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Revitalization of Productive Zakat and Cash Waqf Instruments: A Contemporary Fiqh Perspective on Modern Poverty Alleviation

Moh. Asep Zakariya Ansori[1]*, Jamaludin[2], Idris Apandi[3], Sinsin Susilawati[4], Siti Mutia Rahmawati[5], Asep Ahmad Subur[6]
Institut Ummul Quro Al-Islami Bogor, Indonesia
Corresponding Author: Moh. Asep : Moh.asep.zakariya.ansori@iuqibogor.ac.id

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A B S T R A C T
This study examines the revitalization of productive zakat and cash waqf as integrated Islamic social finance instruments for sustainable poverty alleviation from the perspective of contemporary Islamic jurisprudence. Employing a qualitative library research approach, this study analyzes scholarly literature, Islamic legal sources, and contemporary studies on productive zakat and cash waqf. The findings indicate that contemporary fiqh legitimizes productive zakat as an instrument of economic empowerment while recognizing cash waqf as a flexible financing mechanism. Their institutional integration generates a sustainable multiplier effect by strengthening micro-enterprises, improving community welfare, and facilitating the transformation of mustahiq into muzakki. These findings support the development of a more inclusive and sustainable Islamic social finance system.

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INTRODUCTION

Poverty in the modern era can no longer be understood merely as the inability to fulfill basic human needs. Instead, it has evolved into a multidimensional structural problem characterized by economic inequality, limited access to productive resources, educational disparities, and social exclusion. Ironically, poverty alleviation policies continue to rely predominantly on short-term charitable assistance and social safety net programs, which often fail to address the structural causes of poverty.

Within the framework of Islamic economics, philanthropic instruments such as zakat and waqf possess significant potential to stimulate inclusive economic development. Nevertheless, empirical evidence indicates that this enormous potential remains underutilized due to the persistence of traditional paradigms. Zakat is still widely perceived as a consumptive instrument intended only to satisfy immediate needs, while waqf is generally confined to immovable assets such as land and buildings that generate limited economic liquidity.

This discrepancy between the normative ideals of Islamic law and the practical realities of institutional management necessitates a paradigm shift. Contemporary studies demonstrate that productive zakat contributes significantly to poverty reduction by transforming beneficiaries from passive recipients of financial assistance into economically productive individuals. Rather than serving solely as temporary social assistance, productive zakat functions as business capital that enhances productivity and promotes long-term financial independence.

Similarly, the emergence of cash waqf has transformed the conventional understanding of Islamic endowment. Unlike traditional waqf, which depends primarily on fixed assets, cash waqf offers greater flexibility and liquidity, allowing funds to be invested in productive sectors and community-based economic development. Consequently, cash waqf is capable of generating a substantial multiplier effect that strengthens local economic resilience and supports sustainable development.

Despite these developments, integrating productive zakat and cash waqf into modern financial management frequently encounters resistance rooted in classical interpretations of Islamic jurisprudence. The use of zakat as business capital and the institutionalization of waqf in the form of money or shares are often questioned regarding their compliance with Islamic law. Contemporary Islamic jurists, however, argue that such innovations represent legitimate forms of ijtihad that preserve the objectives of Islamic law (maqāṣid al-sharīʿah), particularly the protection of wealth (ḥifẓ al-māl) and human welfare.

Previous studies further indicate that integrating productive zakat with cash waqf creates a comprehensive poverty alleviation ecosystem. Productive zakat provides initial business capital for micro-enterprises, whereas cash waqf offers long-term financial support through sustainable investment mechanisms. Together, these complementary instruments promote inclusive economic growth while enhancing the socio-economic resilience of vulnerable communities.

Based on these considerations, this study examines the revitalization of productive zakat and cash waqf as integrated Islamic social finance instruments for addressing modern poverty. It also investigates how contemporary fiqh provides a legitimate legal framework for the development and implementation of innovative Islamic philanthropic governance capable of responding to contemporary socio-economic challenges.

LITERATURE REVIEW

Productive Zakat Theory as an Empowerment Catalyst

This theory shifts the paradigm of zakat distribution from short-term charitable assistance to the injection of working capital for sustainable economic empowerment. Studies by Zuchroh (2022) and Haidir (2019) assert that this transformation is essential to break structural poverty by positioning mustahiq (beneficiaries) as independent economic subjects (Atabik, 2015; Anwar, 2018).

