



## Integrating Cash Waqf with Microfinance for Sustainable Livelihood Development in Muslim Communities

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### Abstract:

Sustainable livelihood development is a major challenge facing many Muslim communities worldwide, particularly in developing countries where poverty and unemployment levels remain high. Microfinance is seen as one of the instruments used in poverty alleviation, but the method that involves lending money and earning profits (interest-based method) is facing criticisms based on Shara compliance issues. This paper proposes cash Waqf, an Islamic social finance instrument, to enhance the livelihoods options for vulnerable Muslims. As one form of Islamic endowment, cash Waqf is a flexible fund available for productive purposes and can be operated within the framework of Shara aims of wealth protection, social equity and reduction of poverty. Qualitative research is adopted in this study, focusing on doctrinal analysis of the literature on Islamic finance, along with empirical studies concerning Waqf and microfinance. This study analyzes the cases of cash Waqf in microfinance of Malaysia, Indonesia and Bangladesh in relation to operational modes, governance and the relevant Shara-compliant financing products such as qard asan, murabah and murbaah used within a Waqf-based financing mechanism. The study reveals that merging cash Waqf with microfinance could expand financial inclusion for the needy, and could strengthen the sustainability of micro-enterprises. Yet, certain operational challenges such as inadequate governance, absence of regulatory frameworks, and lack of transparency needs to be overcome. The study proposes a conceptual framework for integrating cash Waqf, Islamic microfinance and sustainable solutions, where the participation of stakeholders and provision of a supportive environment and capacity building activities are necessary. The study concludes that integrating cash Waqf and microfinance provides a sustainable approach for livelihood development of Muslim communities, offering a sustainable solution to overcome economic challenges and promote socio-solidarity for inclusive development. The paper advances the existing literature in Islamic social finance concerning the study of Waqf as a modern socio-economic development tool and provides some findings and recommendations to scale up Waqf-based microfinance to meet the SDGs particularly Poverty Reduction and Economic Growth.

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## 1. Introduction

Poverty continues to be one of the persistent socioeconomic problems facing Muslim societies, despite rapid economic growth registered in several Muslim majority countries in recent decades. The persistence of poverty, unemployment, income disparities, and financial exclusion has necessitated the call for an alternative development model, which may not only respond to these structural vulnerabilities, but also be compatible with Islamic ethical framework. According to the World Bank (2023), Millions of individuals in the developing economies still face limited access to formal financial services, which inhibit access to opportunities to be entrepreneurial, create income, and earn sustainable living.

Micro finance has conventionally been presented as an instrument to empower the poor through provision of access to financial services, including credit. Conventional micro finance products have attracted critiques of reliance on interest-bearing mechanism, heavy debt burdens, and limited ability to stimulate poverty alleviation in the long term (Hunjra et al., 2024). These shortcomings are even greater in Muslim societies where compliance to Shariah should be considered when making financial transactions. Islamic social finance offers an alternative to resolve socioeconomic problems by leveraging Shariah-compliant financial products. Among these instruments, Waqf offers an unparalleled role due to its historical utilization in funding education, health, infrastructure, social welfare, and poverty alleviation throughout the history of Islamic civilizations (Lamido & Haneef, 2021). In this regard, contemporary utilization of cash Waqf has provided vast opportunities of mobilizing financial resources for investment and sustainable development.

Recent studies have shown great potential in utilizing the convergence between cash Waqf and Islamic microfinance institution (IMI) to promote financial inclusion and sustainable livelihood development. Cash Waqf is a perpetual source of wealth that can be channeled for profit generating activities without diminishing its corpus. Through Shariah-compliant financing arrangements such as qard al-hasan, murabahah, musharakah, and murabahah, Waqf-based microfinance can empower individuals through development of business ideas, employment, and household income

augmentation. (Ascarya et al., 2023) The purpose of this integration does not only contribute to enhancing financial inclusion, but also directly fulfilling maqasid al-Sharah, specifically the protection of wealth (hifz al-mal), human dignity (hifz al-nafs), and social welfare (maslahah). Furthermore, Waqf-based micro finance strongly aligns with the achievement of UN Sustainable Development Goals (SDGs) especiallySDG 1 (No Poverty), SDG 8 (Decent Work and Economic Growth) and SDG 10 (Reduced inequalities) (Abdullah, 2018; Al-Daihani et al., 2025).

