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ANALYSIS OF INSTITUTIONAL REFORM OF THE INDONESIAN WAQF BOARD (BWI) AND PROBLEMS OF NATIONAL WAQF GOVERNANCE

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Abstract:

This study aims to analyze the institutional challenges and direction of reform within the Indonesian Waqf Board (BWI) in managing national waqf. Although Indonesia has enormous waqf potential, with over 414,000 hectares of waqf land and approximately 420,000 nazhirs (Islamic trustees), the reality is that only about 10% of these assets have been managed productively. This study uses a qualitative approach with library research through analysis of academic literature, policy documents, and official reports from related institutions. The results indicate that the main problems lie in weak coordination between the central and regional BWI, limited human resource capacity, a lack of transparency and accountability, and low literacy and public trust in waqf management institutions. Furthermore, the implementation of waqf regulations has not been optimal due to lengthy bureaucracy and the absence of regulations that adapt to contemporary waqf innovations such as digital waqf and stock waqf. Comparisons with Malaysia and Turkey demonstrate that the success of productive waqf management is largely determined by institutional professionalism, strong regulatory support, and the integration of public policy with technology and the Islamic financial sector. Therefore, BWI institutional reform needs to focus on professionalizing nazhir (managers), digitizing the national waqf management system, and developing fiscal policies that encourage productive waqf innovation. These reforms are expected to strengthen transparent, accountable, and globally competitive national waqf governance to achieve the welfare of the community in accordance with the principles of maqāṣid al-syarī'ah (the main objectives of Islamic law).

Keywords: *Indonesian Waqf Board, institutional governance, productive waqf, institutional reform, good governance*

Abstrak:

Penelitian ini bertujuan untuk menganalisis problematika kelembagaan dan arah reformasi Badan Wakaf Indonesia (BWI) dalam pengelolaan wakaf nasional. Meskipun Indonesia memiliki potensi wakaf yang sangat besar dengan luas tanah wakaf mencapai lebih dari 414 ribu hektar dan sekitar 420 ribu nazhir, realitas

menunjukkan bahwa hanya sekitar 10% aset yang telah dikelola secara produktif. Penelitian ini menggunakan pendekatan kualitatif dengan metode studi kepustakaan (library research) melalui analisis terhadap literatur akademik, dokumen kebijakan, serta laporan resmi lembaga terkait. Hasil penelitian menunjukkan bahwa permasalahan utama terletak pada lemahnya koordinasi antara BWI pusat dan daerah, keterbatasan kapasitas sumber daya manusia, kurangnya transparansi dan akuntabilitas, serta rendahnya literasi dan kepercayaan publik terhadap lembaga pengelola wakaf. Selain itu, implementasi regulasi wakaf belum optimal akibat birokrasi yang panjang dan belum adanya regulasi yang adaptif terhadap inovasi wakaf kontemporer seperti wakaf digital dan wakaf saham. Perbandingan dengan Malaysia dan Turki menunjukkan bahwa keberhasilan pengelolaan wakaf produktif sangat ditentukan oleh profesionalisme lembaga, dukungan regulasi yang kuat, serta integrasi kebijakan publik dengan teknologi dan sektor keuangan syariah. Oleh karena itu, reformasi kelembagaan BWI perlu difokuskan pada profesionalisasi nazhir, digitalisasi sistem pengelolaan wakaf nasional, dan penyusunan kebijakan fiskal yang mendorong inovasi wakaf produktif. Reformasi ini diharapkan mampu memperkuat tata kelola wakaf nasional yang transparan, akuntabel, dan berdaya saing global guna mewujudkan kesejahteraan umat sesuai dengan prinsip maqāṣid al-syarīʿah.
Kata Kunci: *Badan Wakaf Indonesia, tata kelola kelembagaan, wakaf produktif, reformasi kelembagaan, good governance*

INTRODUCTION

Waqf is an instrument of Islamic philanthropy that has a strategic role in socio-economic development and equal distribution of welfare for the people (Fauzi, 2022). In the context of contemporary Islamic economics, waqf not only functions as a continuous charity with a spiritual dimension, but also as productive social capital that can encourage inclusive and sustainable economic growth (Kahf, 2019). Indonesia, as a country with the largest Muslim population in the world, reaching 87.2% of the total population of 270 million, has enormous waqf potential both in terms of asset quantity and community participation (Statistik, 2018).

Based on data from the Indonesian Waqf Board (BWI) in 2023, the total area of waqf land in Indonesia reached more than 414 thousand hectares with a total of around 420 thousand nazhirs spread across all provinces (Statistik, 2018). However, empirical reality shows that only around 10% of these waqf assets have been managed productively and provide significant economic value to the community (Sulistya et al, 2020). This phenomenon indicates a substantial gap between the potential (das sollen) and realization (das sein) of waqf management in Indonesia.

