benefits of natural resources, human resources, and science and technology by harmonizing these three components, enabling them to coexist sustainably. This

concept emphasizes meeting human needs through the wise and efficient use of natural resources, considering their sustainability for both current and future generations. In other words, efforts to improve the quality of human life today must consider their impact on the quality of life of future generations (Tay & Rusmiwari, 2019). In line with these efforts, Indonesia, through Bappenas, has defined inclusive economic development as economic growth that creates broad access and opportunities for all levels of society legally, improves welfare, and reduces disparities between groups and regions. To achieve this, the Indonesian government, through Bappenas, has issued the National Inclusive Economic Development Index for the period 2011-2017, which can be utilized to formulate development policies focused on promoting more inclusive development (Hartati, 2021).

Improved access to finance plays an important role in promoting inclusive economic growth. Financial inclusion aims to ensure that all segments of society, including the marginalized, have access to affordable financial services such as savings, credit, and insurance. Small and medium-sized enterprises (SME) can grow, create jobs, and reduce poverty with better access to finance. It also helps reduce economic inequality by providing more opportunities for individuals from different social and geographical backgrounds. Additionally, access to financial services can encourage individuals to invest and save, thereby supporting financial stability and accelerating infrastructure development. As a result, people with access to financial services are better prepared to deal with unexpected situations, such as job loss, thereby reducing the risk of poverty and accelerating post-crisis recovery. Improving financial literacy is crucial for individuals to maximize

the benefits of financial services. Therefore, financial education must be an integral part of financial inclusion. Developing financial infrastructure, such as ATMs and digital financial services, is also crucial for expanding financial access in remote areas. The microfinance sector plays a crucial role in expanding financial access, particularly for individuals who are not served by the formal financial system. With financing support from microfinance institutions, individuals can start or expand their businesses, contributing to economic empowerment and poverty reduction. Overall, all these steps work together to create an inclusive, sustainable, and more equitable economy (Parsaulian, 2022).

The success of sustainable development depends on the synergy between natural resource support, human resource capability, legal certainty, and community participation. However, obstacles such as climate change, environmental pollution, resource depletion, low public awareness, and geographical complexity often hinder implementation (Guosong & Jie, 2020). To overcome this, public education, technological innovation, and policy strengthening are necessary to increase awareness and participation, thereby enabling sustainable development to be more inclusive and effective.

Based on the literature review, several studies have discussed the role of the BWM, as seen in research by Achmad (2020) and Rudianto et al. (2021), which examined the impact of Waqf management strategies on improving community welfare. In addition to financial inclusiveness, as researched by Syaripuddin (2024). However, comprehensive research on the integration of waqf with microfinance systems for community welfare is still minimal. Previous research tends to focus on specific aspects, such as the impact of

financing on customers' economy or general Waqf fund management strategies. However, no research deeply explores how waqf can be integrated into the microfinance system to improve overall community welfare.

This research aims to fill the gap by exploring the integration of waqf and microfinance as a framework for community empowerment. This research is also expected to make a significant contribution to the formulation of more inclusive and sustainable strategies in Waqf management and microeconomic financing.

RESEARCH METHOD

This type of research is qualitative, which is used to study natural object conditions where the researcher is the primary instrument. The approach uses the field method (Field Research), namely by making direct observations of the object under study, followed by collecting data and information from the respondents involved (Febrianti, 2021). Data sources are divided into primary data, in the form of direct interviews, and secondary data from books, journals, and related documents (Rukminingsih & Latief, 2020). The research was conducted at two locations, namely the Al-Qur'an Waqf Agency in Purwokerto and the Amanah Berkah Nusantara Bank Wakaf Mikro in Purwokerto. The research was planned to be conducted over three months.

This research was conducted through interviews with individuals considered knowledgeable about the research objectives, referred to as research informants. The determination of data sources in the people interviewed/research informants was carried out using purposive sampling, which was selected based on specific considerations and

objectives (Nursalam, 2005). The selected informants came from various parties directly involved, including waqf institution managers, waqf beneficiaries, and members of the BWM.

The data were analyzed using inductive methods, which involved data reduction, presenting the data in narrative form, and drawing conclusions based on the patterns and relationships identified. This aims to formulate theories relevant to the research findings (Rijali, 2018). Data validation was applied using the triangulation method, which involves comparing findings from interviews, observations, and documents to ensure consistency (Saadah et al., 2022).

RESULT AND DISCUSSION

Result

The Quran Endowment Agency (BWA), established in 2005, is an Islamic philanthropic organization dedicated to distributing the Quran to areas with limited access to education and religious guidance. BWA has 30 branches across Indonesia, including in Purwokerto, with a primary focus on distributing the Qur'an in 3T regions (remote, isolated, and underdeveloped areas) (Husin, 2020). In addition, BWA operates several social programs, including Clean Water Facilities Waqf, Electricity Generation Facilities Waqf, Special Da'wah Waqf, and Productive Waqf. These programs aim to assist people in impoverished areas, such as providing access to clean water, electricity, and strengthening faith (Pramono et al., 2019).