This paper, thus, analyses cash Waqf- Islamic microfinance institution (IMI) integration as a development strategy to combat poverty in Muslim societies, including its underlying theories, practical operations, empirical evidence, constraints, and policy implications.

## 2. Conceptual clarifications

### 2.1. Cash waqf

Cash Waqf is a type of Waqf in which money is voluntarily and permanently devoted to charitable, religious, or socio-economic purposes according to Islamic law, while the principal is retained intact and the returns generated from its investment are used to finance designated welfare and development activities. Different from traditional Waqf, which is mostly about non-monetary or immovable property such as land, buildings, agricultural land, cash Waqf is easy to obtain, easily administered and it can be performed and sustained by different groups regardless of the levels of their income (Mohd Thas Thaker et al., 2020; Nofianti et al., 2024).

A number of contemporary researchers view cash Waqf as the most innovative instruments under Islamic social finance due to its mechanism of mobilizing idle financial resources for productive investment, in turn supporting entrepreneurship development, Islamic microfinance, education, health, disaster relief, and poverty eradication programs while ensuring everlasting conservation of the granted capital through investment management (Ascarya et al., 2023; Karimah et al., 2023).

The application of modern financial technology has improved the performance of cash Waqf institutions with the implementation of digital platforms, crowdfunding applications, block-chain

technology and mobile banking system for enhanced fundraising, transparency, accountability and involvement of stakeholders, while extending the reach of cash Waqf to different groups of society for better financial inclusion and sustainable development (Berakon et al., 2022; Mohaiyadin et al., 2022; Afifi, 2025; Nofianti et al., 2024).

According to the perspective of Maqid al-Sharah, cash Waqf can act as an important tool in the preservation of wealth (hifz al-mal), the achievement of social justice (al-adl al-ijtima), the reduction of poverty, and the distribution of wealth in society and it is, therefore, becoming increasingly accepted by contemporary Islamic economists as a tool to help attain sustainable socioeconomic development and advance the Sustainable Development Goals (SDGs) among Muslim communities (Abdullah, 2018; Al-Daihani et al., 2025).

## 2.2. Islamic microfinance

Islamic microfinance involves the provision of financial services to low-income clients, micro-entrepreneurs and the financially excluded using Sharah compliant financing instruments. Unlike conventional microfinance that usually relies on interest bearing loans, Islamic microfinance is prohibited of *riba* (interest), excessive uncertainty (*gharar*), exploitative practices, and promotes risk sharing, ethical investment and social responsibility (Mikail et al., 2024).

Islamic microfinance institutions utilize various Sharah compliant instruments such as *qard al-hasan* (benevolent loan), *mudharabah* (cost-plus financing), *murabahah* (profit sharing partnership), *musharakah* (joint venture partnership) and *ijarah* (lease contract) to support the business activities and income generating ventures among the financially challenged. The aim of Islamic microfinance is to not only provide financial support but to ensure financially empowered, viable and included customers (Ahmad et al., 2021; Mikail et al., 2024).

Empirical evidence suggests that Islamic microfinance is an important vehicle for poverty alleviation, employment generation, enterprise development and increased financial resilience among deprived populations. While conventional financial systems mainly pursue profits, Islamic microfinance ensures a social and ethical dimension to its economic pursuits thereby leading to a more integrated approach to human development. This aspect ensures sustainable livelihoods among the

deprived and poor populations (Ascarya & Sukmana, 2022; Hunjra et al., 2024).

A significant trend in contemporary research is the integration of Islamic microfinance with other instruments of Islamic social finance like Zakat and Waqf so as to improve financial sustainability, reach of such institutions and impact on development (Ascarya et al., 2023; Mikail et al., 2024).

## 2.3. Sustainable livelihood development

Sustainable livelihood development refers to a set of process through which individuals and households develop capacities, assets, skills, and resources to pursue and maintain a stable and resilient livelihood in the long run, and also possess abilities to withstand shocks, and sustain income and capabilities to overcome shocks and maintain a long term livelihood (United Nations Development Programme [UNDP], 2024). It emphasizes that poverty goes beyond mere lack of income and includes access to other forms of capital, knowledge, skills, social networks and support system for sustainable living.