Since the establishment of BWI in 2007 through Law Number 41 of 2004 concerning Waqf, this institution has a strategic mandate as a regulator, supervisor, and supervisor of the implementation of national waqf (R. Indonesia, 2004). BWI was designed as an independent institution responsible for developing and advancing waqf in Indonesia (A'ang Yusril Musyafa', 2025). However, along the way, BWI has faced various complex structural, institutional, and socio-cultural problems. Structurally, coordination between the central BWI and regional representatives remains unsynchronized, resulting in ineffective supervision and guidance of nazhir (Furqon, 2021). From an institutional dimension, limited human resources, information technology infrastructure, and waqf literacy are the main obstacles in realizing modern, transparent, and accountable waqf governance (Nugraha, Susilo, Huda, Athoillah, & Rochman, 2022). Meanwhile, from a socio-cultural aspect, the low level of public trust in the management of productive waqf means that interest in waqf in the form of money or non-physical assets is still limited (Haidlir, Laksmono, Kasri, Azizon, & Hartono, 2021).

This problem becomes even more complex when linked to the theory of institutional governance, which states that the success of a public institution in managing social assets is highly dependent on the integration of three main pillars: effective regulation, adaptive institutional structures, and social trust (Williamson, 2000). In the context of the Indonesian Waqf Board (BWI), these three pillars have not yet fully functioned harmoniously. Although waqf regulations are relatively comprehensive, their implementation structure remains weak, and public trust in waqf management institutions remains low (Sidqi, 2019). This indicates a governance failure that requires in-depth study to formulate strategic solutions going forward.

Previous academic studies tended to highlight the normative-theological aspects of waqf, such as the validity of the contract, the pillars of waqf, or its social function (U. Hasanah, 2019). Meanwhile, studies on the effectiveness of the BWI institution as a national waqf management authority are still limited, especially in the context of governance, transparency, and innovation in productive waqf management (Teguh & Yulianto, 2023); (Muhammad Habibi MZ & Fauzani, 2025) and (Hatim, 2021). Thus, there is a significant research gap between the conceptual potential of waqf as an instrument of Islamic economic development and the empirical reality of its management, which still faces various challenges under the coordination of the Indonesian Muslim Scholars Association (BWI).

Furthermore, a number of recent studies indicate that waqf issues are not merely technical-administrative but also epistemological and paradigmatic. Research by (Nur Miftahul Jannah, Nurfala Safitri, & Nilawati, 2025) found that the transformation of waqf from a traditional-charitable model to a productive-economic one requires comprehensive institutional reform. Similarly, a study by (Wahyudi, Setiawan, & Armina, 2025) emphasizes that digitalization and transparency in waqf management are crucial factors in increasing public trust and optimizing assets. These findings strengthen the argument that institutional and technological transformation are central issues in the revitalization of the Indonesian Waqf Board (BWI) in the digital economy era.

However, these studies are still partial, and few have examined the problems facing the BWI holistically, from the perspective of governance, institutional design, and management practices at the nazhir level. However, as stated in the theory of new institutional economics, the effectiveness of economic institutions is largely determined by the quality of governance, enforcement mechanisms, and capacity to adapt to changes in the external environment. In this context, a comprehensive analysis is needed that integrates the regulatory, institutional, and practical dimensions of waqf management in Indonesia.

Based on the identification of phenomena and research gaps mentioned above, this study is novel in three main aspects. First, it offers a comprehensive analysis of the institutional problems facing the BWI using an institutional governance theory approach, thus examining not only legal and social aspects but also managerial and systemic dimensions. Second, this study links the challenges faced by the Indonesian Waqf Board (BWI) to the current dynamics of the digital economy and national policies on productive waqf, which have not been widely addressed in previous studies. Third, this research seeks to develop a conceptual model for strengthening the BWI based on the principles of good governance and waqf digitalization, relevant to the needs of the era of Islamic economic transformation.

Therefore, this article aims to critically analyze the role and challenges of the Indonesian Waqf Board (BWI) in national waqf management; identify factors hindering BWI's institutional performance; and formulate a direction for future BWI institutional strengthening based on the principles of good governance. This research is expected to enrich the literature on national waqf governance and provide strategic recommendations for the government, academics, and practitioners of Islamic economics to promote more productive, transparent, and socially just waqf management.

RESEARCH METHOD

This research uses a qualitative approach with a library research method (Ramdhan, 2021). This method was chosen because the research focuses on analyzing the problems of waqf management by the Indonesian Waqf Board (BWI) through a review of relevant literature, policy documents, and previous research. The data sources in this study are secondary and consist of two main categories. First, primary literature sources, namely official documents and policies that form the basis of BWI's operations, such as Law Number 41 of 2004 concerning Waqf, Government Regulation Number 42 of 2006, and BWI regulations. Second, secondary academic sources, in the form of books, national and international journal articles, and research reports discussing waqf, Islamic institutional governance, and the concept of Islamic governance. The data is also supplemented by publications from official institutions such as the Ministry of Religious Affairs, the Financial Services Authority (OJK), and Bank Indonesia, which are relevant to productive waqf policy and the national Islamic economy.

