

| Research Article |

## Cash Waqf Linked Sukuk and Economic Empowerment: A Grounded Theory from Indonesia

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**Abstract:** Cash Waqf Linked Sukuk (CWLS) directs mobilized cash waqf into sovereign sukuk and channels the resulting coupon to social projects while preserving the endowed principal. Although Indonesia's annual cash waqf potential is estimated at IDR 180 trillion (USD 11.4 billion), the institutional (SW001–SW002) and retail (SWR001–SWR006) series have together mobilized less than 0.5 percent of this base. This study therefore examines why CWLS underperforms relative to its potential and how its management can be optimized to strengthen the economic empowerment of the Muslim community (ummah). Adopting a constructivist grounded theory design, it analyzes a triangulated corpus of 47 peer-reviewed publications (2018–2025), foundational regulations, official DJPPR issuance releases, and Indonesian Waqf Board (BWI) impact reports through theoretical sampling, three-stage coding (open, axial, and selective), and the constant comparative method. The analysis generates a substantive theory in which four measurable constraints reinforce one another and suppress the redistributive performance of CWLS: a severe literacy gap, only 9.14 percent of Muslim respondents demonstrate operational CWLS knowledge, against 65 percent for general Islamic banking, together with fragmented and under-professionalized nazhir (waqf manager) governance, over-concentrated allocation of coupon proceeds, and underdeveloped digital infrastructure. These constraints form a self-reinforcing cycle that explains why realized proceeds remain below 0.5 percent of national potential. To break this cycle, the study proposes a five-pillar optimization framework comprising regulatory harmonization grounded in maqāṣid al-shari'ah (the objectives of Islamic law), professionalization and certification of nazhir, Islamic fintech-based digital fundraising platforms, productive sectoral targeting aligned with the Sustainable Development Goals, and impact-based monitoring through the Waqf Core Principles. By theorizing CWLS underperformance as a self-reinforcing governance problem and reframing the instrument as developmental rather than purely philanthropic, the study offers a transferable governance model for waqf-based social finance across OIC member states.

**Keywords:** Cash Waqf Linked Sukuk (CWLS), Productive Waqf, Islamic Social Finance, Economic Empowerment, waqf core principles.



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## INTRODUCTION

The intersection of Islamic philanthropy and modern financial engineering has generated a new class of instruments capable of mobilizing dormant social capital for productive purposes. Among these, the Cash Waqf Linked Sukuk (CWLS), launched by the Government of Indonesia in 2018 through the Ministry of Finance, in collaboration with the Indonesian Waqf Board (Badan Wakaf Indonesia/BWI) and Bank Indonesia, has been recognized internationally as a pioneering hybrid instrument. CWLS channels cash waqf collected by certified nazhir into State Sharia Securities (Surat Berharga Syariah Negara/SBSN), with the periodic coupon redirected to fund socially impactful projects in education, healthcare, and infrastructure for underprivileged communities (Fauziah et al., 2021; Yumna et al., 2024).

Indonesia hosts the world's largest Muslim population and consequently the largest theoretical pool of waqf assets. Empirical estimates indicate that the country's annual cash waqf potential is approximately IDR 180 trillion (USD 11.4 billion), yet historical realization has remained far below this benchmark, exposing a profound mobilization gap (Rahmani & Prasetyo, 2024; Mubarak et al., 2024). The Indonesian government has issued multiple CWLS series since 2020, including the institutional SW001 and SW002 and the retail series SWR001 through SWR006, mobilizing aggregate proceeds that, while growing, still represent less than 0.5 percent of the latent waqf base (Bank Indonesia, 2023; DJPPR, 2024). This persistent under-mobilization signals a governance, literacy, and design problem rather than a demand-side limitation.

The rationale for revitalizing waqf as a productive instrument is grounded in both classical fiqh and contemporary developmental imperatives. Productive waqf (waqf produktif) departs from the consumptive model where assets serve worship-only purposes such as cemeteries and mosques by deploying endowments into income-generating activities whose surplus finances continuous public benefit (Uyun & Susanti, 2024; Hasanah et al., 2021). The Sustainable Development Goals (SDGs) framework has further pressured Islamic social finance institutions to demonstrate measurable contributions to poverty alleviation (SDG 1), quality education (SDG 4), and reduced inequalities (SDG 10), with CWLS positioned as a strategic vehicle for this alignment (Saprida et al., 2024; Khanifa et al., 2024).

Despite growing scholarly interest in CWLS, the existing literature exhibits three notable gaps. First, most studies adopt a descriptive-conceptual lens, cataloguing the mechanism without interrogating the structural determinants of its optimization. Second, empirical impact assessments remain scarce; the difference-in-differences evaluation by Yumna et al. (2024) is among the few rigorous treatments, and its findings of an improvement in welfare and financial inclusion but no statistically discernible effect on social-spiritual participation between treatment and comparison groups suggest that the developmental potential of CWLS is far from exhausted. Third, prescriptions for reform tend to be fragmented, addressing

regulation, literacy, or digitalization in isolation rather than constructing an integrated optimization framework.