According to the contemporary literature of development, there are five types of capital to build a sustainable livelihood and they are financial, human, social, physical and natural capital, each of which is important for strengthening the various components and increasing individual and household resilience and welfare (World Bank, 2023). In the discourse of Islamic development, sustainable livelihood development has further encompasses moral, spiritual and social dimension of human well-being in order to achieve overall success and well-being, and by integrating wealth and welfare to combine income generating aspect with integrity and communal well-being, it should enhance the sustainable dimension of livelihoods in the long run (Chapra, 1992; Abdullah, 2018).

Research on sustainable livelihood development has showed that, integration between cash Waqf and Islamic microfinance can enhance sustainable livelihood development of vulnerable households with capital, business opportunities, vocational training, as well as social safety networks, reduce poverty and promote development in a socially responsible manner and it is not conflicting to Shariah principles (Mohd Thas Thaker et al., 2020; Hunjra et al., 2024; Afifi et al., 2025; Al-Daihani et al., 2025).

### 3. Literature review

#### 3.1. Islamic social finance and sustainable livelihood development

Over time, Islamic social finance has become recognized as an influential vehicle to enhance sustainable livelihood development, alleviation of poverty and financial inclusion. Islamic social finance encompasses zakat, sadaqah, Waqf, Islamic microfinance institutions that distribute wealth and promote welfare according to Shari'ah principles (Ascarya & Sukmana, 2022, Muhammad et al., 2025).

Hunjra et al. (2024) indicate that Islamic social finance institutions hold enormous potential in tackling the multi-dimensional poverty through Shari'a based mechanisms, by improving the economic performance and well-being of the target beneficiaries simultaneously. On the contrary to the general welfare systems that focus on short term poverty relief, the basic objectives of Islamic social finance focus on establishing sustainable economic empowerment and uplifting beneficiary to a position of income-generator.

Current studies demonstrate that Islamic social finance contributes directly to many SDGs namely, SDG 1(No Poverty), SDG 5(Gender equality), SDG 8 (Decent work and economic growth) and SDG10 (Reduce inequalities) while offering a package of financial support, capacity building, and community development in the form of an integrated Islamic social finance product that serves to cater the comprehensive needs of the vulnerable group (Al-Daihani et al., 2025).

Increasingly, the strategic significance of Waqf as a development institution, not merely an instrument for charity has been acknowledged. In fact, according to Karimah et al. (2023), modern Waqf institutions are making a substantial impact in socio-economic development through investment in sectors like education, healthcare, entrepreneurship, housing and poverty alleviation program, and are becoming an important element for sustainable development in Muslim societies.

#### 3.2. Cash waqf as a modern development tool

The advancement and reform of Waqf institutions lead to the emergence of Cash Waqf as one of the most convenient and portable types of Islamic philanthropy. Unlike typical forms of Waqf, where the Waqf property comprises non-monetary assets like land and building, Cash Waqf consists of the donation of monetary values which then be

invested productively while retaining the capital for continuity.

Recent research confirms the immense capability of cash Waqf in developing livelihood. Mohd Thas Thaker et al. (2020) identified the potency of cash Waqf in financing human capital development for micro-entreprises through the provision of entrepreneurial support, incubation, and training facilities.

The bibliometric study of research on Cash Waqf conducted by Aini (2024) demonstrates that cash Waqf is developing into a strategic financial instrument which can provide solutions to financial inclusion, SME development, poverty reduction, and sustainable economic development, and it is increasingly gaining more attention in recent literatures and academic works to integrate Cash Waqf with Islamic microfinance institution to achieve higher impact on development.

The importance of Waqf as a vehicle for sustainable development to transform from solely Charitable Waqf to the productive use of Waqf for socio-economic return is argued by Lamido and Haneef (2021). They indicated that productive Cash Waqf investment leads to a revolving fund to finance the livelihood activities in a continuous manner.