P1: The distribution of productive zakat has a positive correlation with the economic independence of mustahiq compared to consumptive distribution.

Cash Waqf Flexibility and Multiplier Effect Theory

This theory deconstructs classical waqf (physical assets) toward high-liquidity cash waqf instruments. Al Arif (2012a, 2012b) proves that cash waqf creates a massive macroeconomic multiplier effect. This instrument is considered an ideal foundation for interest-free microfinance schemes to maintain the resilience of grassroots MSMEs (Nuraeni, 2022; Fadhilah, 2009).

P2: The liquidity of cash waqf has the potential to create a significant multiplier effect as a pillar of long-term financing for the poor.

Maqashid Sharia Theory in the Dynamics of Contemporary Fiqh

As an analytical framework, this theory legitimizes the governance innovations of Islamic philanthropy. Mayyadah (2019) and Sup (2021) confirm the adaptability of modern jurists (fuqaha) who shift the physical waqf requirement to the preservation of "nominal value" (Waluya, 2025; Fakhruddin, 2020). This ijtihad is strongly validated by the principle of maqashid sharia to maintain the economic stability of the ummah (hifdz al-mal).

P3: Contemporary fiqh legitimately provides syar'i legitimacy to the institutionalization of productive zakat and cash waqf for economic welfare (maslahah).

Bimodal Institutional Synergy Theory of Islamic Philanthropy

This serves as a conceptual resolution that solving modern poverty demands the integration of instruments. Iska (2020) and Razali (2019) formulate an institutional synergy where productive zakat acts as the initial capital (starter-kit), while cash waqf functions as a long-term liquidity safeguard instrument.

P4: The institutional synergy between productive zakat and cash waqf is able to accelerate the transformation of society's status from mustahiq to muzakki.

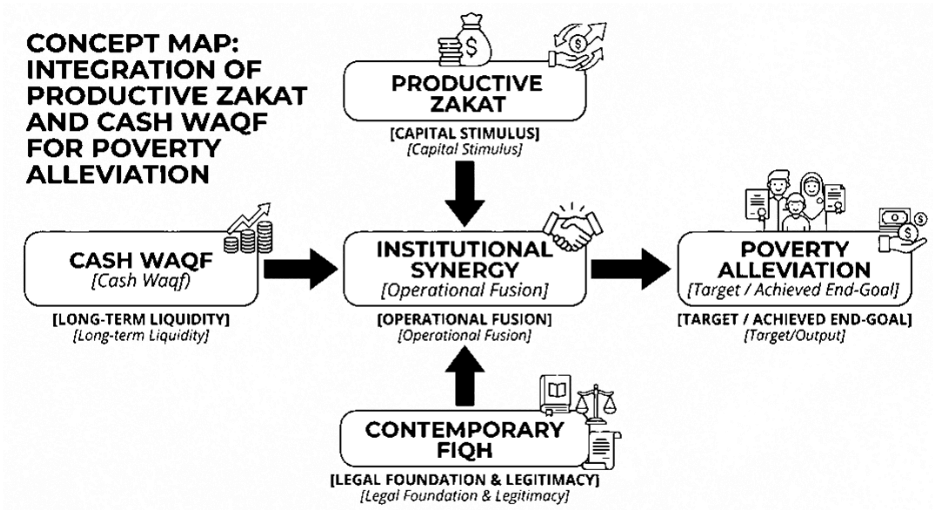

Figure 1. Conceptual map: integration of productive zakat and cash waqf for poverty alleviation

METHODOLOGY

This study employs a qualitative research approach using the library research method. This approach was selected because the primary objective of the study is to explore and reconstruct conceptual and jurisprudential perspectives concerning productive zakat and cash waqf rather than to collect primary empirical data. Library research enables an in-depth examination of Islamic legal discourse and contemporary academic literature related to the governance of Islamic social finance.

Data Sources

The study relies entirely on secondary data obtained from authoritative academic sources. Primary references consist of peer-reviewed journal articles focusing on three principal themes: (1) the effectiveness of productive zakat in poverty alleviation; (2) the role of cash waqf in promoting liquidity and generating multiplier effects; and (3) contemporary Islamic jurisprudential perspectives on Islamic social finance. These sources are further complemented by fatwas issued by the Indonesian National Sharia Council (DSN-MUI), relevant regulations, and other scholarly publications concerning Islamic economics and philanthropy.