Data collection was conducted by searching various literature through academic databases such as Google Scholar, Scopus, DOAJ, and Garuda, as well as through the official websites of relevant institutions. All literature found was then classified based on key themes: waqf regulations, the BWI institution, governance and accountability, and social issues in the implementation of productive waqf. Following the classification process, a critical evaluation was conducted to assess the validity and relevance of the sources to the research objectives. Literature that met academic credibility criteria was then comprehensively synthesized to form a structured analytical framework.

Content analysis was conducted by in-depth reading of documents and literature related to the BWI to identify key issues that frequently arise, such as weak inter-institutional coordination, minimal transparency, and low waqf literacy in the community. Meanwhile, descriptive-interpretive analysis was used to interpret the findings based on the institutional theoretical framework and the principles of maqāṣid al-shari'ah. This analysis process followed an interactive model (Huberman, 1992), This includes data reduction, data presentation, and drawing conclusions based on literature synthesis.

To ensure the validity of the analysis, this study employed source and concept triangulation techniques, comparing various literature sources from academic sources, policy documents, and official institutional publications. This approach ensured consistency of findings and avoided interpretive bias. Furthermore, a comparative analysis was conducted with waqf management practices in other countries, such as Malaysia and Turkey, to gain a broader understanding of effective and modern waqf governance models.

FINDINGS AND DISCUSSION

Institutional Problems of the Indonesian Waqf Board (BWI)

Structural Problems and Institutional Coordination

The research results indicate that the root of the institutional problems within the Indonesian Waqf Board (BWI) lie in its structural and coordinative aspects, which have not yet been effectively implemented. BWI's organizational structure, consisting of central, provincial, and district/city levels, has not been able to operate harmoniously. Many BWI regional offices remain administratively established, but they have not yet functioned optimally in developing nazhir (Islamic waqf administrators) or reporting waqf assets in their respective regions. Consequently, guidance for nazhir is not carried out uniformly, and vertical coordination between the central and regional BWIs is often sporadic.

This situation is reinforced by the findings (Furqon, 2021) which explains that one of the causes of the poor performance of waqf institutions in Indonesia is fragmented institutional coordination, resulting in inconsistent implementation of central-level policies in the regions. This problem was also acknowledged at the 2023 BWI National Working Meeting, where the Ministry of Religious Affairs stated that many provincial and district/city BWI representatives still lack standardized work systems and uniform reporting procedures across regions. This indicates an institutional imbalance between the central and regional governments, impacting the effectiveness of national waqf governance.

Furthermore, BWI faces a dilemma in carrying out its two primary functions: as a regulator and as a supervisor of waqf institutions. In practice, the guidance and supervision of nazhir are carried out by the same institutional unit, potentially giving rise to conflicts of interest. For example, the institution responsible for supervising nazhir in the regions must also evaluate and supervise their performance. This situation creates a difficult situation for implementing objective checks and balances. The oversight process ultimately tends to be purely administrative and formalistic, failing to ensure substantial accountability for waqf management.

The issue of cross-agency coordination is also a significant inhibiting factor. According to an official report (B. W. Indonesia, 2023) and Vice President Ma'ruf Amin's statement at the commemoration of National Waqf Day that same year, the relationship between the Indonesian Waqf Board (BWI), the Ministry of Religious Affairs, the Financial Services Authority (OJK), and Islamic financial institutions has not been systematically established. In fact, the development of productive waqf, particularly cash waqf, relies heavily on cross-sector synergy between religious and financial regulators. The absence of standard coordination protocols has resulted in each institution operating within its own sectoral boundaries. For example, the OJK focuses on regulating Islamic financial institutions, while the BWI carries out waqf development functions without the support of integrated financial data from Islamic banking. As a result, various cash waqf development initiatives operate separately and do not produce a cohesive policy ecosystem.

According to (Nasir, 2021) In his article in Kompas, one of the BWI's strategic programs is institutional harmonization between agencies, particularly to synergize the roles of the Ministry of Religious Affairs and BWI to avoid overlapping authority. However, to date, the expected coordination has not been optimal due to the lack of a clear division of roles between state institutions and independent bodies such as BWI in the implementation and oversight of waqf policies. This situation illustrates a governance gap between formal regulations and their implementation on the ground.

These structural and coordination issues have direct consequences for the effectiveness of national waqf policy. Without a strong coordination system, many of BWI's strategic programs, such as digitizing waqf asset data, increasing the capacity of nazhir (managers), and developing productive waqf, have been slow and unmeasured. This is reflected in BWI data from 2023, which shows that of the approximately 414,000 hectares of waqf land in Indonesia, only around 10% has been productively developed. This indicates that structural weaknesses are not merely technical issues but also have implications for the overall low economic and social performance of national waqf.

From the perspective of institutional governance theory, the current condition of the BWI reflects institutional misalignment, namely a mismatch between the institutional design and the functions it carries out. The institutional design is not yet adaptive, the supervisory function is not yet independent, and the unstructured cross-institutional coordination results in ineffective institutional performance. To ensure optimal functioning of waqf institutions in Indonesia, a more assertive institutional restructuring of the BWI is needed by separating the functions of regulator and operator, establishing a clear vertical coordination system between the central and regional governments, and strengthening horizontal synergy among waqf stakeholders.