#### 3.3. Islamic microfinance and poverty alleviation

Islamic microfinance is designed to replace conventional microfinance instruments with a concern to circumvent interest (riba) from its operating model by using different types of Shari'a compliant contracts namely qard Hasan, Murabaha, Musharakah, etc. To provide loans for micro-entrepreneurs and the poor.

Various empirical evidence reveal the efficacy of Islamic Microfinance in alleviating poverty and providing economic empowerment to the targeted beneficiaries. A recent study found that the utilization of Islamic microfinance schemes significantly improve entrepreneurial capacity, income generation and financial resilience of micro-entrepreneurs (Ruslan et al., 2024). A study on Indonesian Micro Waqf Bank also indicated that Islamic microfinance alongside other Islamic social finance instruments effectively improves business performance and household welfare among low-income groups (Soemitra et al., 2022).

However, many Islamic microfinance institutions are facing some challenge in relation to the sustainability issues of operating. Difficulty to obtain funding with the low cost, operational

efficiency, as well as reaching the poorest is some of the identified challenges in this industry (Mikail et al., 2024). This indicates that integration of cash Waqf with Islamic microfinance can serve as a viable solution for some challenges faced by Islamic microfinance.

### 3.4. Integration of cash waqf and Islamic microfinance

Integration of cash Waqf and Islamic Microfinance is one of the most innovative approaches within the landscape of Islamic social finance. It integrates the altruistic objectives of Waqf with the pragmatic operational mechanisms of Microfinance to empower the disadvantaged segment in achieving their life aspirations, sustainable livelihoods.

The combination of Cash Waqf and Islamic Microfinance institutions will provide substantial advantages for poverty alleviation since it can function as sustainable capital for financing productive activities (Ahmad et al., 2021). In other words, the fund from Waqf may be used in a revolving loan scheme which makes the benefit of Waqf available to a wider range of target beneficiaries. Ascarya et al. (2023) suggested the cash Waqf model for Baitul Maal wat Tamwil (BMT) institutions and empirically prove that combination of Waqf-microfinance structure leads to achieve the economic goals, social goals and broader outreach among the Muslim society. Mikail et al. (2024) suggests that Waqf-based microfinance could achieve financial inclusion by establishing the Shari'a compliant financing mechanism. The research also concludes that Waqf-based microfinance could overcome the challenge of exclusion. In addition, Cash Waqf based qard hasan also gaining public support among the Muslim community since it is in line with the maqasid al-Sharah of social justice, the circulation of wealth, and the alleviation of poverty (Amin et al., 2024).

### 3.5. Empirical evidence from Muslim countries

#### 3.5.1. Malaysia

Malaysia has established various cash Waqf schemes that focus on various aspects of development such as education, healthcare, as well as entrepreneurship which are initiated by many state religious council. Amin et al. (2024) reveal strong reception of Waqf-based financing among various stakeholders in Malaysia and that majority of the public also has strong perception on the benefits of integration of Waqf funds into entrepreneurial development for deprived groups.

Moreover, Nofianti et al. (2024) showed that the Waqf institutions have increasingly applied digital financial technology to improve their governance, transparency and efficiency.

#### 3.5.2. Indonesia

Indonesia has successfully demonstrated the application of integrated Islamic social finance models such as the Micro Waqf Bank, which is characterized by the inclusion of micro-enterprises development and financial literacy.

According to Soemitra et al. (2022), the Micro Waqf Bank has improved business performance and well-being of beneficiaries while the Islamic social finance institutions have an important role in supporting economy in vulnerable communities during COVID-19 crisis (Ascarya & Sukmana, 2022).

#### 3.5.3. Bangladesh

Bangladesh has a long history of pioneering in Islamic microfinance institution like Islami Bank Bangladesh Foundation as well as implementing Waqf-based development programs. The application of Waqf resources alongside Islamic microfinance institution could expand the outreach towards poor households and reduce the dependency on external sources while providing improved income generation and financial sustainability for livelihood development and welfare of the people. (Hunjra et al., 2024).

