




## Research Article

# Productive Waqf Transformation: Integration of Islamic Historical Values and Sharia Economic Innovation

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## Productive Waqf Transformation: Integration of Islamic Historical Values and Sharia Economic Innovation

**Abstract.** This research aims to investigate the evolution of productive waqf within the framework of Islamic history, along with the utilization of digital technology to facilitate sustainable financing in contemporary society. By integrating historical Islamic values exemplified by the waqf practices of Umar bin Khattab and Uthman bin Affan, this research assesses the modernization of waqf principles through the application of digital innovations, including blockchain technology and sharia-compliant crowdfunding. The methodology used in this research is qualitative and descriptive, emphasizing a comprehensive literature review of various Islamic historical texts combined with an analysis of

advances in digital technology relevant to waqf management. The research findings show that the incorporation of technology into waqf administration, particularly through blockchain and digital platforms, has the potential to improve transparency, efficiency, and community engagement, while ensuring the sustainability and accountability of waqf resources. Nonetheless, challenges such as the digital literacy gap and the lack of standardized sharia regulations pose significant obstacles. This study advocates initiatives aimed at strengthening digital literacy and developing a policy framework that facilitates the implementation of digital waqf in accordance with Sharia principles, thereby maximizing the potential of waqf as an instrument of sustainable economic empowerment.

**Keywords:** Blockchain, Sharia Economy, Digital Waqf, Productive Waqf

## INTRODUCTION

Prominent examples of the impactful application of waqf are seen in the establishment of major educational institutions such as Al-Qarawiyyin University in Morocco and Al-Azhar University in Egypt. Both institutions were founded on the principles of waqf and have developed into prestigious centers for the study of various disciplines, including science, mathematics, and medicine. Waqf facilitates the sustainable operation of these institutions without relying on student fees, thereby ensuring that education is accessible to individuals from various socioeconomic backgrounds. This underscores the important role of waqf in promoting equitable and inclusive access to educational resources.<sup>1</sup>

Nevertheless, in contemporary society, waqf faces the challenge of maintaining its relevance and effectiveness in meeting the sustainable needs of society, particularly in light of the growing demand for self-sustaining and sustainable financing. For example, while zakat can contribute to income redistribution, its often consumptive distribution model does not encourage long-term economic independence for its beneficiaries.<sup>2</sup> Thus, there is an urgent need for a more productive and sustainable financing model that can reduce short-term dependency and enhance community empowerment.

This study aims to investigate the transformation of digital waqf as a viable financing alternative that can enhance the economic independence of communities while addressing social and economic challenges in the digital era. By examining traditional waqf practices and contemporary technological advancements, this study aims to provide insights into how the waqf system can be modernized to foster more sustainable and inclusive financing in the future. By focusing specifically on the implementation of digital waqf, this study will also identify the potential opportunities and challenges associated with the digital management of waqf funds, along with its implications for the economic sustainability of society.

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<sup>1</sup> The Contribution of Islam in the Development of World Civilization Mardiah Astuti, Herlina H, [...] Rahma Utami Journal of Creative Student Research (2023) 1(4) 347-355

<sup>2</sup> Utami, S. H., & Lubis Irsyad. (n.d.). THE EFFECT OF PRODUCTIVE ZAKAT UTILIZATION ON MUSTAHIQ EMPOWERMENT IN MEDAN CITY.

## LITERATURE STUDY

### 1. The Concept of Waqf in Islam

The Qur'an does not explicitly address the concept of waqf directly or textually. However, waqf is understood as part of infaq fi sabilillah, which means spending wealth on the cause of Allah. Therefore, scholars often cite Qur'anic verses related to infaq fi sabilillah as a basis for explaining the concept of waqf. Some of the Qur'anic verses and hadith that are referenced in this regard include:

يَا أَيُّهَا الَّذِينَ آمَنُوا أَنْفِقُوا مِنْ طَيِّبَاتِ مَا كَسَبْتُمْ وَمِمَّا أَخْرَجْنَا لَكُمْ مِنَ الْأَرْضِ وَلَا تَيَمَّمُوا الْخَبِيثَ مِنْهُ تُنْفِقُونَ وَلَسْتُمْ  
بِأَخْذِيهِ إِلَّا أَنْ تُغْمِضُوا فِيهِ وَاعْلَمُوا أَنَّ اللَّهَ عَنِّي حَمِيدٌ ٢٦٧

Meaning: "O you who believe, give away some of what you have earned and some of what We bring forth from the earth for you. Do not choose that which is bad for you to give away, while you do not want to take it, except by squinting (reluctantly) at it. Know that Allah is the Richest, the Most Praiseworthy".<sup>3</sup>