BWA also runs non-waqf programs such as Education Donations to help underprivileged children, Humanitarian Donations for disaster victims, and Peer-to-Peer Zakat, which distributes zakat directly to the *mustahik*. According to an interview with

Mr. Rouf, Branch Manager of BWA Purwokerto, BWA employs two main strategies in implementing its programs: offline and online. The offline strategy involves direct education through outreach campaigns and testimonial videos, while the online strategy disseminates information through digital platforms such as social media. BWA successfully raises approximately 1.5 billion rupiah per year to fund its social programs.

In addition to BWA, there is also Bank Wakaf Mikro (BWM), a sharia-compliant microfinance institution that focuses on providing financing to small and micro businesses. BWM uses sharia principles such as interest-free financing (*Qord*) and profit-sharing financing (*Mudharabah*). BWM also implements offline strategies through a community-based approach, such as the *Kelompok Usaha Masyarakat Pesantren Indonesia (KUMPI)*, and online strategies through digital services to enhance access to financial services.

BWM has experienced a decline in the number of active customers, but the institution continues to grow and is committed to expanding its operational area. The main challenges faced by BWM include a lack of public understanding of Islamic financial services, limited access to technology, and managerial issues among MSME actors. To address these challenges, a holistic approach, including financial education, skills training, and infrastructure strengthening, is needed ([Pudyastuti, 2022](#)).

Discussion

Waqf is a vital instrument in Islamic economics that promotes social and economic empowerment by investing funds in productive projects, such as education, healthcare, and MSME development. In

Indonesia, the Al-Qur'an Waqf Agency (BWA) and Bank Wakaf Mikro (BWM) have demonstrated how waqf can be utilized to enhance community welfare through effective fund management. BWA employs integrated offline and online fundraising strategies to expand its reach. Offline strategies include religious outreach campaigns led by religious leaders, while online efforts utilize digital platforms such as Facebook, Instagram, and YouTube, supported by digital flyers and hashtag campaigns. Through this approach, BWA has successfully raised funds amounting to Rp1.5 billion.

BWM optimizes human resources, natural resources, and technology to provide inclusive Islamic financial services, making it easier for people in remote areas to access microloans, savings, and insurance. By implementing community-based strategies, BWM strengthens social networks that support collaboration and knowledge sharing, enabling MSMEs to grow their businesses. The training programs and workshops conducted by BWM help improve financial literacy among the community, equipping them with skills in financial planning, debt management, and investment. This approach aligns with economic empowerment theory, which emphasizes the importance of access to resources, information, and skills for building individual and community capacity. Both BWM and BWA continue to innovate in program design, leverage technology, and conduct regular evaluations to address challenges posed by technological changes, economic dynamics, and government policies.

The innovations implemented by BWA and BWM are reflected in the various programs they run, which not only provide social benefits but also make significant contributions to achieving broader economic goals. These

programs focus on job creation, strengthening SME, and community empowerment, which are crucial aspects in driving sustainable local economic growth. Through these efforts, both institutions have successfully created positive impacts, including economic empowerment of communities and a reduction in social inequality. In this regard, they do not merely provide consumptive assistance but also offer solutions that can foster long-term economic independence.

The economic empowerment of communities through the integration of waqf and microfinance (BWM) has excellent potential to improve welfare, particularly for underserved communities. Effective management strategies are crucial to achieving this goal. As explained by Akdon (2016), strategy is a long-term plan to leverage strengths and address weaknesses in order to face challenges. In this context, institutions such as the BWA and BWM play a crucial role in building an inclusive and sustainable sharia-based economy. The success of these two institutions in managing waqf and microfinance is rooted in principles guided by integration theory, as outlined by Sun et al. (2019), which emphasizes the importance of combining various types of knowledge to achieve optimal results.

Efforts to improve the welfare of the community, especially among micro and small business actors, have great potential in the strategy of integrating waqf and microfinance to promote sustainable economic growth. In line with previous studies from (Achmad, 2020) which examined the role of Bank Wakaf Mikro (BWM) financing in improving the standard of living of customers, as well as (Rudianto et al., 2021) which discussed waqf management to gain public trust, this strategy allows for a combination of Islamic

philanthropy instruments and microfinance to create a positive social impact. Integrated wakaf and microfinance management can provide the financing needed by small and medium-sized enterprises (SMEs), a sector known as a key driver of the economy. This also supports the findings of Syaripuddin (2024), which underscore the importance of zakat and wakaf in sustainable regional development. Through the strengthening of the local economy and the empowerment of MSMEs, this integration can reduce social inequality and accelerate economic growth in areas that need it most.

The success of programs run by institutions such as BWA and BWM can be achieved by optimizing the use of digital technology. As explained by Widiastuti et al. (2022), the use of digital technology in Islamic social finance can help overcome many socio-economic challenges that have emerged since the COVID-19 crisis. This study also emphasizes that Islamic finance, when managed with an inclusive approach, can reduce social inequality, as highlighted by Septiani et al. (2022). Therefore, the integration of waqf and microfinance is crucial to creating a sustainable and equitable economy for all segments of society.