## 4. Theoretical framework

This research is based on the Theory of Maqid al-Sharah and Theory of Sustainable Livelihood. Both theories provides an extensive approach to analyze how integration of cash Waqf and Islamic microfinance can provide socioeconomic welfare and sustainable livelihood development for Muslim societies. While the Theory of Maqid al-Sharah contributes the ethical basis to Islamic social finance, theory of Sustainable Livelihood Theory describes the mechanism of how financial initiatives contributes to the enhancement of the household's resilience, livelihood generation and long-term welfare.

### 4.1. Theory of Maqasid al-Shariah

Maqasid al-Shariah are higher purposes and objectives of Islamic law (Shariah) that are established in the public interest, aiming at safeguarding human interests and welfare (masalah) and preventing harm or undesirable

consequences (mafsadah). The most recognized concept of maqid al-Sharah are based on the works of Classical Jurists like al-Shatibi who listed the preservation of *dn*, *nafs*, *aql*, *nasl* and *ml* as the highest objectives of Sharah. However, contemporary scholars further expanded the concept to address social issues such as social justice, human dignity, poverty alleviation, financial inclusion and sustainable development (Auda, 2008; Abdullah, 2018).

Cash Waqf, in the context of Islamic social finance, is an operational tool to realize those goals through mobilization of financial resources for various productive and public benefit activities. Cash Waqf's provision of Shari'ah compliant financing to needy people directly aims to preserve the wealth and facilitate access to economic opportunities. Furthermore, it plays a vital role in socioeconomic development among impoverished segment of the society. Similarly, Islamic microfinance Institutions support business development through a number of innovative products and services that enable clients to generate income and uplift their standard of living while shunning away interest-based transactions. (Mohd Thas Thaker et al., 2020; Mikail et al., 2024).

In recent times, the framework has called for re-evaluation of the role of conventional profit-maximization objectives in favor of meeting the developmental goals of poverty reduction, financial inclusion and sustainable human development. Scholars such as Al-Daihani et al., (2025) argue that the instruments of Islamic social finance such as Waqf, sadaqah and zakat may provide significant leverage towards achieving the objectives of the Sustainable Development Goals (SDGs), if these mechanisms operate within a maqid framework. Al-Daihani et al. (2025) additionally stress the importance of utilizing the elements of Shariah in Islamic social finance to combat the challenges faced by Islamic financial institutions. Similarly, Hunjra et al. (2024) identify that the role of Islamic social finance institutions is imperative for the uplift of economic justice and reducing structural inequalities in less developed societies.

Thus, integration of cash Waqf and Islamic microfinance clearly fits in the actual realization of Maqid al-Sharah due to their direct contributions to financial inclusion, poverty reduction, the betterment of social welfare and the establishment of an ethical economy.

#### 4.2. Sustainable livelihood theory

The second theoretical underpinning of this study is the Theory of Sustainable Livelihood which originated from international development studies. It describes how an individual or a household employs and utilizes the resources and capacity available to acquire a secure livelihood. The theory defines sustainable livelihood as, 'a livelihood which is capable of coping with external shocks and stresses and maintaining or enhancing its capabilities and assets both now and in the future' (Scoones, 2015).

The framework of Sustainable Livelihood identifies different forms of capital: financial, human, social, physical, and natural. These forms of livelihood assets determine individual capacity to undertake livelihood activities and generate income in the pursuit of better living conditions. Therefore, effective poverty alleviation strategies require strategies that simultaneously reinforce multiple forms of livelihood assets, rather than merely focusing on income support (Scoones, 2015).

The convergence of cash Waqf and Islamic microfinance enhances livelihood dimensions in number of ways. First, it enables enhancement of financial assets of individuals through the provision of interest-free and accessible funds for micro-enterprises. Second, the provision of many cash Waqf-based programs involves a human capital building element, through the provision of business and financial literacy and entrepreneurial skills to clients. Third, some of the community based Waqf institutions builds the social capital of clients, by creating trust and promoting cooperation and collective responsibility (Ascarya et al., 2023; Mohd Thas Thaker et al., 2020).

Empirical evidence from a number of Muslim-majority countries supports that integrated cash Waqf-based Islamic microfinance programs increase livelihoods resilience, enhance sustainability of micro-enterprises and economic achievements among the poor. Soemitra et al., (2022) indicated that Islamic microfinance supported by cash Waqf is significantly contributes to women economic empowerment and development of micro enterprises in Indonesia. Furthermore, Lamido and Haneef (2021) indicate the needs of Contemporary cash Waqf institutions should focus on productive investment to create socioeconomic returns, instead of just covering the traditional functions.