لَنْ تَنَالُوا الْبِرَّ حَتَّى تُنْفِقُوا مِمَّا تُحِبُّونَ وَمَا تُنْفِقُوا مِنْ شَيْءٍ فَإِنَّ اللَّهَ بِهِ عَلِيمٌ ٩

Meaning: "You will never attain (complete) virtue until you spend some of the wealth you love. Whatever you spend, Allah knows best".<sup>4</sup>

إذا مات ابن آدم إنقطع عمله إلا من ثلاث : صدقة جارية، أو علم ينتفع به، أو ولد صالح يدعو له

"Abu Hurairah r.a. reported that the Prophet said: When a person dies, the reward of all his deeds will cease, except for three kinds of deeds: sadaqoh jariyah (waqf), useful knowledge and pious children who always pray for their parents".<sup>5</sup> The scholars interpret the term shodaqoh jariyah here as waqf.

### 2. History of Productive Waqf

The concept of waqf as a public welfare mechanism was first initiated by Umar bin Khattab with the support of the Prophet Muhammad (SAW). At that time, Umar owned a fertile and productive garden in Khaibar. In his desire to help others and promote public welfare, Umar sought guidance from the Prophet Muhammad (SAW) regarding the waqf of the garden.<sup>6</sup> The Prophet advised that the garden be preserved in its original state, managed effectively, and the benefits it generated allocated to the welfare of the community. This approach ensures the preservation of the waqf principle while utilizing the proceeds to support public needs.

Similarly, Ali bin Abi Talib and Uthman bin Affan engaged in similar acts of philanthropy, donating a portion of their wealth to be managed, with the proceeds

<sup>3</sup> Q.S al-Baqarah (2): 267 (Ministry of Religious Affairs Al-Qur'an and Translations 2019 Edition, n.d.)

<sup>4</sup> Q.S al-Imran (3): 92 (Ministry of Religious Affairs Al-Qur'an and Translations 2019 Edition, n.d.)

<sup>5</sup> Asqalany, A.-H. I. H. S. S. Muh. (1984). Tarjamah bulughul maram /Al-Hafidh Ibn Hajar Asqalany ; translation, by Muh. Sjarief Sukandy.

<sup>6</sup> Qolbi, N., Ayuniyyah, Q., Syaqui Beik, I., Produktif, W., & Wakaf, B. (2022). Analysis of Productive Waqf Management Strategies in Baitul Wakaf: An Analytic Network Process (ANP) Approach Keywords. <http://jiip.stkipyapisdmpu.ac.id>

directed towards the welfare of society. Historically, waqf has taught Muslims the importance of sustainable economic resources to ensure the welfare of society.

Waqf is an economic tool that provides benefits not only to its managers but also to the wider community. Waqf should not be a burden for its managers, but should provide sustainable benefits. During the time of the Companions, waqf was a source of funding for the development of science, as was the case during the time of Caliph Harun al-Rashid, who funded the Bayt al-Hikmah Library with waqf funds. Similarly, during the heyday of Al-Azhar University, through the management of waqf assets, it was able to finance the foundation's operations, lecturers' salaries, and scholarships for students from all over the world. Unfortunately, since the reign of Gamal Abdel Nasser, most of Al-Azhar Foundation's waqf assets have been taken over by the national government.<sup>7</sup>

### 3. Digital Innovation in Waqf

Many factors are driving digital transformation, including changes in the regulatory framework, shifts in the competitive landscape, industry transition towards digital modalities, evolving consumer behavior and expectations, recognition of the advantages provided by digital technologies, and the availability of the required resources.<sup>8</sup> Ultimately, digital transformation encapsulates the comprehensive impact of digitalization on the fabric of society. Khan argues that digitalization facilitates the transformation process, thereby enlarging the opportunities for change that can alter business capital, socioeconomic frameworks, laws, policies, organizational structures, cultural barriers, and various other existing dimensions. The interaction between digitization and the consequences of digital transformation accelerates pre-existing changes and drives the process of horizontal global transformation in society.<sup>9</sup>

## RESEARCH METHODOLOGY

This research employs a qualitative methodology, emphasizing the review of existing literature, including books and previous studies related to digital waqf transformation. The main objective of this approach is to gain a comprehensive understanding of the progress and implementation of digital waqf within the framework of sustainable financing. The research is characterized as descriptive analytical, which entails systematic description and analysis of data obtained from various literature sources. The data collected will be articulated in an easy-to-understand manner, thus providing the reader with a coherent representation of the

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<sup>7</sup> Veithzal Rivai Zainal. (2016). PRODUCTIVE WAQF MANAGEMENT AND DEVELOPMENT. 9, 1-16.

<sup>8</sup> Sri Adiningsih. (2019). Digital-based economic transformation in Indonesia: the birth of new trends in technology, business, economics, and policy in Indonesia. PT Gramedia Pustaka Utama.