Data Collection Technique

Data were collected through documentation techniques by systematically identifying, selecting, classifying, and reviewing literature relevant to the objectives of the study. The selected literature was organized according to thematic categories to ensure consistency with the formulated research questions and conceptual framework.

Data Analysis

The collected data were analyzed using qualitative content analysis. The analytical process consisted of several stages: identifying relevant information, reducing unnecessary data, comparing classical and contemporary Islamic jurisprudential perspectives, and synthesizing findings into an integrated conceptual model. Through this analytical framework, the study reconstructs the institutional synergy between productive zakat and cash waqf as complementary instruments for sustainable poverty alleviation.

RESEARCH RESULT

Based on the synthesis of authoritative literature concerning Islamic social finance, this study demonstrates that modern poverty can no longer be effectively addressed through conventional charitable approaches alone. The literature consistently identifies three fundamental dimensions that underpin the revitalization of productive zakat and cash waqf as sustainable instruments for poverty alleviation.

Paradigm Reconstruction: Transforming Productive Zakat and Enhancing Cash Waqf Liquidity

The comparative analysis indicates that conventional charitable distribution has failed to address the structural roots of poverty. Instead of creating long-term economic independence, consumptive assistance merely provides temporary relief without improving beneficiaries' productive capacity. Productive zakat has therefore emerged as a strategic alternative. Rather than functioning solely as short-term financial assistance, productive zakat is allocated as business capital, production equipment, entrepreneurial training, and other forms of economic empowerment. Numerous studies demonstrate that this transformation significantly improves beneficiaries' productivity, income generation, and economic resilience, enabling them to become financially independent over time.

Similarly, the conventional management of waqf, traditionally limited to immovable assets such as land and buildings, has gradually evolved through the introduction of cash waqf. Unlike fixed assets, cash waqf possesses high liquidity and flexibility, allowing Islamic philanthropic funds to be mobilized more efficiently for productive investments, micro-enterprise financing, educational development, healthcare services, and various community empowerment programs.

This flexibility substantially broadens public participation because endowments are no longer restricted to wealthy individuals capable of donating large physical assets. Instead, cash waqf enables broader community involvement while simultaneously generating sustainable economic returns that benefit society as a whole.

Contemporary Fiqh as the Legal Foundation for Innovation

One of the principal findings of this study is that contemporary Islamic jurisprudence provides a robust legal foundation for the modernization of Islamic social finance.

Rather than altering definitive Islamic legal texts (naṣṣ qaṭ'ī), contemporary scholars reinterpret the underlying legal reasoning ('illah) to ensure that Islamic law remains relevant to changing socio-economic circumstances. Consequently, innovations such as productive zakat and cash waqf are understood as legitimate manifestations of ijtihad intended to realize the objectives of Islamic law (maqāṣid al-sharī'ah).

With regard to cash waqf, classical scholars generally emphasized the permanence of the endowed physical asset. Contemporary jurists, however, reinterpret this requirement by emphasizing the preservation of the principal monetary value rather than the physical form of the endowed property. As long as the principal amount remains intact and is invested responsibly, the objectives of waqf are considered fulfilled.

Likewise, distributing zakat as productive business capital is no longer viewed merely as a charitable innovation but as a practical mechanism for protecting wealth (ḥifẓ al-māl) and promoting public welfare (maṣlaḥah). This interpretation reflects the dynamic nature of Islamic jurisprudence in responding to contemporary socio-economic challenges without compromising its fundamental principles.

Institutional Synergy between Productive Zakat and Cash Waqf

The most significant contribution of this study lies in demonstrating that productive zakat and cash waqf should not operate independently. Instead, they should be integrated into a complementary institutional framework capable of generating sustainable economic development.

Within this integrated model, productive zakat functions as short- and medium-term financial assistance by providing initial business capital for economically disadvantaged households. Once beneficiaries establish viable economic activities, cash waqf serves as a long-term financing mechanism that supports business expansion through interest-free microfinance and productive investment schemes.

