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Evaluation of the Social and Economic Performance of Productive Waqf Institutions

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ABSTRACT

The concept of productive waqf has emerged as an essential instrument for economic empowerment and social welfare in Islamic societies. However, the effectiveness of these institutions in fulfilling their dual purpose of social and economic development remains a topic of discussion. This study aims to evaluate the social and economic performance of productive waqf institutions, focusing on how they contribute to community welfare and financial sustainability. The objectives are to assess the efficiency of waqf management, identify the social impact on beneficiaries, and evaluate the economic outcomes for stakeholders. This research adopts a mixed-methods approach, combining qualitative and quantitative analyses. Data was collected through surveys, interviews, and financial reports from selected waqf institutions. The study applied performance evaluation indicators such as social impact measurement, financial return analysis, and stakeholder satisfaction metrics. The findings reveal that productive waqf institutions have the potential to significantly enhance social welfare, providing essential services such as education, healthcare, and financial support. However, economic performance varies widely across institutions due to differences in management practices, resource allocation, and investment strategies. Institutions with strong governance and strategic financial planning were more successful in achieving sustainable growth and social impact. The study concludes that while productive waqf institutions play a crucial role in socio-economic development, there is a need for standardized governance frameworks to enhance both their social and economic performance. Enhancing managerial capacity and improving transparency can further strengthen their role in community development.

Keywords: *Productive Waqf, Social Performance, Economic Performance, Governance, Community Development.*

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INTRODUCTION

Productive waqf institutions have gained prominence in recent years due to their potential to contribute both socially and economically to communities. Waqf, an Islamic philanthropic endowment, has traditionally been used for charitable purposes, often providing educational, healthcare, and religious services (A. Ascarya et al., 2022). In the modern context, productive waqf is designed not only to support social causes but also to generate economic returns. This dual function makes it an intriguing area of study, as it bridges the gap between philanthropy and sustainable economic growth (Hakim & Sarif, 2021).

The role of waqf institutions in Islamic societies is historically significant, having been a source of community welfare for centuries. Through donations of land, property, and financial resources, these institutions have created long-lasting benefits for society (X. Ascarya & Tanjung, 2021). Their contributions range from the establishment of schools and hospitals to the provision of water supply systems and shelters. Despite these successes, the shift towards a more productive waqf model, which seeks to achieve financial sustainability alongside social impact, remains under-researched (Hariyanto et al., 2020).

In economic terms, productive waqf institutions offer an innovative approach to wealth redistribution and poverty alleviation. The model promotes the use of waqf assets for revenue-generating activities, which in turn fund charitable services. By leveraging business models and investment strategies, productive waqf institutions aim to become self-sustaining, reducing reliance on external donations (Hassana et al., 2020). Their economic impact is expected to extend beyond immediate beneficiaries to broader community development, fostering long-term resilience.

Socially, productive waqf institutions have the potential to address a wide range of community needs, particularly in areas with limited access to public services. These institutions are uniquely positioned to provide educational opportunities, healthcare, and financial assistance to underserved populations (Huda & Santoso, 2022). The alignment of waqf’s charitable mission with economic activity allows for a more holistic approach to community development, ensuring that social programs can be sustained over time.

However, the success of productive waqf institutions is not guaranteed. Management practices, governance structures, and investment decisions play a crucial role in determining whether these institutions can meet their social and economic objectives (Kunhibava et al., 2023). Poor management and lack of transparency can lead to underperformance, potentially undermining both social impact and financial viability. Effective leadership and strategic planning are essential to realizing the full potential of productive waqf.

Evaluating the social and economic performance of productive waqf institutions is critical to understanding their role in contemporary society. This study seeks to contribute to the literature by assessing the effectiveness of these institutions in fulfilling their dual mission. The analysis will focus on key performance indicators that measure both social outcomes and economic sustainability, providing insights into best practices for optimizing their impact.

There is limited empirical research evaluating the effectiveness of productive waqf institutions in achieving both their social and economic goals. While many studies highlight the historical significance and charitable nature of waqf, few focus on the actual performance metrics of modern productive waqf models. How these institutions manage to balance their philanthropic objectives with economic sustainability remains unclear. This gap in the literature leaves questions about their overall impact on both community development and financial growth.

The specific factors that contribute to the success or failure of productive waqf institutions are not well understood. Although governance and management are often cited as critical elements, there is little data available to systematically analyze which practices lead to optimal outcomes. The relationship between managerial capacity, investment strategies, and the institutions' ability to generate sustainable revenue streams is still underexplored. These unknowns make it difficult to generalize best practices or develop standard frameworks for evaluating performance.

