

OPTIMIZING PRODUCTIVE WAQF THROUGH SMALL AND MEDIUM ENTERPRISES (SMEs) FINANCING BASED ON GREEN ECONOMY

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ABSTRACT

There is an effort to examine economic activities in an Islamic manner in response to current economic issues. Various discussions, training, workshops, and seminars have been conducted concerning the revitalization of waqf institutions, which are an essential part of Islamic economic instruments. The formation of green entrepreneurship is necessary to support sustainable economic independence. This can be established by optimizing waqf funds by providing financing to Small and Medium Enterprises (SMEs). Waqf plays a role in addressing social problems in society. Poverty, unemployment, malnutrition, and school dropouts can be addressed through the empowerment and management of waqf as a source of funding for the ummah. This research uses library research with a descriptive qualitative method, noting findings regarding global concepts in each discussion within the research derived from literature and recent sources. In this context, it concerns productive waqf. After recording, it then integrates the findings, whether theory or research results from the reading sources. Financing through the waqf instrument is one form of productive waqf management. This scheme is implemented by providing and distributing the benefits of waqf through financing schemes given to the mauquf alaih or the recipients of waqf benefits.

Keywords : *Productive Waqf, SMEs Financing, Green Economy.*

I. INTRODUCTION

Various countries are now beginning to promote economic development that no longer relies on the exploitation of natural resources. This shift is due to the unsustainable consumption patterns of society, which have caused negative impacts on the environment and natural resources. Significant thinking is needed to abandon short-term profit-driven economic practices that leave behind many problems that need to be addressed for the sustainability of humanity.

Efforts are emerging to examine economic activities from an Islamic perspective in response to current economic issues. Consequently, various discussions, training, workshops, and seminars have been conducted concerning the revitalization of waqf institutions, an essential part of Islamic economic instruments. In this context, the idea of professionally managing waqf has emerged. The waqf activities previously conducted by society were more characterized by religious activities with minimal economic impact on daily life.

Waqf is defined as "*Tahbisul Ashl wa Tasbiilul Manfa'ah*," meaning "holding an asset and allowing its benefits to be used" (Thaheransyah 2020). Linguistically, in Arabic, waqf means "a pause" or "remaining stationary." In terms of ownership rights over land, livestock, gardens, and other assets, this refers to the freezing of these assets for specific purposes (Arijuddin & Nurwahidin 2023). According to the Indonesian Waqf Board (2019), scholars have varying opinions depending on the school of thought they follow, the procedures, and the status of waqf property after it is donated.

The Economic dimension of waqf activities is not well understood by some communities, resulting in waqf land and assets not being managed according to the intended purpose of waqf. According to the waqf information system of the Ministry of Religious Affairs in 2022, as

informed by the Indonesian Waqf Board (2023), waqf land in Indonesia is spread across 4405 thousand points with a total area of 572 hectares. However, many waqf lands are not optimally utilized, and many lands do not provide benefits for the well-being of the ummah, even though their potential could be the backbone of prosperity for the Indonesian society.

Green entrepreneurship combines environmental, social, and economic aspects in business practices to create positive impacts on ecosystems and society in general. This needs increasing attention, as there are many challenges in implementing this concept, including limited access to capital and financing, limited understanding of green economy business practices, unsupported regulations, and consumer attitudes and behaviors.

The formation of green entrepreneurship is necessary to support sustainable economic independence. This can be established by optimizing waqf funds by providing financing to Small and Medium Enterprises (SMEs). Waqf plays a role in addressing social problems in society. Poverty, unemployment, malnutrition, and school dropouts can be addressed through the empowerment and management of waqf as a source of funding for the ummah.

Making waqf assets economically valuable is a prerequisite for productive waqf management, based on its function in charity, goodness, and brotherhood. When waqf is fulfilled, there is a shift in ownership from personal to Allah SWT, which will undoubtedly provide sustainable benefits.

According to Ahmed Khalil & Yunus Ali (2014), efficient waqf management remains a major challenge for waqf managers. Nur Rohim (2021) added that competent waqf managers are needed to manage waqf that benefits the ummah, including fundraising, utilization, and distribution of benefits. As explained by Ahmed et al. (2015), waqf management must be entrusted to competent managers to ensure proper and professional governance.

II. RESEARCH METHODOLOGY

This research uses library research with a descriptive qualitative method according to Meleong (2017), noting findings regarding global concepts in each discussion within the research derived from literature and recent sources. In this context, it concerns productive waqf. After recording, it then integrates the findings, whether theory or research results from the reading sources.

According to Bungin (2007), there are stages in the data analysis technique in this research. The first analysis is conducted while collecting data to capture the essence or core of the research focus conducted through the collected sources and contained in the formulation. This process is done aspect by aspect according to the research map. According to Sugiyono (2014), after the data collection process, the data that has been collected is analyzed again and its relationships are determined.

Finally, the findings from the research are critiqued and suggestions are made regarding previous discussions by presenting new findings in integrating different thoughts. Qualitative analysis activities are carried out interactively and continuously until sufficient.

III. RESULTS AND DISCUSSION

Indonesia has the potential to develop waqf, as waqf has gained popularity in recent years as an alternative instrument. Indonesia ranks first as the most generous and giving country, as explained by CAF (2022). Research shows that more than 8 out of 10 Indonesians donate their funds.

The level of volunteerism in Indonesia is three times higher than the global average. This alternative instrument is certainly useful in social life. Fauza (2015) explains that waqf holds great

potential to become a productive asset, which ultimately can not only sustain social and religious services but also support social justice initiatives and goals.

In principle, waqf must be managed according to the sharia and regulations that have been enforced. This is because waqf is part of Islamic law, where all related provisions have been regulated in the Quran and Hadith, both explicitly and implicitly. Therefore, a waqf manager must understand these provisions to follow the principles of waqf management properly.

