

Strategies For Managing Productive Waqf In Economic Empowerment: A Case Study Of Ihmal Market In Aceh Tengah

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Abstract.

Waqf is considered one of the most fundamental instruments in Islamic economic studies, holding significant potential for empowering the economy. This study focuses on analyzing the management of productive waqf in relation to the economic empowerment of the Muslim community. The primary aim is to examine the management practices of productive waqf at Ihmal Market and assess its impact on the economic empowerment of the local Muslim population in Aceh Tengah Regency. The research employs a qualitative method and is conducted as a field study. The findings indicate that while the productive waqf at Ihmal Market is managed professionally, its impact has not yet resulted in a direct and substantial contribution to the economic empowerment of the community.

Keywords: Management; Productive Waqf and Economic Empowerment.

1. INTRODUCTION

Waqf is a legal act carried out by an individual, a group of individuals, or a legal entity by setting aside a portion of their assets to be entrusted to a managing institution, with the aim of being used for religious purposes or other objectives in line with Islamic teachings. As a religious concept, waqf represents not only a devotion to Allah Almighty but also fosters a sense of social responsibility and solidarity among people. [1]. Waqf is a deeply rooted tradition in the fabric of Muslim life. It has been practiced across generations in various forms—some managed in simple or traditional ways, while others have evolved into more modern and professional systems.

Waqf funds, if managed and developed effectively, have the potential to significantly contribute to community economic development through productive and sustainable activities. One of the key challenges in managing productive waqf is ensuring the preservation of its perpetual nature while continuously delivering benefits to its beneficiaries (mauquf 'alaih). Therefore, the management and development of waqf assets must be carried out in a professional and productive manner [2]. According to Megawati, the stagnation of waqf development in Indonesia primarily stems from two core issues: underutilized (idle) waqf assets and the lack of professionalism among waqf managers (nazir). The limited understanding of waqf among Muslims has led to underdeveloped and suboptimal management of waqf assets in Indonesia. As a result, waqf initiatives tend to focus primarily on social or religious activities, rather than being directed toward empowering the economic well-being of the Muslim community. This lack of understanding extends to various aspects of waqf, including the nature of the donated assets, their intended purposes, and the roles and responsibilities of waqf administrators (nazir). At the core of effective waqf asset management lies the institution of *nazir*, as they are responsible for maintaining, utilizing productively, and distributing the proceeds of waqf assets to designated beneficiaries [3].

Historically, waqf funds have been managed in a professional and sustainable manner throughout the development of Islamic civilization. Waqf played a significant role in supporting government economic activities from the era of the Khulafa al-Rashidun to the Ottoman Empire. This historical success has prompted many contemporary Muslim-majority countries to reassess and revitalize the role and function of waqf institutions. The revitalization efforts aim to position waqf as a

key instrument in promoting public welfare (*maslahah*) and enhancing societal well-being[4]. Therefore, continuous efforts have been made to empower productive waqf in Indonesia, one of which is reflected in the enactment of Law No. 41 of 2004 on Waqf.

In terms of utilization, waqf can be classified into two types: *mubashir waqf* and *istithmari waqf*. *Mubashir waqf* refers to waqf assets that provide direct public services, with benefits that can be immediately felt—such as mosques, madrasahs, and hospitals. On the other hand, *istithmari waqf* involves waqf assets allocated for capital investment, which are entrusted to individuals or institutions to be managed through the production of goods or provision of services that are permitted under Islamic law. The proceeds are then used to support the economic welfare of the Muslim community. *Istithmari waqf* is also commonly referred to as productive waqf [5].

The term *productive* is an adjective derived from the word *product*, which refers to an outcome, result, or item produced through work or effort. Accordingly, the term *productive* implies the capacity to generate or produce something of value. According to Jaih Mubarak (as cited in Bakhri & Srifariyati, 2017), *productive waqf* refers to the management process of waqf assets aimed at maximizing the output of goods or services with minimal capital input. This form of waqf is administered through a business-oriented approach, wherein profit generation is a central objective. The profits derived from such ventures are subsequently distributed as charitable contributions to those entitled to receive them [5].

Productive waqf can also be defined as an asset whose principal value is not directly utilized, but rather developed first to generate productive outcomes, the proceeds of which are then distributed in accordance with the original intent of the waqf. For instance, land endowed as waqf may be cultivated, with the harvest sold or donated; similarly, water sources may be utilized for commercial distribution. Productive waqf is also understood as property employed for production purposes—whether in agriculture, industry, trade, or services—where the benefit does not come directly from the asset itself, but from the net profit derived from its development. These profits are then distributed to rightful beneficiaries, in alignment with the objectives of the waqf [6].