Institutional Capacity Limitations

Another prominent problem within the Indonesian Waqf Board (BWI) lies in its limited human resource capacity and institutional infrastructure. Research shows that most BWI administrators at the regional level lack adequate professional competency in asset management, sharia financial management, and productive waqf development strategies. This weakness results in a lack of standardized waqf program implementation in the regions, and its performance relies heavily on individual capabilities rather than a well-established institutional system.

According to (Wahyudi et al., 2025), Limited human resource capacity in waqf management institutions directly impacts the low quality of innovation and the effectiveness of waqf asset governance. Many nazhirs (managers) come from traditional religious backgrounds without expertise in business management or sharia investment. As a result, the vast potential of waqf cannot be developed into a source of sustainable socio-economic financing. This situation is consistent with 2023 BWI data, which shows that of the more than 420,000 registered nazhirs, only a small proportion possess competency certification or a professional background in sharia economics.

This capacity limitation is exacerbated by the lack of an integrated national waqf management information system. As of 2023, BWI does not yet have a National Waqf Information System capable of collecting asset data, nazhir profiles, and real-time performance reporting. Information related to waqf assets remains scattered across various agencies, such as the Ministry of Religious Affairs, the National Land Agency (BPN), and regional BWIs, without a synchronized database. Consequently, monitoring, evaluation, and policy planning processes are often hampered by the lack of valid and up-to-date data. The absence of this information system not only hampers oversight but also reduces public transparency. The public cannot openly access reports on the performance of the nazhir or the status of waqf asset utilization, ultimately weakening trust in waqf management institutions (B. W. Indonesia, 2023).

Another crucial issue is the lack of operational budget support for the Indonesian Waqf Board (BWI). According to a 2022 Ministry of Finance report, the allocation of funds from the state budget (APBN) for BWI's operations is relatively small compared to the institution's national mandate. BWI must manage institutional affairs, guidance, supervision, and promotion of national waqf with limited funding. As a result, many programs are ceremonial or short-term, without long-term sustainability plans. In the context of public institutional theory, this condition illustrates a phase of institutional underdevelopment, where the institution's strategic role is not balanced by adequate resource support.

From a governance perspective, BWI's weak institutional capacity has a systemic impact on national waqf performance. Without professional human resources, an integrated data system, and sufficient financial support, the institution is unable to effectively carry out its oversight and innovation functions. Therefore, capacity building must be a priority for waqf institutional reform in Indonesia through competency-based recruitment, waqf asset management training, and the development of a transparent and integrated digital information system.

Problems of Regulation and Policy Implementation

Normatively, Indonesia has a strong waqf legal framework through Law No. 41 of 2004 concerning Waqf, Government Regulation No. 42 of 2006, as well as several BWI Regulations and Decrees of the Minister of Religious Affairs. However, in practice, the implementation of these regulations is far from optimal. There is a significant gap between the law on the books and the law in action, that is, between the text of the regulations and their implementation on the ground. Many nazhirs (Islamic administrators) do not understand legal obligations, such as reporting the results of asset management, registering waqf land, and developing assets productively (R. Indonesia, 2004).

The research results show that the law enforcement mechanism for negligent waqf administrators remains very weak. To date, there have been no significant cases of waqf administrators who misused assets or failed to report their management results being subject to strict sanctions by the Indonesian Waqf Board (BWI) or the Ministry of Religious Affairs. This situation demonstrates the weak capacity of legal oversight and creates moral hazard among waqf administrators. Many waqf administrators operate without adequate audit and oversight mechanisms, while the public lacks access to their performance reports.

Beyond law enforcement, waqf administration bureaucracy is also a major obstacle. The certification and registration process for waqf assets, particularly waqf land, remains complicated and time-consuming due to the involvement of multiple agencies (BPN, Kemenag, regional BWI). (Sidqi, 2019) noted that lengthy procedures and legal uncertainty are the main causes of the low formalization rate of waqf assets in Indonesia. Consequently, some people prefer to distribute waqf informally without legal registration. This has implications for weak legal protection for waqf assets and difficulties in future oversight.

Another regulatory obstacle is the legal vacuum governing contemporary forms of waqf, such as digital waqf, stock waqf, waqf through crowdfunding platforms, and waqf of intellectual property assets. Yet, these new practices are gaining popularity with the development of the digital economy and the philanthropic awareness of young Muslims. This regulatory lag hinders the pace of innovation and discourages Sharia investors from participating in productive waqf projects. In the context of the modern Sharia economy, unadaptive regulations lead to a regulatory lag, a legal lag that lags behind the social and economic dynamics of society.

Thus, although Indonesia has a strong legal framework for waqf on paper, its implementation on the ground still faces various structural, bureaucratic, and substantive obstacles. To bridge the gap between law in books and law in action, BWI needs to strengthen its legal oversight function, simplify administrative processes, and encourage regulatory reforms to be more inclusive of contemporary waqf innovations.