To address these gaps, this article pursues three interrelated questions. It first asks how governance, literacy, design, and digital infrastructure conditions interact to shape the redistributive efficacy of CWLS in the economic empowerment of the ummah. Building on this relational view, it then examines the mechanisms by which these conditions reinforce one another, sustaining the gap between the developmental potential of CWLS and its realized socio-economic impact. Finally, it considers how CWLS can be theorized as a developmental rather than purely philanthropic instrument, and what integrated model of waqf-based economic empowerment emerges from this theorization. The contribution of the article is threefold. Theoretically, it advances the discourse on Islamic social finance by repositioning CWLS as a developmental instrument grounded in distributive justice (*al-'adalah al-tawzi'iyah*) rather than as a purely philanthropic vehicle. Methodologically, it applies a constructivist grounded theory analysis to a triangulated corpus of academic literature and authoritative regulatory and institutional sources, generating a substantive theory grounded in systematic textual engagement. Practically, it offers a five-pillar optimization framework that policymakers, nazhir, and Islamic financial institutions can adapt to enhance the redistributive efficacy of CWLS in Indonesia and other jurisdictions with comparable demographics.

The remainder of this article is structured as follows. Section 2 surveys the conceptual and empirical literature on productive waqf, CWLS architecture, and economic empowerment. Section 3 details the methodology. Section 4 presents the findings and discusses optimization pathways. Section 5 concludes with policy implications and avenues for the future.

## **METHOD**

### **Research Design**

This study adopts a qualitative research design with a constructivist grounded theory approach (Glaser & Strauss, 1967; Strauss & Corbin, 1998; Charmaz, 2014) to develop an integrated, substantive theory of how productive waqf management can be optimized through Cash Waqf Linked Sukuk (CWLS). Grounded theory is appropriate for this inquiry because the optimization of CWLS is an emergent phenomenon for which no comprehensive integrative theory currently exists in the Islamic social finance literature; existing scholarship has produced fragmented descriptive accounts but has not yet generated a substantive theory of how regulatory, institutional, and operational factors interact to shape redistributive efficacy. Grounded theory is designed precisely for such conditions, constructing theory inductively from systematic engagement with empirical data rather than testing pre-specified hypotheses (Creswell & Poth, 2018). The study is positioned within the constructivist variant of grounded theory articulated by Charmaz (2014), which acknowledges that the resulting theory is co-constructed through the researchers' interpretive engagement with multiple textual data sources, regulatory artifacts,

scholarly discourse, institutional reports, and policy narratives. The constructivist orientation is preferred over the classical Glaserian or strictly Straussian variants because CWLS is a socially and politically constructed policy artifact whose meaning and impact are shaped by the interplay among fiqh interpretation, public administration, and beneficiary experience.

Because the constructivist position holds that theory is co-produced rather than discovered, the analysis is inseparable from the researchers' positionality, which is made explicit here for analytic transparency. The author(s) engaged the corpus as [scholars trained in Islamic economics and finance / Sharia economics], with [working familiarity with Indonesia's waqf-governance landscape and the institutional practice of the Indonesian Waqf Board (BWI) and DJPPR]. This background served as a set of sensitizing concepts, particularly a maqāṣid-oriented reading of socio-economic justice and a developmental, rather than purely philanthropic, conception of waqf, that guided initial attention without being treated as fixed categories. These prior commitments necessarily shaped interpretive decisions at each analytic stage: during open coding, they influenced which textual passages were treated as analytically significant and how segments were labeled; during axial coding, they informed how categories such as low waqf literacy and fragmented nazhir governance were related to one another; and during selective coding, they guided the abstraction of these categories into the core construct of a self-reinforcing cycle that constrains the redistributive efficacy of CWLS.

Rather than regarding this interpretive involvement as a source of bias to be eliminated, the study follows Charmaz (2014) in treating it as the analytic medium through which the substantive theory was built, while taking deliberate steps to discipline it. Reflexive memos were written throughout the coding process to surface and interrogate the researchers' assumptions; an audit trail linking each code to its textual source was maintained to keep the abstraction process traceable; the constant comparative method was used to test emerging categories against disconfirming instances across the four source types; and [investigator triangulation among the author team/peer debriefing] was employed to challenge premature closure and to assess the plausibility of the developing model. These procedures do not render the resulting theory observer-independent, an aspiration inconsistent with the constructivist stance. However, they make the path from data to theory transparent and accountable to the reader. Consistent with the constructivist commitment to reflexivity (Charmaz, 2014), the researchers make their positionality explicit. The analysis was conducted by scholars trained in Islamic economics and Islamic finance who are situated within, and broadly sympathetic to, the normative project of Islamic social finance, and who therefore approached CWLS not as a value-neutral object but as a policy instrument with latent developmental potential. This disciplinary and normative location inevitably shaped which textual signals were treated as analytically salient, how in vivo codes were interpreted, and how lower-order concepts were abstracted toward the core category. To guard against the uncritical projection of prior commitments onto the data, the researchers adopted several