This complementary relationship creates a sustainable economic ecosystem in which productive zakat initiates entrepreneurial development, while cash waqf ensures business continuity through ongoing financial support. As a result, the combined implementation of these instruments generates a substantial multiplier effect that stimulates local economic growth, expands employment opportunities, strengthens community resilience, and gradually transforms beneficiaries (mustahiq) into contributors (muzakki).

DISCUSSION

The findings of this study reinforce the growing consensus that Islamic social finance should no longer be perceived merely as a charitable mechanism but rather as a strategic instrument for sustainable economic development. Productive zakat and cash waqf represent complementary financial instruments capable of addressing structural poverty through community empowerment rather than temporary financial assistance.

The paradigm shift promoted by contemporary Islamic jurisprudence reflects the flexibility of Islamic law in responding to evolving economic realities. Instead of maintaining rigid interpretations that limit the utilization of Islamic philanthropic resources, contemporary scholars emphasize the realization of maqāṣid al-sharīʿah, particularly the protection of wealth and the enhancement of public welfare. This perspective legitimizes innovative financial practices while preserving the essential principles of Islamic law.

Furthermore, integrating productive zakat with cash waqf offers a more comprehensive institutional model for poverty alleviation. Productive zakat provides immediate capital support for vulnerable entrepreneurs, whereas cash waqf ensures long-term financial sustainability through continuous investment and financing mechanisms. The interaction between these instruments produces a multiplier effect that extends beyond individual beneficiaries to stimulate broader community economic development.

Therefore, the revitalization of productive zakat and cash waqf should not be regarded merely as administrative reform but as a strategic transformation of Islamic social finance governance. Such integration has the potential to establish a sustainable poverty alleviation ecosystem that aligns with both contemporary socio-economic needs and the objectives of Islamic law.

CONCLUSIONS AND RECOMMENDATIONS

This study concludes that the revitalization of productive zakat and cash waqf is no longer an optional innovation but a strategic necessity in addressing the multidimensional nature of modern poverty. The findings indicate that conventional charitable distribution has limited capacity to generate sustainable socio-economic transformation. Consequently, productive zakat should be repositioned as an instrument of economic empowerment by providing business capital and productive resources, while cash waqf should be optimized as a flexible and sustainable financing mechanism capable of supporting long-term community development.

From the perspective of contemporary Islamic jurisprudence, the implementation of productive zakat and cash waqf possesses a strong legal foundation. Contemporary jurists have demonstrated that Islamic law is dynamic and adaptable to changing socio-economic circumstances. The reinterpretation of classical jurisprudential concepts—particularly concerning the permanence of waqf assets—illustrates that preserving the principal monetary value is sufficient to fulfill the objectives of waqf, provided that the funds are managed responsibly and productively. Likewise, utilizing zakat as productive capital is fully consistent with the objectives of maqāṣid al-sharī'ah, particularly the protection of wealth (ḥifẓ al-māl) and the promotion of public welfare (maṣlaḥah).

Furthermore, this study demonstrates that sustainable poverty alleviation requires institutional integration between productive zakat and cash waqf. Productive zakat serves as initial capital assistance for economically vulnerable groups, whereas cash waqf functions as a long-term financing mechanism through productive investment and Islamic microfinance schemes. The synergy between these instruments creates a sustainable multiplier effect that stimulates local economic development, strengthens community resilience, and gradually transforms beneficiaries (mustahiq) into economically independent contributors (muzakki).

Accordingly, Islamic philanthropic institutions, zakat management organizations, waqf institutions, policymakers, and Islamic financial institutions are encouraged to strengthen collaboration in developing integrated governance models that maximize the socio-economic impact of Islamic social finance. Such collaboration is expected to contribute significantly to sustainable and inclusive poverty alleviation.

ADVANCED RESEARC

This study is limited to qualitative library research based on secondary data obtained from scholarly publications and Islamic legal literature. Consequently, the findings remain conceptual and have not yet been empirically validated through field observations or quantitative analysis.

Future research is recommended to investigate the practical implementation of integrated productive zakat and cash waqf management within zakat and waqf institutions. Empirical studies employing quantitative methods, mixed-method approaches, or case studies may provide stronger evidence regarding the effectiveness of these instruments in improving household income, promoting financial inclusion, and reducing poverty. Comparative studies involving different countries may also enrich the understanding of best practices in Islamic social finance governance.

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