According to Erifanti (2019), productive waqf is a scheme for managing waqf assets by utilizing them in a way that generates sustainable surplus. These assets may take the form of either movable or immovable property. The surplus produced from such productive waqf initiatives serves as a perpetual funding source to support various community needs, including financing for education, quality healthcare services, and other social welfare programs [7].

This has sparked the researcher's interest in exploring strategies for developing productive waqf as a means of empowering the local Muslim economy in Aceh Tengah Regency. In this context, one notable example is *Ihmal Market*, which serves as a role model for productive waqf empowerment in the region. *Ihmal Market* represents a form of productive waqf that is actively managed by the Office of the Ministry of Religious Affairs in Aceh Tengah and was officially inaugurated in May 2019. The waqf assets were sourced from contributions made by civil servants (ASN) as well as donations from individual donors, amounting to a total of IDR 57,160,000. With the funds collected, stakeholders agreed to initiate a productive waqf program in the form of a retail store and coffee shop.

Preliminary observations at *Ihmal Market* reveal that it has been professionally managed by the *nazir*, Mr. Irhtada, who has served as the store's administrator since its inception in May 2019. Given this context, two key research questions arise: How is the productive waqf managed at *Ihmal Market*? What is the impact of productive waqf management on the level of community welfare in Aceh Tengah Regency?

II. METHODS

This study employs a qualitative approach aimed at providing a comprehensive description and explanation of how productive waqf is managed to improve community welfare, particularly in Aceh Tengah Regency. Given that this is a field-based study, data collection was conducted directly at the

research site, namely Ihmal Market. The research is descriptive in nature, focusing on the collection of verbal or written information from individuals or objects observed during the study [8].

The researcher selected Ihmal Market as the site of this study for several reasons. One key factor is that Ihmal Market represents a unique form of productive waqf in the shape of a minimarket and coffee shop, directly managed by the Ministry of Religious Affairs of Aceh Tengah Regency. The funding for this initiative originates from monthly contributions made by civil servants (ASN) within the Ministry, serving as the primary capital for running the minimarket. Ihmal Market introduces a new model in the development of productive waqf, particularly within the context of Aceh Tengah.

III. RESULT AND DISCUSSION

Management of Productive Waqf

Waqf is one of the key instruments in Islamic economics designed to serve the needs of the ummah and to empower the community economically in a sustainable manner. When managed productively, waqf assets can continuously generate benefits and significantly improve community welfare. Such management allows for a perpetual surplus that supports socioeconomic empowerment, while the donor (waqif) continues to receive spiritual rewards.

The primary goal of waqf management is to optimize the potential of waqf assets so they can contribute to the economic and social well-being of the Muslim community. Waqf utilization should not be limited to consumptive purposes but extended to productive activities that offer long-term welfare benefits. In recent years, productive waqf has gained increasing recognition due to its greater efficiency and tangible outcomes compared to consumptive waqf. Productive waqf provides real economic returns to the community and serves as a valuable means for generating goods and services.

The use of waqf for productive ventures offers an alternative funding source for strengthening the economic position of the Muslim population. Waqf plays a crucial role in realizing the economic potential of endowed assets for both religious purposes and public welfare. In line with this, research findings have shown that while Islamic social finance (e.g., zakat) may not significantly affect poverty incidence (P0), it does have a positive effect on poverty gap (P1) and poverty severity (P2). These results suggest that zakat distribution has not yet been effective in addressing poverty comprehensively, particularly in areas experiencing extreme poverty [9].

Ihmal Market: A Model of Innovative Productive Waqf Empowerment

Ihmal Market distinguishes itself from conventional minimarkets through its innovative service model. Unlike traditional retail outlets, Ihmal Market allows customers to place orders via online platforms such as WhatsApp or through forms distributed at schools. Customers can request specific items, which are then delivered directly to their location—typically offices or institutions—by Mr. Irthada using the market's operational vehicle. Payment can be made either in cash upon delivery or deferred until the beginning of the month (e.g., upon salary disbursement). This system—"order now, pay later"—coupled with home delivery services, enhances customer convenience and aligns with current consumer behavior trends, ensuring that shopping at Ihmal Market is easy and efficient. The focus on customer satisfaction reinforces Ihmal Market's commitment to accessibility and service excellence.

Findings from this study indicate that strategic efforts to empower productive waqf for improving economic welfare involve optimizing the role of *nazhir* (waqf managers). This includes human resource development, improving *nazhir* welfare, reforming waqf-related regulations, and enhancing productive waqf empowerment strategies. These strategies encompass improving waqf asset management and distribution, introducing innovative empowerment programs, strengthening collaboration with relevant institutions, developing the potential of e-waqf, and integrating waqf into public fiscal policy frameworks [10].