BWA has successfully developed offline and online strategies to raise public awareness about waqf. The offline approach, which involves preaching tours and direct education, has proven effective in building public trust. In contrast, the online approach expands the reach to younger and more active audiences on social media. This aligns with findings presented by Herdiana (2022), which emphasize the importance of village development policies that support productive economic empowerment. Additionally, BWM, which focuses on providing microfinance

based on Sharia principles, can expand its influence by continuing to strengthen its infrastructure and leveraging digital technology.

Table 1. Comparison of BWA (Badan Wakaf Al-Qur'an) and BWM (Bank Wakaf Mikro)

Aspect	BWA (Badan Wakaf Al-Qur'an)	BWM (Bank Wakaf Mikro)
Objectives	Distributing the Qur'an and empowering the 3T community	Empowering micro and small businesses with Sharia financing
Approach	Safari Dakwah (offline), social media (online)	Kelompok Usaha Masyarakat Pesantren Indonesia (offline), Digital platform (online)
Main Programs	Quran endowment, clean water facilities, electricity generation facilities, special dawah endowment, productive endowment	Interest-free financing (<i>Qord</i>), <i>Mudharabah</i> (profit sharing), training, and education
Funding Sources	Cash endowment funds and donations	Waqf funds, donations, sharia-based financing
Challenges	Understanding cash endowment, licensing	Lack of understanding about Sharia financial services, limited access to technology
Partnership	Bank Indonesia, CIMB Niaga Syariah, Local Communities	OJK, Laznas BSI, Various social and government institutions
Results	1.5 billion per year to fund social programs	Improving access to financing for micro and small businesses, expanding operational areas
Recommendations	Improving financial literacy and infrastructure development	Strengthening managerial skills training for SME actors

Based on the above analysis, there are several recommendations to improve the effectiveness of community economic empowerment through the integration of waqf and microfinance strategies:

1. Increasing public understanding of cash waqf and Islamic finance by developing community-based educational campaigns and involving religious leaders to introduce the benefits of cash waqf and the principles of Islamic finance in greater depth to the community. This will enhance understanding of the benefits that can be derived from waqf contributions.
2. Improving Infrastructure and Digital Technology Use by developing better digital platforms and strengthening physical infrastructure, such as ATMs and branch offices, to support access to financial services for people in remote areas. This will facilitate access to financing and cash waqf services.
3. Enhancing Partnerships and Collaboration by strengthening cooperation between microfinance institutions, the government, and the private sector to create larger and more impactful empowerment programs. These partnerships will expand networks

and facilitate the distribution of waqf funds and microfinance.

4. Strengthening Training and Managerial Programs to address the challenges faced by micro-entrepreneurs, especially in terms of financial management, BWA and BWM need to improve managerial skills training programs and provide ongoing support to improve their business management capacity.
5. Enhancing offline and online collaboration by establishing more digital partnerships through social media and interactive platforms to strengthen the reach of education on waqf and microfinance. The use of visual content and online testimonials will further introduce the principles of Islamic finance to a broader audience, especially the younger generation.

Following these recommendations, the integration of wakaf and microfinance can achieve more optimal social and economic impacts, reduce social inequality, and accelerate community economic empowerment. This aligns with the intention to create a sustainable economy in Indonesia.

CONCLUSION

This study demonstrates that waqf management strategies, involving both offline and online approaches by institutions such as the BWA and BWM, can have a significant impact on community economic empowerment, particularly in supporting MSMEs. Their success in raising funds through da'wah safaris and digital campaigns, as well as improving financial literacy through technology-based training and services, reflects the application of sustainable development and

inclusive economic principles. By leveraging a combination of conventional and digital strategies, these two institutions have successfully expanded their reach, built community trust, and optimized the potential of waqf as an instrument for sustainable socio-economic empowerment.

This study has geographical limitations, focusing on specific areas such as Purwokerto, so its findings cannot be generalized to other regions with different social, economic, and cultural conditions. This poses a challenge in expanding the understanding of the effectiveness of waqf strategies across various regions in Indonesia or other countries. Additionally, while the positive impacts of these programs are evident in the short term, such as increased funding and community empowerment, their long-term impacts, including sustainable economic resilience and broader social changes, have not been thoroughly analyzed. Further research is needed to assess the effectiveness of these programs in creating sustainable economic resilience and their contribution to long-term poverty reduction and improved well-being.

Further research is recommended to explore the application of similar strategies in other regions or countries with different socio-economic conditions, thereby providing broader insights into the diversity of approaches and challenges faced in managing waqf and microfinance. Additionally, it is crucial to assess the long-term effects of these programs, particularly in terms of economic empowerment, poverty reduction, and improvements in the quality of life for communities. A more in-depth data-driven evaluation approach, encompassing both quantitative and qualitative analysis, is also needed to measure the long-term success of the programs and provide more targeted

recommendations for the development of more effective and sustainable policies.

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