<sup>9</sup> Thamrin, H., Guntoro, S., Kurnialis, S., Syari Economy, P., & Pascasarjana UIN Sultan Syarif Kasim Riau, P. (2021). DIGITAL TRANSFORMATION OF BWI WAQF IN COLLECTING WAQF IN THE DIGITALIZATION ERA. *Tabarru' Journal: Islamic Banking and Finance*, 4.

issues under study.<sup>10</sup> The primary sources for this research include relevant books, journals, and scholarly articles, which will be analyzed descriptively to explain the developments and challenges associated with the adoption of digital waqf as a viable alternative for sustainable financing.

## DISCUSSION

### Historical Value of Productive Waqf

Waqf has historically served as a mechanism for socioeconomic sustainability since the time of Prophet Muhammad (SAW). In particular, Uthman bin Affan's well, as recorded in Hadith Bukhari, represents one of the earliest and most significant models of productive waqf. This waqf, established more than 1,400 years ago, continues to be relevant in contemporary society. In the era of Prophet Muhammad (PBUH), the city of Medina faced a critical shortage of clean water, with the only available source being the Well of Raumah, owned by a Jew. The quality of water from this well was comparable to the Zamzam well, yet residents were forced to buy it, often waiting in long lines. In response to this dire situation, the Prophet Muhammad (SAW) declared, "O my companions, whoever among you donates his wealth to free this well and donates it to the people, he will earn Paradise from Allah Ta'ala" (HR Muslim).

Hearing this, Uthman bin Affan took the initiative to free Raumah Well by going to the owner and offering a high price. However, the owner of the well rejected the offer on the grounds that he was worried that he would lose his regular income if he sold the well. In a strategic move to avoid this rejection, Uthman proposed to buy half of the well while sharing the management rights in turn. This proposal was accepted, and Uthman acquired partial ownership of the Raumah Well. He then announced to the people of Medina that they could draw water from the well free of charge for the day and encouraged them to draw enough water for two days, as the next day, the well would be returned to the Jewish owner as per their agreement.

The next day, the owner of the well found it empty, as the people had secured their water supply. Feeling a loss of income due to the lack of customers, he then offered to sell the entire well to Uthman for the same price that was set earlier. Uthman agreed to this transaction, purchasing the well for 20,000 dirhams, thus acquiring full ownership of the Raumah Well. Following this acquisition, Uthman dedicated the well to common use, ensuring that it was accessible to everyone, including its former owner.<sup>11</sup>

The narrative of the waqf of Raumah Well by Uthman bin Affan is an example of how the practice of waqf can serve as an efficient fiscal tool to improve the welfare of society, especially during times of economic hardship.<sup>12</sup>

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<sup>10</sup>(QUALITATIVE AND QUANTITATIVE RESEARCH METHODS-Approach to Qualitative and Quantitative Methods in Various Fields, n.d.) pp. 29

<sup>11</sup> Mulyono, S. H. (2020). THE ROLE OF WAQF AS AN INSTRUMENT OF PUBLIC FINANCE IN THE ECONOMY. <http://ejournal.uika-bogor.ac.id/index.php/KASABA>

<sup>12</sup> Syakir, A. (2016). PRODUCTIVE WAQF. <https://www.researchgate.net/publication/305730287>

## **Digitalization of Waqf in the Modern Era**

### **1. Blockchain and Transparency**

The application of blockchain technology is a significant advancement in digital zakat and waqf management. The technology offers a transparent, immutable, and easily accessible framework for recording transactions, which is crucial in the field of zakat and waqf, where transparency and trust are essential to encourage public engagement. Through blockchain, every transaction related to zakat and waqf is permanently documented and can be monitored by all relevant stakeholders, thus ensuring that funds are properly allocated to those in need. Furthermore, the immutable nature of the recorded data reduces the risk of irregularities that could adversely affect the various parties involved. The incorporation of smart contracts enhances this system by facilitating the automatic distribution of funds without the need for human intervention, thereby minimizing the chances of human error and improving operational efficiency. The utilization of blockchain technology simplifies transaction tracking and auditing, strengthens accountability, and expands the scope of zakat and waqf management. By simplifying the digital framework, institutions can engage more donors, especially from younger demographic groups who are more tech-savvy. On a global scale, blockchain encourages collaboration between zakat institutions in different countries, thereby improving the collection and distribution of funds at the international level.