As waqf collectors, such as Dompot Dhuafa and the Indonesian Waqf Board (BWI), according to Muhammad A.A & Rosidta (2023), have adopted a waqf fundraising management model involving resource models. These two organizations have successfully raised funds from various sources, either through direct or indirect approaches, by applying a grant fundraising model that includes funding for waqf empowerment programs. However, BWI's current waqf management still tends to be centralized and consumptive in its development and management.

In fact, waqf, according to Wahyudi et al. (2018), can be utilized for investment in the business and commercial sectors or infrastructure investments that generate profits. The utilization of waqf assets is important so that the principle of waqf by preserving the principal and distributing its benefits can be more optimal. By developing waqf assets through investment, it will provide returns, thus increasing the value and growth of the waqf assets themselves. The results from waqf assets will provide material value that can keep the waqf assets intact while the distribution of profits will benefit and serve the wider community. Therefore, efforts to develop waqf assets continue to be made, whether through direct waqf assets such as land and fields or productive waqf assets such as money or securities.

Competent waqf managers are highly required so that waqf assets can be optimally managed, waqf asset development can proceed well, and provide more results and benefits, thus offering broader benefits to society. Moreover, the competence of waqf managers in the management and development of waqf assets is crucial to avoiding losses in waqf asset management, physical damage, or other forms of loss. In this case, to mitigate risks, waqf managers are also allowed to collaborate with professional third parties to assist with technical implementation.

Fuadi (2018) explains that the optimization of waqf management is currently carried out through investments in government infrastructure, public infrastructure, and even through schemes for distributing aid and financing businesses. The management and development of waqf assets can also be done through financing schemes targeting lower-middle-class communities. Targeting SMESs who face obstacles related to access to capital and banking. With the distribution of waqf in this scheme, it is hoped that these obstacles can be overcome. Additionally, this pattern also protects the community from usurious loan transactions offered by certain individuals in society.

In the aspect of financing, cash waqf has the advantage of flexibility. Through financing mechanisms with contracts that comply with sharia principles, waqf can reduce poverty levels and address the gap between the rich and the poor. According to Traore et al. (2018), the distribution of waqf in financing patterns must still adhere to the terms of the waqf pledge. Thus, the purpose of the waqf pledged by the waqif must still be fulfilled as a form of trust in waqf management.

Priority scales in financing and risk management in its distribution need to be considered so that waqf management can be carried out with integrity. Especially if the waqf asset itself is distributed, maximum risk management is required to ensure that the waqf asset is well preserved.

Shabana (2011) explains that the possible pattern of waqf distribution in the form of financing is to distribute the benefits or profits from the management of waqf assets. This is more flexible for waqf managers to distribute financing to the commercial sector, particularly small SMESs that align with the waqf's purpose of improving community welfare. This financing pattern

can be carried out with several schemes and contracts, such as qardhul hasan, mudharabah, or musyarakah.

According to the principles and characteristics inherent in waqf, businesses that can receive waqf distribution are primarily small-scale businesses. The distribution of waqf to small SMESs is a concrete step in improving the community's economy. Furthermore, SMEs actors must remain within the framework of preserving the environment. In this case, if waqf is distributed to finance a business, the business must comply with the principles of the green economy, which also aligns with the principles of the sharia economy.

This is also a characteristic of waqf, which cannot finance prohibited businesses or enterprises. Additionally, the distribution of waqf to business actors must consider contracts that align with the green economy concept. Besides providing coaching and empowerment, waqf managers also have important responsibilities. These responsibilities are carried out in the form of guidance and support to waqf recipients, especially in providing access to business capital. This is expected to encourage SMEs actors who receive waqf to optimize their business performance by utilizing the waqf funds received. Therefore, professional waqf managers are needed to provide coaching and business assistance to SMESs that receive waqf.

IV. CONCLUSION

The capital constraints faced by SMEs can essentially be overcome through waqf optimization. This mechanism is carried out by adhering to sharia rules and principles as the main foundation in transactions. Both Islamic financial instruments such as waqf and the green economy aspects share common values and principles. This financing distribution can be done by distributing the waqf asset itself or by distributing the profits from waqf asset management. In waqf management and financing, whether for investment or in the commercial business sector, transactions must follow sharia principles as stipulated in financial institution transactions.

There are provisions related to contract schemes and transactions that comply with sharia principles. The alignment of goals and targets between waqf and SMEs actors is crucial to integrating waqf with SMEs. Thus, community welfare through waqf instruments can be realized by channeling them to SMEs actors. Therefore, waqf can potentially and feasibly serve as an alternative instrument for financing or capital for SMEs that support other main financing sources.

By adjusting the provisions and characteristics of waqf, SMEs have great potential and can be considered for receiving waqf. This, of course, must also consider the waqf pledge made by the waqif when handing over the waqf to the manager. Practically, the operational mechanism that can be implemented in waqf-based SMEs financing can be realized in several patterns and stages.

This is to avoid the loss of waqf assets due to business failures conducted by SMEs. Therefore, waqf managers are required to have relevant competence in reviewing the waqf money management pattern. This can also be done by collaborating with competent parties. According to the provisions in BWI Regulation No. 1 of 2020, cash waqf investment is carried out either directly or indirectly. This indicates that the distribution of cash waqf assets to SMEs financing can be done based on the results of BWI's review of the feasibility aspects. This is a primary consideration in determining the SMEs that will receive waqf funds. Given that waqf funds are community funds that must be preserved in perpetuity, the target and wisdom of waqf can be realized by encouraging community economic growth and enhancing the effectiveness of waqf fund management for the benefit of the ummah.

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