Socio-Cultural Problems and Public Trust

In addition to structural and regulatory issues, socio-cultural factors also play a significant role in determining the effectiveness of waqf management in Indonesia. Research shows that waqf literacy among Indonesians remains very low, particularly regarding the concepts of productive waqf and cash waqf. The majority of people still understand waqf in its traditional sense, namely the donation of land or buildings for mosques, Islamic boarding schools, or cemeteries, without viewing it as a sustainable economic instrument.

(Haidlir et al., 2021) emphasized that the public's lack of understanding of productive waqf has resulted in minimal participation in cash waqf, despite its significant potential. This low literacy rate is exacerbated by a public trust deficit in waqf management institutions. Cases of asset misuse, a lack of transparency in financial reports, and unclear management outcomes have fueled public skepticism. Consequently, many prospective waqifs are reluctant to channel their assets through formal institutions, preferring direct (non-formal) channels, which are considered more trustworthy.

From the perspective of social capital and social trust theory (Frasser & Guzmán-Castro, 2024), Public trust is a crucial social capital for the success of Islamic philanthropic institutions. When trust declines, the institution's social legitimacy also weakens, thereby automatically reducing public participation. This weak trust is rooted in two main factors: (1) the absence of an effective public oversight mechanism for nazhir (Islamic administrators), and (2) the lack of transparent reporting from the Indonesian Waqf Board (BWI) regarding the results of waqf management nationally.

The issue of public trust is also related to the minimal public involvement in the waqf policy and management process. The public is often positioned as a beneficiary, rather than a stakeholder. However, modern productive waqf models in other countries, such as Malaysia and Turkey, have developed due to the active participation of the public, academics, and the private sector in planning and oversight.

Therefore, restoring public trust is a key prerequisite for reforming national waqf institutions. This can be achieved through increased transparency, the publication of regular financial reports, independent audits of waqf asset management, and waqf literacy campaigns across all levels of society. Without a strong trust mechanism, the extraordinary economic potential of waqf will not be able to be converted into a productive force for the welfare of the people.

Gap between Potential and Realization of National Waqf

The research results show a significant gap between the potential of national waqf assets and the level of their utilization. Based on official data from the Indonesian Waqf Agency (B. W. Indonesia, 2023), The total area of waqf land in Indonesia reaches approximately 414,000 hectares, spread across more than 440,000 locations, with approximately 420,000 nazhirs (Islamic administrators). Although this large amount of waqf assets demonstrates enormous economic and social potential, only about 10% of the total assets are managed productively. The majority still consist of traditional waqf assets, such as mosques, Islamic boarding schools, and cemeteries, which are consumptive in nature and do not generate sustainable economic value.

This gap demonstrates a governance failure in the national waqf management system. The vast potential, not matched by professional management, has prevented waqf assets from becoming instruments for the economic empowerment of the community, as mandated by Law Number 41 of 2004 concerning Waqf. This aligns with the analysis (Kahf, 2019) and (Ali, Rahmatullah, & Sidqi, 2023) which emphasizes that the success of waqf management does not only depend on the amount of assets a country has, but especially on the effectiveness of the institutions, public policies, and economic innovations that support it.

Comparison of Indonesian Waqf Productivity with Other Countries

Comparatively, Malaysia holds a leading position among Muslim countries in developing a productive waqf system based on modern institutions. The country has successfully transformed waqf from a mere religious charity into a strategic socio-economic development instrument. With strong support from the State Islamic Religious Councils (SIRCs) and the Malaysian Waqf Foundation (YWM), Malaysia has successfully developed various innovative forms such as corporate waqf and stock waqf, which generate significant financial returns for financing education, health, and social empowerment. (Fathoni, Asasriwarni, Yunarti, Firdaus, & Christoph, 2025). A systematic institutional approach, professional management, and strong regulatory support have made Malaysia a model for productive waqf management in the Islamic world.

One prominent example is the Corporate Waqf concept developed by Johor Corporation (JCorp). In 2006, JCorp launched a corporate waqf scheme by donating shares worth RM200 million to Waqaf An-Nur Corporation Berhad (WANCorp) (Jalil & Mohd Ramli, 2014). This scheme is the first in Malaysia to integrate Islamic Corporate Social Responsibility (CSR) principles with productive waqf instruments. Through a planned distribution structure, 70% goes to reinvestment and human resource development, 25% to programs in the Islamic faith (fisabilillah) such as education and healthcare, and 5% to the Majlis Agama Islam Johor (MAIJ), JCorp successfully ensures continuity between economic sustainability and social well-being (Thaker & Thaker, 2015).

As of 2012, JCorp has managed various waqf portfolios from listed companies such as KPJ Healthcare (14.38% or 18.6 million shares), Kulim Malaysia Berhad (3.85% or 12.35 million shares), and Al-'Aqar Healthcare REIT (1.81% or 12.62 million shares). Furthermore, unlisted companies such as Tiram Travel Sdn. Bhd. (75% shares) and Larkin Sentral Property Sdn. Bhd. (61% shares) are also part of the corporate waqf ecosystem that generates sustainable income. This model demonstrates that Malaysia has succeeded in making waqf a professional, transparent, and economically scalable social financial instrument (Kasri & Ismail, 2021).