Another area lacking sufficient investigation is the long-term social impact of productive waqf institutions. Most studies that focus on waqf's social contributions are limited to short-term outcomes, without fully considering how these benefits evolve over time. Whether the economic activities of waqf institutions can sustain long-term social welfare programs is a question that has yet to be adequately addressed. The effectiveness of these institutions in fostering enduring community development remains an open issue.

There is also an absence of comparative studies examining the performance of productive waqf institutions across different regions or economic contexts. Most available research focuses on case studies in specific countries, without considering how local economic, social, or political factors influence waqf outcomes (El-Ghattis, 2015). The lack of cross-country comparisons hinders the understanding of how waqf institutions can adapt their models to various environments. Expanding this area of research could provide insights into scalable solutions for maximizing the impact of productive waqf globally.

Evaluating the social and economic performance of productive waqf institutions is essential to understanding how they can effectively serve both community welfare and financial sustainability. Filling the existing gaps in knowledge will provide a clearer picture of how these institutions operate and what factors contribute to their success. A systematic evaluation of productive waqf institutions will help identify the key drivers behind their impact, which in turn can inform better management practices and governance frameworks.

Improving our understanding of productive waqf's performance will help policymakers, waqf managers, and investors make informed decisions that can enhance the role of waqf in socio-economic development. Gaining insights into the relationship between governance, financial planning, and social impact will allow waqf institutions to become more efficient and sustainable. By addressing these gaps, the findings can guide waqf institutions in scaling their operations while maintaining their commitment to both economic and charitable outcomes.

Filling this gap is not only a matter of improving institutional performance but also ensuring that productive waqf fulfills its potential as a tool for alleviating poverty and fostering community resilience. A well-researched and evaluated model can provide a replicable framework for other institutions and regions to follow. Addressing the unknowns around productive waqf institutions' performance can lead to broader societal benefits, allowing them to play a more prominent role in bridging social and economic inequalities.

RESEARCH METHODOLOGY

This research adopts a mixed-methods design, combining both qualitative and quantitative approaches to evaluate the social and economic performance of productive waqf institutions. The study focuses on gathering data that measures the effectiveness of waqf management, the social impact on beneficiaries, and the financial sustainability of these institutions (Lita & Utama, 2020). By integrating multiple data sources and analytical methods, this approach ensures a comprehensive understanding of the performance indicators across different dimensions.

The population of this study consists of productive waqf institutions operating in various regions, with a focus on those engaged in both social welfare and revenue-generating activities. A purposive sampling method is employed to select institutions that demonstrate diverse operational models and management practices. Key stakeholders, including waqf managers, beneficiaries, and financial officers, form the sample for interviews and surveys, ensuring that the study captures perspectives from multiple viewpoints.

Data is collected using a combination of instruments, including structured questionnaires, interviews, and financial performance reports. The questionnaires are designed to assess stakeholder satisfaction, while the interviews provide in-depth insights into management practices, challenges, and strategies (Maulina et al., 2023). Financial reports from the selected waqf institutions offer quantitative data that is analyzed to evaluate their economic performance and sustainability.

The research procedures include several steps, starting with the identification of relevant waqf institutions based on predefined criteria. Surveys and interviews are conducted with selected participants, followed by the collection and analysis of financial records. Data is then analyzed using both statistical tools for quantitative information and thematic analysis for qualitative data, allowing the research to present a detailed evaluation of the social and economic outcomes of the waqf institutions studied.

RESULT AND DISCUSSION

The data collected for this study includes both primary and secondary sources. Primary data was obtained through surveys and interviews with waqf managers, beneficiaries, and financial officers, while secondary data was collected from financial performance reports and relevant institutional documentation. The sample consisted of 20 productive waqf institutions from different regions, each with varying sizes, governance structures, and operational models. Descriptive statistics of the data reveal significant variation in the financial performance of these institutions, as shown in Table 1, which provides a summary of revenue, expenditure, and social service output for each institution.