The Theory of Sustainable Livelihood clearly explains how the cash Waqf-integrated

microfinance enhances livelihood assets and therefore reduce vulnerability to shocks and increase livelihood sustainability in disadvantaged Muslim communities.

#### 4.3. The integration framework

The integration of the theory of Maqid al-Sharah and theory of Sustainable Livelihood provides an integrated framework of the current study. While the former presents the normative and ethical rationales of using Islamic social finance for achieving social justice, inclusion, and human welfare, the latter analyzes how financial resources and skills and social development lead to positive livelihood outcomes. Together, both theories indicate that cash Waqf-based Islamic microfinance does not only represents a financial instrument but it is also a composite development tool to promote poverty reduction, economic empowerment, financial inclusion, and community sustainability according to the dictates of Islamic principles and present day development agenda.

## 5. Methodology

The study uses a qualitative research approach that draws on library-based and doctrinal research techniques. A qualitative approach is suitable in addressing conceptual, institutional and development dimension of cash Waqf integration with Islamic microfinance for sustainable livelihood development. An emphasis has been placed on the analysis and synthesis of literature, policy environment and empirical studies related to Islamic social finance and poverty alleviation due to exploratory nature of the research. The study has used a multitude of secondary data from the sources such as scholarly journal articles, books, conference proceedings, institutional reports, policy documents, publications from international organizations. A major focus has been given to recent literature (2020-2026) to capture recent development and innovation in cash Waqf, Islamic microfinance, financial inclusion and sustainable development. Analysis of literature has mainly focused on operational models, governance, funding instruments, regulatory frameworks and socio-economic outcomes of the Waqf-based microfinance initiatives.

A comparative case study approach of Malaysia, Indonesia and Bangladesh is also used in the study in order to complement the analysis. Malaysia is the pioneer in institutional innovation for cash Waqf management and Islamic financial governance, Indonesia has developed comprehensive Islamic

social finance model linking Waqf, zakat and microfinance institutions, and Bangladesh has gained significant experience in grass roots microfinance and application of Islamic finance instrument for poverty alleviation and livelihood improvement (Ascarya et al., 2023; Mikail et al., 2024; Nofianti et al., 2024).

Data were analyzed using a widely accepted qualitative technique; theme content analysis method. By this method, major themes derived from the literature were organized and interpreted in the following ways: Financial inclusion, poverty reduction, livelihood sustainability, governance and accountability mechanism, digital innovation, regulatory framework, institutional sustainability and stakeholder involvement. Theme content analysis allowed for an in-depth study of the opportunities and challenges of integrating cash Waqf and Islamic microfinance in the modern Muslim communities.

Additionally, maqasid al-sharah approach is used in this study to analyze the developmental effectiveness of Waqf-based microfinance initiatives. It helps to examine the extend to which the initiatives achieve the objectives of preserving and developing the wealth (hifz al-mal), poverty reduction, justice, human well-being and inclusive economic development. By combining doctrinal analysis and empirical information from selected cases, a comprehensive examination of the cash Waqf role in promoting sustainable livelihood has been made.

Overall the adopted approach permits a thorough review of current practice and challenges in the area of Waqf-based microfinance and allows to provide practical recommendations for policymakers, Waqf institutions, Islamic financial institutions and development agencies interested in the contribution of Islamic social finance toward sustainable socio-economic development.

## 6. Conceptual framework for integrating cash waqf and Islamic microfinance

This study puts forth an integrated conceptual framework to link cash Waqf, Islamic microfinance and sustainable livelihood development based on the literature discussed. The framework starts with mobilization of cash Waqf funds from individual donors (waqifun), from corporate entities, from Islamic financial institutions, from philanthropies, from digital crowdfunding platforms. The funds so collected are administered by a professional governed Waqf institution, with transparency and accountability in the operations and sustainability of

funds. From this collected pool, a part of cash Waqf fund is channeled to finance Sharia compliant financial instruments and productive activities. These financing avenues include Sharia compliant sukuk, Islamic investment fund, venture capital, real estate investment, other earning Waqf investment and so on. Proceeds from the investments generated will be used to support livelihood development program without decreasing the original amount of Waqf fund.