Malaysia's success in developing a productive waqf system is inseparable from the active role of the government and consistent public policy. SIRCs in each state have full authority to manage, invest, and distribute waqf proceeds in an accountable manner. A top-down governance approach integrated with the national legal framework allows each waqf asset to be maximized for the benefit of the wider community. Furthermore, institutions such as the Malaysian Waqf Foundation (YWM) play a role in encouraging innovation in waqf products such as cash waqf-linked sukuk, stock waqf, and social impact investment, all of which are oriented towards the socio-economic development of the community.

Compared to Malaysia, waqf productivity in Indonesia lags far behind, both in terms of institutions, innovation, and asset governance. According to 2023 data from the Indonesian Waqf Board (BWI), the national waqf land area reached approximately 414,000 hectares spread across more than 420,000 locations, but only around 10% has been productively developed. This indicates a governance failure in the national waqf management system. Institutionally, although Indonesia has a strong legal basis through Law No. 41 of 2004 concerning Waqf and Government Regulation No. 42 of 2006, its implementation still faces several obstacles. Unlike Malaysia, which has SIRCs with full authority, the Indonesian Waqf Board (BWI) has not been fully able to coordinate waqf management nationally due to limited professionalism of nazhir (Islamic trustees), a lack of transparency, and fragmented regulations between regions (Huda, Santoso, & Noviana, 2019).

Furthermore, waqf product innovation in Indonesia remains limited. Efforts to develop corporate waqf only began in 2017 with the establishment of PT Wakaf Ventura Indonesia by ICMI, but its implementation has not yet penetrated the financial sector and strategic industries as achieved by JCorp in Malaysia. This is exacerbated by the low level of public literacy regarding the concept of productive waqf, particularly in the form of cash waqf and stock waqf.

The gap between the potential and realization of productive waqf in Indonesia indicates that the primary problem lies not in asset resources, but rather in the quality of governance and institutional capacity. Conversely, Malaysia's success demonstrates that the integration of public policy, management professionalism, and support for Islamic financial technology can make waqf a viable instrument for sustainable development.

Thus, this comparison between the two countries confirms that Malaysia has successfully transformed waqf into a productive and sustainable socio-economic development instrument, while Indonesia is still in the institutional consolidation and public education stages. To catch up, Indonesia needs to strengthen the capacity of nazhir (Islamic trustees), build a corporate waqf ecosystem, and adopt institutional models like JCorp–WANCorp, which have proven effective in combining spiritual values and economic sustainability.

Meanwhile, Turkey has been one of the most successful countries in transforming its traditional waqf system into a modern, highly competitive economic mechanism. This success is inseparable from the role of the General Directorate of Foundations (GDF), or Vakıflar Genel Müdürlüğü, a government agency under the Ministry of Culture and Tourism that is directly responsible for managing all national waqf assets. Through a centralized and professional institutional approach, Turkey has been able to transform waqf assets from a consumptive asset into a productive, diversified economic portfolio that makes a tangible contribution to national development (Fathoni et al., 2025).

The Turkish waqf management system stands out for its high level of professionalism and transparent governance. The GDF implements an asset portfolio management model, where waqf assets are not limited to land and mosque buildings but also extend to commercial property, corporate stocks, investment bonds, and the religious tourism sector (Tasdemir, 2015). This strategy makes waqf institutions an integral part of the national economy. Profits from these assets are then used to fund social programs such as education, healthcare, the conservation of Islamic historical sites, and international humanitarian aid.

The Turkish government has also demonstrated a strong fiscal policy commitment to supporting a productive waqf ecosystem. This support is realized through tax incentives, ease of investment permitting, and guaranteed legal protection for waqf-based projects (Rakhmat & Beik, 2022). For example, income from waqf assets is exempt from income tax, while development projects on waqf land receive priority in the licensing process. This policy not only strengthens the attractiveness of waqf-based social investments but also creates a collaborative climate between the public and private sectors.

Institutionally, the GDF has also successfully digitized waqf asset data and developed a technology-based information system that enables transparent management and real-time financial reporting. These innovations have increased public trust and encouraged community participation in cash waqf donations. As a result, the GDF now manages thousands of waqf assets worth billions of liras, with proceeds channeled to various strategic social and economic sectors (Hussin & Harun, 2023).

Turkey's transformation serves as a concrete example of the success of structural reform in waqf management in the modern era. The government has successfully combined Islamic spiritual values with market economic principles through efficient, data-driven governance. This model demonstrates that with strong regulations, fiscal support, and professional institutions, waqf can function not only as a philanthropic instrument but also as an engine of sustainable economic development.

Compared with Indonesia, the Turkish waqf system exhibits fundamental differences in policy flow and institutional effectiveness. While in Indonesia, waqf management remains fragmented and spread across various nazhirs with varying levels of professionalism, in Turkey, all waqf assets are centrally managed by the Islamic Fund (GDF) with a rigorous audit system and public accountability standards. Thus, the Turkish approach demonstrates that centralized management, fiscal policy support, and asset diversification are key to the success of productive waqf in a modern state.