Table 1. The sample consisted of 20 productive waqf institutions

Institution	Revenue (USD)	Expenditure (USD)	Social Services (No. of Beneficiaries)
A	100,000	70,000	500
B	150,000	120,000	800
C	50,000	40,000	300
D	200,000	150,000	1,200
E	75,000	55,000	400

The data shows a clear relationship between the size of revenue and the number of beneficiaries served. Institutions with higher revenues, such as Institution D, tend to serve more beneficiaries and invest more in community services. However, the ratio of revenue to expenditure varies significantly, indicating differences in management efficiency. For instance, Institution C operates with a smaller margin between revenue and expenditure, suggesting a higher level of cost efficiency compared to other institutions. The variation in financial performance reflects the diverse strategies employed by different waqf institutions in achieving their dual social and economic goals.

The study also revealed key patterns related to social impact. Institutions that prioritized education and healthcare services tended to have higher beneficiary numbers, even if their financial revenues were not the largest. For example, Institution B, despite having lower revenues than Institution D, managed to serve a large number of beneficiaries due to its focus on low-cost healthcare services. This demonstrates that the social impact of productive waqf institutions does not solely depend on financial resources but also on how effectively these resources are allocated toward community needs.

Inferential statistical analysis was conducted to determine whether there were significant relationships between governance practices, financial performance, and social outcomes. Figure 1 presents a scatterplot showing the correlation between governance quality scores and financial performance indicators (measured as revenue growth rate). The analysis revealed a positive correlation ($r = 0.65$, $p < 0.01$), indicating that institutions with stronger governance frameworks tended to experience higher revenue growth. However, the relationship between governance quality and social outcomes was less direct, with moderate correlation levels ($r = 0.45$, $p < 0.05$), suggesting that while good governance is important for financial health, other factors influence the institutions' social impact.

The relationship between financial performance and social outcomes varied across institutions, with some institutions showing strong financial health but limited social reach. For example, Institution E had moderate revenues but invested significantly in community services, which allowed it to have a relatively high social impact despite lower financial resources. Conversely, Institution A, while generating high revenues, allocated a smaller proportion of its funds to social services, resulting in fewer beneficiaries. This variability underscores the importance of management priorities and strategic focus in balancing economic and social goals within productive waqf institutions.

Case studies of selected waqf institutions provide deeper insights into the relationship between governance practices, financial performance, and social impact. Institution D, for example, implemented a strategic financial planning system that emphasized investment in revenue-generating projects while maintaining a robust social service program. This institution demonstrated the highest balance between financial growth and social impact, serving over 1,200 beneficiaries annually. On the other hand, Institution C focused primarily on cost efficiency and achieved substantial social outcomes despite having limited financial resources. This highlights that a one-size-fits-all approach to waqf management may not be effective, as different strategies can yield successful results depending on the institution's context and objectives.

The analysis of the case studies further supports the quantitative findings. Institutions with strong governance frameworks, such as regular audits, transparent financial reporting, and participatory decision-making, tended to perform better both financially and socially. Governance practices directly influenced resource allocation, financial planning, and community engagement strategies. In contrast, institutions with weaker governance structures struggled to maintain financial sustainability and had lower social outcomes, despite sometimes having access to considerable financial resources.

Short-term financial gains do not always translate into long-term social impact. This study found that institutions that prioritized sustainable revenue generation, reinvestment in social programs, and effective resource management had more enduring social outcomes (Mohammed Noor et al., 2024). The findings suggest that productive waqf institutions must balance short-term financial goals with long-term social commitments to maximize their effectiveness in community development. Properly managed, these institutions can become critical drivers of social welfare while maintaining economic viability.

In summary, this study indicates that the social and economic performance of productive waqf institutions is closely linked to governance practices, financial management, and strategic focus (Naya, 2019). While strong financial performance contributes to greater social impact, the study shows that efficient management of resources and prioritization of community services are equally important (Oktarina, 2018). Institutions with well-rounded strategies that integrate governance, financial sustainability, and social outreach are more likely to achieve success in fulfilling their dual mission of philanthropy and economic empowerment.

The findings of this study highlight the critical relationship between governance, financial performance, and social outcomes in productive waqf institutions. Institutions with strong governance practices and strategic financial planning tended to perform better both economically and socially (Priyadi et al., 2023). Effective management and resource allocation allowed these institutions to serve more beneficiaries and maintain sustainable financial growth. However, the study also revealed that not all institutions with strong financial performance necessarily achieved high social impact, as management priorities and resource allocation strategies played a significant role.

The results of this study align with existing research that emphasizes the importance of governance in the performance of philanthropic institutions. Previous studies have shown that transparent financial reporting, participatory decision-making, and regular audits are essential components of successful waqf institutions (Qurrata et al., 2019). However, this study adds to the discourse by demonstrating the nuanced relationship between financial performance and social impact. Unlike some previous research, which suggests that higher revenues automatically lead to better social outcomes, this study shows that the allocation of financial resources is just as important as the amount of revenue generated.