### **2. Artificial Intelligence and Optimization**

Artificial Intelligence (AI) and Machine Learning have significantly changed the methodology used in beneficiary identification and verification in the context of zakat and waqf management. AI facilitates the analysis of socioeconomic data, thus enabling the prioritization of fund allocation to ensure that assistance is directed to individuals and communities most in need. The application of AI systems increases the speed and accuracy of the verification process, enabling the detection of anomalies in the data that may be missed by human analysts. This capability contributes to the targeted distribution of zakat funds and reduces the potential for financial abuse. Furthermore, AI helps forecast zakat collection trends and fine-tune the timing of fund disbursement. Through the assessment of historical data, AI can inform the development of more effective fundraising strategies and optimize resource allocation. The integration of AI into the zakat disbursement process also accelerates the distribution of funds to beneficiaries, thus ensuring timely assistance. Collectively, these advantages underscore the critical role of AI and Machine Learning in driving a more efficient and responsive framework for zakat management.

### **3. Digital Platforms and Mobile Apps**

The advancement of mobile apps and digital platforms has significantly improved access to zakat and waqf services. Features such as digital zakat calculators, fund distribution tracking, and social impact reports contribute to an improved user experience. The zakat calculator facilitates quick and accurate calculation of zakat obligations, thereby encouraging compliance among users. In addition, the fund distribution tracking feature allows donors to keep tabs on the allocation of their

contributions, promoting transparency and strengthening trust in zakat institutions. Comprehensive social impact reports provide valuable insights into the beneficiaries, the volume of funds allocated, and the resulting impact, which can serve as an incentive for donors to maintain their contributions. The incorporation of various digital payment methods simplifies the donation process, especially appealing to young donors who prefer online transactions. Furthermore, a responsive mobile app with a user-friendly interface enhances the overall user experience and encourages more frequent transactions. The platform also allows zakat institutions to engage directly with donors through notifications and messages, thereby increasing engagement and fostering a strong community.

#### **4. Digital Engagement Strategy**

Contemporary zakat and waqf platforms have incorporated various social features designed to facilitate user interaction and encourage wider community engagement. Reward and recognition mechanisms serve to incentivize consistent contributions from donors. In addition, the integration of social media sharing functions significantly increases awareness of zakat and waqf initiatives, thereby strengthening their visibility through viral dissemination. The adoption of technological innovations promotes transparency in fund allocation, which in turn fosters trust and increases donor participation. Furthermore, gamification techniques, such as challenges and competitions, have been used to increase donor loyalty. Educational efforts realized through high-quality content, such as webinars, articles, and infographics, can further enhance public understanding of zakat and waqf, motivating increased engagement. Collaboration with influencers and community leaders can also expand the reach and strengthen the credibility of zakat institutions. In addition, the utilization of data analytics allows zakat organizations to gain insights into donor preferences, which enables campaign customization to attract greater interest. Continuous assessment of these strategies is essential to maintain the relevance and sustainability of digital engagement initiatives.

#### **5. Digital Education Program**

To address the digital literacy challenge, the zakat and waqf authorities have developed a comprehensive education program. The program aims to increase public understanding of the use of digital platforms in zakat and waqf. One way is by organizing webinars with expert speakers who explain the use and benefits of digital platforms. The webinars allow the public to participate directly, ask questions, and receive more detailed explanations. Video tutorials are also used to provide step-by-step guidance on the use of zakat applications and platforms. Educational content shared through social media helps reach a wider audience by presenting important information in the form of easy-to-understand infographics, articles, or tips. All of these approaches aim to improve digital literacy and provide the public with easy access to the zakat and waqf services available at.<sup>13</sup>

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<sup>13</sup>Nurhidayah, A., Yazid, M., Negeri, U. I., Ampel, S., & Syariah, J. E. (2024). DIGITAL INNOVATION IN ZAKAT AND WAQF MANAGEMENT.

## CONCLUSION

This study explores the potential of digital waqf as a sustainable source of funding, utilizing contemporary technological advances for the management of waqf assets. Historically, waqf has played an important role in community development, contributing to the improvement of living standards through productive initiatives. The contributions of Umar bin Khattab and Uthman bin Affan serve as historical illustrations of the capacity of waqf to provide sustainable support for educational and social needs.

As the global landscape evolves and the economic system becomes increasingly complex, the management of waqf assets has become crucial. The emergence of innovative technologies presents new opportunities to improve this management. Blockchain technology offers the potential to increase transparency, while artificial intelligence provides advanced methods for prudent resource allocation. Furthermore, digital platforms and mobile applications facilitate the charitable giving process. Collectively, these advances have the capacity to improve the efficiency of waqf management and restore public trust in these practices. This digital transformation also encourages greater public engagement, thus promoting a more transparent, accountable, and direct approach to waqf management.

This research underscores the need for waqf systems to adapt to contemporary needs. In the context of the digital age, technology is emerging as a valuable instrument. If used effectively, technology has the potential to overcome many of the long-standing problems associated with waqf and increase its contribution to society and the economy. Recommendations from this study include the need for digital education and literacy to improve the public's understanding of digital waqf through financial literacy programs. The waqf management needs to build trust and education regarding digital waqf using sharia principles.

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