Both countries demonstrate that the key to successful waqf management lies in policy consistency, institutional professionalism, and synergy between regulators and the Islamic financial sector. This has not been fully realized in Indonesia, where waqf policies are still sectoral, unintegrated, and lack investment support.

Factors Causing the Gap Between Potential and Realization of Waqf

Analysis of the literature and field data identified at least four main factors that cause the gap between the potential and realization of waqf management in Indonesia:

1. Low Competence of Nazir

   The majority of nazhir in Indonesia are still individual and traditional, with limited understanding of asset management, sharia investment, and financial institution governance. According to data from the Ministry of Religious Affairs (2022), approximately 72% of nazhir lack an educational background in Islamic economics or finance. Consequently, waqf assets tend to be unproductive due to their conventional and consumer-oriented management.

   According to (Suharsimi Arikunta, 2023), The low competence of nazhir directly impacts the low innovation and performance of waqf asset management, particularly in facing the challenges of the digital era and modern economic integration. This demonstrates the importance of certification programs and ongoing training for nazhir as a step toward professionalizing national waqf management.

2. Lack of Funding for Productive Waqf Development

   Funding issues are a major obstacle to transforming waqf assets into productive assets. Many waqf lands possess strategic value but cannot be developed due to a lack of adequate financing.

   Although Islamic finance theory offers schemes such as mudarabah, musyarakah, or sukuk waqf, in practice, Islamic financial institutions remain cautious about channeling funding to waqf projects due to legal constraints, ownership risks, and limited collateral.

   According to a report by the National Committee for Islamic Economics and Finance (Bank Indonesia, 2023), The potential for cash waqf in Indonesia reaches Rp 180 trillion per year, but the actual collection is only around Rp 1.4 trillion, or less than 1% of the potential. This data illustrates that without the support of fiscal policy and inclusive financial access, productive waqf will struggle to develop.

3. Fragmentation and Uneconomical Scale of Assets

   Most waqf land in Indonesia is relatively small, scattered across various locations, and not located in strategic economic areas. This fragmentation makes it difficult to develop waqf assets economically because they lack economies of scale. The concept of land consolidation or waqf pooling, which allows the merging of several small assets into one large project, has not been widely implemented in Indonesia, although it has been successfully implemented in Malaysia through the Corporate Cash Waqf project and the Selangor Waqf Fund. Without an asset pooling policy, it is difficult to optimize waqf potential for large-scale investment projects such as housing, education, or healthcare (Fauzi, 2022).

4. Socio-Cultural Resistance to Productive Waqf

   Social and cultural factors also play a significant role in slowing down the transformation of waqf. Some communities, particularly older generations and traditional religious leaders, still view productive waqf as synonymous with the commercialization of worship. This perception hinders the acceptance of modern management models that combine religious values with economic benefits.

   (Haidlir et al., 2021) noted that low literacy in productive waqf causes most waqifs to still choose conventional waqf forms (land for mosques or graves) over cash or investment waqf. Therefore, the success of waqf reform depends not only on institutional policies but also on a paradigm shift in society through massive public education.

BWI Performance Evaluation Based on Good Governance Principles

An institutional evaluation of the BWI using good governance principles shows that most of these principles have not been optimally implemented.

1. Transparency

   BWI's financial and performance reports are not published openly and regularly. Public access to waqf asset data is very limited, thus eroding public trust. However, according to (I. Hasanah, 2020), Transparency of public information is a primary prerequisite in building the social legitimacy of philanthropic institutions.
2. Accountability

   BWI has extensive autonomy as an independent institution, but this is not balanced by external accountability mechanisms. Performance evaluation is primarily internal and administrative in nature (Damayanti, Sugianto, & Atika, 2023). As a result, many nazhirs do not report asset management periodically without clear legal consequences.
3. Participation

   Policymaking at BWI tends to be top-down. The minimal involvement of academics, practitioners, and civil society often results in policies being unresponsive to real needs on the ground (Dewi & Amrizal, 2023). The participatory principles that form the basis of new public management have not been implemented in real terms.
4. Effectiveness and Efficiency

   After nearly two decades of existence, BWI's achievements in developing productive waqf remain limited. Many programs are ceremonial in nature without long-term sustainability (Saputri, 2024). This shows that the use of resources is not yet efficient and the results are not yet significant for the economic empowerment of the people.

5. Law Enforcement (Rule of Law)
   Weak law enforcement against untrustworthy nazhirs creates moral hazard. Without a fair system of rewards and sanctions, it is difficult to build a performance culture based on integrity and professionalism (Hussin & Harun, 2023).