In managing productive waqf, the planning phase at Ihmal Market has been properly implemented. Initially, the Ministry of Religious Affairs Office in Central Aceh Regency established

Ihmal Market to meet the daily needs of civil servants (ASN) under its supervision. The market was funded through monthly cash waqf contributions from these civil servants, which were then developed into a productive waqf initiative, aimed at generating long-term benefits for the broader community. Since its establishment in May 2019, the initial plan was successfully executed, as evidenced by the recorded profit of IDR 17,899,697 from May to December 2019.

This initial success marked a positive starting point for the market's development. However, the COVID-19 pandemic, which hit Indonesia in 2020, had a significant negative impact on Ihmal Market's revenue, causing a sharp decline in income and disrupting overall operations. As a result, many unsold products expired, prompting the *nazhir* (waqf managers) to seek alternative solutions. They began diversifying their offerings by adding office supplies (stationery) to avoid the losses associated with perishable goods. More recently, Ihmal Market expanded by opening a coffee shop, which has emerged as a new revenue stream and a strategic move toward financial recovery.

Implementation is a crucial phase in the management of productive waqf. Since the beginning of its operations in 2019, Ihmal Market has functioned effectively, receiving consistent orders from schools and other institutions. Although the pandemic caused a downturn in income, the introduction of the coffee shop business has helped stabilize and gradually increase revenue.

Supervision is conducted internally by the Ministry of Religious Affairs Office of Central Aceh and externally by the Central Aceh Regional Office of the Indonesian Waqf Board (BWI). Evaluations and financial reporting are carried out quarterly to ensure transparency and accountability. Overall, the management system at Ihmal Market is considered effective, although challenges remain—such as its less strategic location, reduced income during the COVID-19 period, and the general decline in the purchasing power of the local population, most of whom depend on coffee farming.

The *nazhir* at Ihmal Market is considered professional. Appointed based on expertise in retail and waqf management, the current manager has received training and capacity-building support from Baitul Mal Aceh. A professional *nazhir* is someone who dedicates themselves full-time to managing waqf, relying on advanced skills and a strong commitment to their duties. At Ihmal Market, the *nazhir* fulfills this role by working full-time and applying his knowledge and skills to maximize the waqf's impact.

According to Baharuddin & Iman (2018), a professional is characterized by a strong personal commitment to their work, which generates a high sense of responsibility. The *nazhir* at Ihmal Market demonstrates such commitment, with clear long-term goals and accountability for all tasks undertaken. Hence, based on these characteristics, the *nazhir* at Ihmal Market can rightfully be categorized as a professional waqf manager.

The future strategic plans for enhancing the productive waqf management at Ihmal Market are as follows:

1. **Establishment of a New Ihmal Market Building**

A new Ihmal Market facility is planned to be constructed on Jalan Paya Ilang, Bebesen District, Central Aceh Regency, adjacent to MAN 01 Takengon. This new location is expected to offer a more strategic position, thereby improving accessibility and customer engagement.

2. **Enhancing Innovation and Creativity of the Nazir**

There is a strong emphasis on improving the capacity of the *nazhir* (waqf manager) through innovation and creativity to further develop Ihmal Market into a more productive and sustainable enterprise.

3. **Business Expansion in Key Retail Areas**

The market aims to expand its business activities by focusing on the provision of office supplies and photocopying services, in addition to offering daily necessities, thus aligning its operations with those of conventional minimarkets.

4. **Active Involvement in Community Economic Empowerment**

Ihmal Market plans to contribute more actively to the economic empowerment of the local community through future programs. These will include the expansion of productive waqf initiatives into other sectors such as agriculture and livestock, broadening the impact and reach of the waqf enterprise.

The Impact of Productive Waqf Management on the Welfare Level of the Community in Central Aceh Regency (Case Study: Ihmal Market)

The impact of productive waqf management implemented through Ihmal Market has not yet been fully realized by the broader community and remains largely confined to internal beneficiaries, particularly civil servants under the Ministry of Religious Affairs in Central Aceh. For instance, when employees need supplies for events such as weddings, they can place orders via WhatsApp, and the waqf manager, Mr. Irthada, will deliver the goods to the requested location. Payment is also flexible—either made at the time of ordering or after the event.