The funds generated from the above source will be channeled through Islamic microfinance institutions via Sharia compliant financing schemes, such as qard al-Hasan, murabah, mushrasah, murbaah, and ijarah. The loan/financing will target a majority low-income individuals/households, micro entrepreneur, women owned business, youth entrepreneur and informal sector workers that can't be served by conventional microfinance institution. Beside of microfinancing scheme, capacity building program is part of integrated framework. Programs include entrepreneurship training, financial literacy and management, technical/vocational training, digital literacy and mentoring/coaching. All this program will support the entrepreneur to improve the productive capacity and sustainability of livelihood.

The impact of the integrated model will include poverty reduction, income generation, employment generation, entrepreneurial success, financial inclusion, community resilience and social solidarity. In essence, this integrated model, as proposed, has the potential to support sustainable livelihood development through cash Waqf and Islamic microfinance mechanism by ensuring Maqasid al-Sharah while also supporting achievement of SDGs, i.e., eradicate poverty, decent work, reducing inequality, economic growth.

## 7. Findings and discussion

Integration of cash Waqf with Islamic microfinance can be regarded as a promising mechanism for sustainable livelihood development among Muslim communities as evidenced by the reviewed contemporary literature and case studies. Findings reflect that Waqf-based microfinance contributes immensely towards financial inclusion, poverty eradication, entrepreneur development, social security and community resilience within Sharia compliant paradigm.

The empirical evidence shows that cash Waqf has the potential to solve one of the major issues in Islamic microfinance institutions, i.e., lack of adequate, stable and long-term financial resource.

This is unlike conventional financing which is based on debt-based instrument, but cash Waqf can create a perennial fund pool which can be re-channeled for productive economic activities without compromising with the basic requirement of Sharia (Ascarya et al., 2023; Mikail et al., 2024).

The result further indicates that Waqf-microfinance integration model is effective in improving outreach to the excluded. Poores do not have access to conventional banking services due to many limitations, like lack of sufficient collateral, low income and inaccessible location. Cash Waqf allows IFIs to serve this excluded segment of the population using a free-interest based system, focusing on social welfare with economic sustainability (Ahmad et al., 2021).

In addition, results also show that for the case of Micro Waqf Bank in Indonesia model, there is evidence that combines financial product with non-financing assistance like entrepreneurship training, financial literacy programs and mentoring has better livelihood outcomes than a financial product alone. The recipients gain the benefit of higher income generation, better business performance, improved households welfare and enhanced capacity to recover from shocks (Soemitra et al., 2022).

Evidence from literature indicate that, digitalization has a huge role to play to enhance Waqf operations and reach. Use of technology, such as fintech, block chain and mobile banking is able to provide greater transparency and accountability as well as increase donors involvement and operational efficiency and eventually support the public trust and scalability of Waqf-based microfinance initiative (Mohaiyadin et al., 2022; Nofianti et al., 2024).

Despite the above opportunities, many issues exist. The major problem is lack of weak governance system, segmented regulatory system, inadequate capacity and insufficient public awareness that undermined donor trust and developmental impacts (Abdullah, 2015; Hassan & Muneeza, 2022).

## 8. Policy implications and recommendations

The success of combining cash Waqf with Islamic microfinance depends on conducive policy environment, good governance, and collaborative stakeholders. For maximizing developmental outcome, some strategic policy recommendations can be considered.

**Strengthen regulatory and legal frameworks:** A conducive policy environment is essential for the sustainable and effective cash Waqf-based microfinance programs. Policy makers in Muslim majority countries should create comprehensive policy and legal framework for the establishment, operation and supervision of cash Waqf institution for integrating with Islamic microfinance industry. These regulations should cover productive Waqf investment, fund management, governance standard, risk management and social reporting. Strong regulatory enforcement can increase public confidence, enhances institution's integrity, and attracts more donations, investments and development agencies (Nofianti et al., 2024; Abdullah, 2018).