Discussion

A comparison of the waqf systems in Indonesia, Malaysia, and Turkey shows that the effectiveness of governance is highly dependent on institutional structures and state policy interventions. In Indonesia, the Indonesian Waqf Board (BWI) has a broad mandate but still faces challenges in coordinating and supervising nazhir (Islamic trustees) across the region. Based on the theory of Good Waqf Governance (Kahf, 2019), Good waqf governance requires accountability, transparency, responsiveness, and efficiency at every stage of management. However, conditions in Indonesia indicate that these principles have not been optimally implemented due to weak managerial capacity and the lack of standardized reporting of productive waqf at the local level.

In contrast, the waqf institutional system in Malaysia reflects an effective decentralized governance model. Each State Islamic Religious Council (SIRC) has full authority to manage waqf assets within its jurisdiction, but still coordinates with national institutions such as the Department of Waqf, Zakat, and Hajj (JAWHAR) and the Malaysian Waqf Foundation (YWM). This model aligns with the concept of institutional integration proposed by (Kahf, 2019), Collaboration between religious institutions, the government, and the business sector is key to sustainable waqf management. Thus, Malaysia has successfully created synergy between religious values and modern economic principles without eliminating Sharia aspects.

Turkey, through its General Directorate of Foundations (GDF), demonstrates a different approach to centralized governance. This approach guarantees state control over all national waqf assets, ensuring transparency and efficiency in management. Based on the findings (Hussin & Harun, 2023), Turkey's centralized system allows for the strategic redistribution of waqf assets to productive sectors such as housing, education, and healthcare. The GDF also applies high professional standards through the use of a digitally integrated national waqf information system. The Turkish model demonstrates that the success of waqf management rests not only on the number of assets, but also on the state's ability to build a modern and scalable management system.

Meanwhile, the development of waqf in Malaysia and Turkey demonstrates significant innovation in integrating religious concepts with modern financial instruments. Malaysia, through the Johor Corporation (JCorp) Corporate Waqf program, introduced a model that makes business entities professional nazhirs. JCorp manages waqf assets in the form of shares and property, with the proceeds used for education, healthcare, and community economic empowerment. This innovation aligns with Bank Negara Malaysia's Value-Based Intermediation (VBI) theory, which emphasizes that Islamic financial institutions must play an active role in creating social value through waqf instruments. Research findings (Thaker & Thaker, 2015) Studies have shown that the corporate waqf model can simultaneously increase financial returns and social impact, making it a best practice in the contemporary Islamic world.

Turkey also implements a similar concept through the diversification of waqf assets, including real estate, equity investments, and bonds. The Turkish government provides tax incentives and facilitates investment permits for waqf-based projects, creating an economic ecosystem that encourages private sector participation in the management of social assets. This is consistent with the Public-Private Partnership (PPP) approach applied to the development of waqf universities and hospitals. According to research (Haidlir et al., 2021), This system is the most modern example of Islamic endowment, combining market efficiency with Islamic social values.

In Indonesia, productive waqf innovation has begun to develop through the Cash Waqf Linked Sukuk (CWLS) scheme launched by the Ministry of Finance and the Indonesian Financial Institution Board (BWI) in 2020. This scheme utilizes cash waqf funds to invest in sovereign sukuk, with the proceeds used for social projects. While this innovation shows positive signs, the main challenges remain low public literacy regarding cash waqf and minimal collaboration between Islamic financial institutions and nazhir (Islamic trustees). Based on a study (Nugraha et al., 2022), The success of the CWLS still requires expanding the waqf base and improving management accountability to compete with the Malaysian and Turkish models.

Reform of the waqf system in Indonesia needs to be directed at three things: first, professionalizing nazhir (managers) through managerial training and competency certification; second, implementing an integrated digital system for asset transparency; and third, developing fiscal regulations that provide incentives for productive waqf. This approach will not only strengthen the legitimacy of the Indonesian Waqf Board (BWI) as an authoritative institution but also make waqf an instrument of inclusive development, as has been the case in Malaysia and Turkey.

Thus, the integration of spiritual values, modern governance, and visionary public policy is key to the success of the waqf system in the contemporary Islamic economic era. A country that successfully integrates these three aspects will make waqf not merely an instrument of worship, but also a pillar of the socio-economic system that supports justice and the welfare of the people.

CONCLUSION

This study concludes that the Indonesian Waqf Board (BWI) still faces serious institutional challenges, particularly in central-regional coordination, human resource capacity, and transparency and accountability in asset management. Existing regulations are not yet optimal due to lengthy bureaucracy and weak law enforcement against nazhir (Islamic trustees). Furthermore, low literacy and public trust hamper the development of productive waqf, as evidenced by the optimal management of only around 10% of waqf assets.

Comparisons with Malaysia and Turkey demonstrate that the success of productive waqf is largely determined by the institution's professionalism, strong regulatory support, and integration with technology and the Islamic financial sector. Therefore, BWI's institutional reform needs to focus on: (1) professionalizing and increasing the capacity of nazhir (Islamic trustees), (2) digitizing the national waqf management system, and (3) adapting fiscal policies and regulations for productive waqf innovation.

If these three strategies are consistently implemented, BWI has the potential to become a modern waqf institution capable of optimizing community assets for equitable and sustainable socio-economic development in accordance with the principles of maqāṣid al-syarīʿah.

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