Waqf plays a vital role as an Islamic economic instrument for empowering communities. Historically, waqf has significantly contributed to the social, economic, and cultural development of society. In relation to the broader mission of Islamic da'wah, there are at least four fundamental challenges that waqf can help address. First, poverty—manifested not only in economic hardship but also in limited access to basic infrastructure—has led to a culture of deprivation. Second, poverty often results in backwardness. Third, it fosters exclusivism and insularity. Fourth, there is institutional weakness in terms of accommodating community participation and a lack of effective collaboration mechanisms to advance a structured and strategic da'wah movement.

Given these challenges, optimal and professional management of waqf assets is essential. Waqf stands as a promising alternative to contribute meaningful solutions to these multifaceted issues and to support sustainable community empowerment [9]. However, the implementation of productive waqf at Ihmal Market has not yet had a significant impact on economic empowerment. This is primarily due to the relatively recent establishment of the enterprise and its currently limited scale. Therefore, business expansion and further development are necessary in order to enhance its impact and reach a broader segment of the community.

Previous studies have indicated that the management of productive waqf has a positive and significant impact on community welfare, with economic empowerment serving as a mediating variable. The more effective the management of productive waqf carried out by waqf institutions, the greater its indirect influence on improving public welfare through sound economic empowerment. A well-managed productive waqf can serve as a reference model for other waqf institutions in optimizing their waqf assets. Historical experiences have proven that properly administered waqf initiatives significantly enhance social welfare—not only through religious and moral development, but also by strengthening economic capabilities through entrepreneurship training, business mentoring, operational supervision, capital support, and market access [11].

Based on the interview results, the management of productive waqf at Ihmal Market is guided by two main objectives: short-term and long-term goals. In the short term, the revenue generated from the waqf-based business is accumulated as capital for constructing a permanent Ihmal Market building, thereby eliminating the need to operate from rented premises. Once the new building is established, the long-term objective will be implemented—allocating the surplus income to support social and religious initiatives such as renovating Islamic schools (madrasahs), providing financial assistance to educational institutions, and aiding underprivileged individuals in Aceh Tengah. Ultimately, this strategic use of productive waqf is intended to ensure continuous and sustainable benefits, serving as an ongoing source of spiritual reward (sadaqah jāriyah) for the donors.

The ultimate objective of Ihmal Market is to support the economic well-being of the community, both through direct aid to the underprivileged and assistance to Islamic educational institutions such as madrasahs in need. It is hoped that Ihmal Market will continue to grow and

develop so that its long-term goals can be fully realized. Additionally, Ihmal Market plays a role in advancing the potential of waqf in Indonesia's economic sector by creating employment opportunities and fostering business-oriented ventures.

However, based on the researcher's observations, the current impact of productive waqf on economic empowerment in the wider community remains limited. Therefore, strategic innovations and solutions are needed to enhance revenue generation, enabling more significant contributions to economic empowerment in Aceh Tengah.

In contrast, other research on Muhammadiyah's waqf asset management in Palembang indicates that most assets consist of land and buildings utilized for educational, religious, health, and social services. Moreover, there is substantial potential in cash waqf, estimated at approximately IDR 1.6 billion annually. To ensure that Muhammadiyah's waqf management contributes meaningfully to community welfare—aligned with Law No. 42 of 2004 on Waqf—several strategic shifts are necessary. These include transitioning from traditional to contemporary waqf management models, enhancing nazir professionalism, adopting innovative approaches to productive waqf programs (including revitalizing neglected assets and initiating new waqf ventures), optimizing cash waqf management, and strengthening the administrative framework of waqf governance [12]. To enhance the development of productive waqf at Ihmal Market, it is essential to expand into other sectors with significant potential for productive waqf management. This diversification aims to strengthen and sustain the revenue streams of Ihmal Market, thereby enabling it to make a more substantial contribution to community economic empowerment.

IV. CONCLUSION

The management of productive waqf at Ihmal Market originates from cash waqf contributions collected from civil servants (ASN) under the Ministry of Religious Affairs in Central Aceh Regency. These funds have been utilized to establish a minimarket that provides daily necessities such as rice, oil, and sugar, as well as a coffee shop that serves the local community. In addition to basic needs, the market also offers office supplies (ATK). Ihmal Market operates in a two-story shop-house. Although the impact of the productive waqf on community economic empowerment has not yet been significant, from a marketing perspective, the system offers considerable convenience. Customers can place orders via WhatsApp without needing to visit the store physically. The limited impact on economic empowerment is primarily due to the fact that current profits are being allocated toward accumulating capital for the construction of a permanent, self-owned building to eliminate rental costs. Once the new building is completed, the surplus from the waqf-based business will be directed toward supporting underfunded madrasahs and disadvantaged communities in Central Aceh Regency.

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