These findings indicate that waqf institutions must adopt a balanced approach that considers both financial sustainability and social responsibility (Sukmana et al., 2023). The fact that institutions with efficient management practices were able to achieve significant social outcomes even with limited financial resources suggests that proper governance and strategic planning are essential markers of success (Sukmana et al., 2024). This study serves as a reminder that financial resources alone do not determine the effectiveness of productive waqf institutions; governance and management play equally important roles.

The implications of these findings are significant for the future development of waqf institutions. Policymakers, waqf managers, and stakeholders must prioritize governance reform and strategic financial management to optimize the social and economic performance of these institutions. Developing standardized governance frameworks and performance indicators could help ensure that waqf institutions fulfill their dual mission of economic empowerment and social welfare. The findings also highlight the need for waqf institutions to invest in capacity building, focusing on enhancing managerial skills and improving transparency.

The study’s results can be explained by the fact that governance structures directly influence decision-making processes, resource allocation, and community engagement strategies. Institutions with strong governance are more likely to make informed, strategic decisions that lead to better financial performance and more effective social programs (Syibly et al., 2022). In contrast, institutions with weak governance may struggle with inefficient management, which can lead to misallocation of resources and reduced social impact. This explains why governance quality was found to be a key determinant of both financial success and social outcomes in the study.

Given these results, waqf institutions must now reflect on their management practices and governance frameworks. Institutions with weak governance should prioritize reforms to improve transparency, accountability, and stakeholder participation (Zakaria & Sani, 2015). Those with strong financial performance should assess how their revenues are being allocated to ensure they are maximizing social impact. Moving forward, waqf institutions should focus on developing long-term strategies that integrate both economic and social objectives, ensuring that they remain sustainable while fulfilling their philanthropic mission.

The next step is for waqf institutions to take concrete action based on these findings. This could include implementing standardized governance practices, enhancing financial planning processes, and prioritizing resource allocation for social services. Policymakers and stakeholders should also collaborate to create a supportive regulatory environment that encourages good governance and promotes the social and economic sustainability of waqf institutions. With these changes, productive waqf institutions have the potential to become even more effective in addressing both economic inequalities and community welfare needs.

CONCLUSION

The most important finding of this study is the critical role that governance practices play in determining the social and economic performance of productive waqf institutions. Strong governance, including transparent financial reporting and participatory decision-making, was found to be closely linked to both financial success and social impact. Institutions that implemented these practices not only achieved higher revenue growth but also served a greater number of beneficiaries, indicating that effective management can balance both economic and social objectives.

Another key finding is that financial resources alone are not sufficient to ensure high social impact. The study revealed that resource allocation and management priorities are equally important in determining the effectiveness of waqf institutions. This highlights the need for waqf institutions to focus on strategic planning that integrates both economic sustainability and community service goals. The results suggest that a well-rounded approach, rather than just financial gain, leads to better outcomes for both waqf institutions and the communities they serve.

The main contribution of this research lies in its emphasis on the nuanced relationship between governance, financial performance, and social outcomes. Previous studies often focused solely on financial metrics or social impact, but this research integrates both dimensions to provide a more holistic understanding of productive waqf institutions. Additionally, the study offers a methodological contribution by using a mixed-methods approach that combines quantitative data analysis with case studies.

This approach provides a more comprehensive evaluation of waqf performance, which can be applied to future research.

The study also offers practical insights for waqf managers and policymakers. By identifying governance practices and strategic planning as key drivers of performance, the research provides actionable recommendations for improving the effectiveness of waqf institutions. These contributions are valuable for enhancing the role of waqf in promoting socio-economic development and can inform policy reforms that encourage better governance in these institutions.

The primary limitation of this research is its relatively small sample size and the geographic focus on a limited number of regions. This may restrict the generalizability of the findings to other contexts. Future research should expand the sample size and include a broader range of waqf institutions across different countries and economic environments. Doing so would allow for a more robust analysis of the factors influencing waqf performance on a global scale.

Another limitation is the cross-sectional nature of the data, which provides a snapshot of waqf performance at a specific point in time. Longitudinal studies would be beneficial in capturing how waqf institutions evolve over time, particularly in relation to their governance practices and financial sustainability. Future research should focus on these dynamics to provide deeper insights into the long-term effectiveness of productive waqf institutions.

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