**Professionalize Waqf governance and management:** A good governance and management practice is critical for improving effectiveness of Waqf institutions. Contemporary Waqf institutions need to adopt best international practices on transparency, accountability, performance evaluation, independent audit and effective fund management. Appointment of qualified staff in Islamic finance, investment management, and development economics can ensure optimal efficiency and better developmental outcome. Capacity building and training program for Waqf administrators are necessary to strengthen its operational capacity and Shari'a compliance (Abdullah, 2015; Hassan & Muneeza, 2022).

**Leveraging digital technology and financial innovation:** Digital transformation can broaden access and enhances efficiency of cash Waqf-based financial services. Government, Islamic financial institution, and Waqf organization should focus on developing innovative technology such as FinTech, digital payment system, block chain and online Waqf platforms to enhance transparency, reduce operational cost, and improve access to Waqf based products. Advanced technology helps the Waqf institution to increase donors' confidence by strengthening their control over fund, ease their access to funds by allowing easy transaction with mobile based cash Waqf donations and electronic Waqf platforms. Studies found that financial innovation enhances good governance and sustainability in Islamic social finance (Mohaiyadin et al., 2022; Berakon et al., 2022).

**Enhance financial literacy and entrepreneurial capacity:** Access to finance alone is insufficient to bring about sustainable livelihood outcomes for the poor. Beneficiaries of cash Waqf-based microfinance programs should also be provided with training on entrepreneurship, financial literacy,

business development, and digital skill enhancement. This helps micro-entrepreneurs effectively use resources, grow their businesses, and manage diverse challenges from the market environment. Studies showed that the impact of Islamic microfinance in development would increase significantly when coupled with human capital development (Mohd Thas Thaker et al., 2020; Soemitra et al., 2022).

**Promotion of Multi-stakeholder collaboration:** Successful integration of Waqf-microfinance requires collaboration among government agencies, Waqf institutions, Islamic banking, higher education institutions, NGOs, private sector and international organizations. Effective collaboration leads to enhanced resource mobilization, knowledge sharing, effective policy making, and sustainable institutional development. Higher education institution can play a role through research and impact assessment. Development agencies can support capacity building activities and scaling of the projects. Collaboration can also promote better integration of Islamic social finance with the broader national development objectives and Sustainable Development Goals (SDGs) (Ascarya et al., 2023; Hunjra et al., 2024).

**Integrate Waqf into national development strategies:** Policymakers must consider cash Waqf as a strategic tool in national strategies for poverty reduction and financial inclusion. Integrating Waqf based microfinance program into overall socioeconomic strategies will enhance their contribution in terms of job creation, entrepreneurship development, rural development, social welfare, among others. Integrating Waqf in development strategy fulfills Maqasid al-Shariah principles of social justice and wealth redistribution, as well as supports the achievement of the SDGs, particularly concerning reduction of poverty and inequality, promotion of decent work, and development of sustainable communities (Al-Daihani et al., 2025; Karimah et al., 2023).

## 9. Conclusion

This study highlights cash Waqf integration with Islamic microfinance as an approach that promises a sustainable pathway for livelihood development in Muslim communities. The study affirms that cash Waqf can be a sustainable Shariah-compliant source of finance to Islamic microfinance projects aimed at reaching the poor.

The study also shows that the combined Waqf-microfinance models support financial inclusion, alleviate poverty, improve entrepreneurial

capabilities, create employment opportunities, and enhance overall social welfare of the beneficiaries. The provision of financial support through instruments like qard, murabahah, and murabahah helps in carrying out profitable business ventures while maintaining the corpus of the Waqf funds for perpetuity.

Furthermore, good governance and appropriate regulation, alongside innovative use of technology and coordinated actions of different stakeholders, have been identified as critical success factors for effective cash Waqf and Islamic microfinance

integration. The emerging digital technology seems to hold promise for improved governance and transparency of Waqf institutions.

Overall, the integration of cash Waqf with Islamic microfinance serves as a practical embodiment of the Maqasid al-Shariah in ensuring social justice, circulation of wealth, and human well-being; hence, effective utilization of Waqf in microfinance can serve as a mechanism to create positive change in the livelihood development of the people as part of the achievement of the SDGs.

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