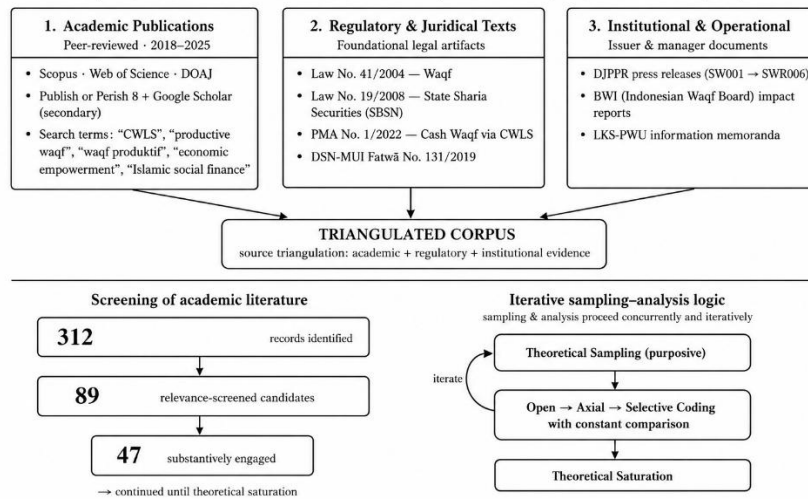
reflexive safeguards: continuous analytical memo-writing that recorded each interpretive decision and the reasoning behind it; parallel independent coding by two researchers, with divergent readings reconciled through documented consensus; the deliberate pursuit of disconfirming evidence and negative cases during theoretical sampling; and explicit bracketing of prior assumptions at the start of each coding cycle. The resulting framework is accordingly understood not as an objective discovery existing independently of the analysts, but as a defensible, evidence-grounded co-construction whose credibility rests on the transparency of the audit trail rather than on any claim to interpretive neutrality.

### **Data Sources and Theoretical Sampling**

Following the grounded theory principle of theoretical sampling (Glaser & Strauss, 1967; Corbin & Strauss, 2015), data sources were selected purposively and iteratively to enable the progressive development of conceptual categories rather than to achieve statistical representativeness. Sampling proceeded across three families of textual data. First, peer-reviewed academic publications on CWLS, productive waqf, Islamic social finance, and economic empowerment of the ummah, published between 2018 and 2025, were identified through searches across Scopus, Web of Science, and the Directory of Open Access Journals (DOAJ), supplemented by Publish or Perish 8 with Google Scholar as a secondary database, using combinations of the search terms "Cash Waqf Linked Sukuk," "CWLS," "productive waqf," "waqf produktif," "economic empowerment," and "Islamic social finance." Second, regulatory and juridical artifacts were sampled, including foundational legal texts such as Law No. 41 of 2004 on Waqf, Law No. 19 of 2008 on State Sharia Securities, Minister of Religious Affairs Regulation No. 1 of 2022 on the Management and Development of Cash Waqf via CWLS, and DSN-MUI Fatwā No. 131/2019. Third, institutional and operational documents were sampled, including press releases issued by the DJPPR for each CWLS series from SW001 through SWR006, impact reports of the Indonesian Waqf Board (BWI), and information memoranda issued by Cash Waqf Recipient Islamic Financial Institutions (LKS-PWU). The purposive selection of texts spanning academic, regulatory, and institutional domains enables source triangulation and supports the comparative analytical strategy described in Section 3.3.

Consistent with the iterative logic of grounded theory, sampling and analysis proceeded concurrently rather than sequentially. Initial engagement with a broad pool of texts generated provisional conceptual categories such as "literacy gaps," "nazhir competency," "coupon-channeling design," and "digital infrastructure," which then directed subsequent sampling toward sources expected to elaborate on, qualify, or contradict those categories. After successive screening and full-text engagement (initial pool of 312 records reduced through relevance assessment to 89 candidates and finally to 47 substantively engaged academic publications), theoretical sampling continued until theoretical saturation was reached: the point at which additional texts ceased to yield new conceptual properties or relationships across the

emerging categories (Corbin & Strauss, 2015; Charmaz, 2014). Saturation was operationally indicated by the recurrence of established categories without conceptual novelty across the final tranches of sampled texts. The final corpus thus encompassed 47 academic publications, along with the regulatory and institutional documents enumerated above, yielding a triangulated dataset that combines academic theorization with policy texts and operational evidence.

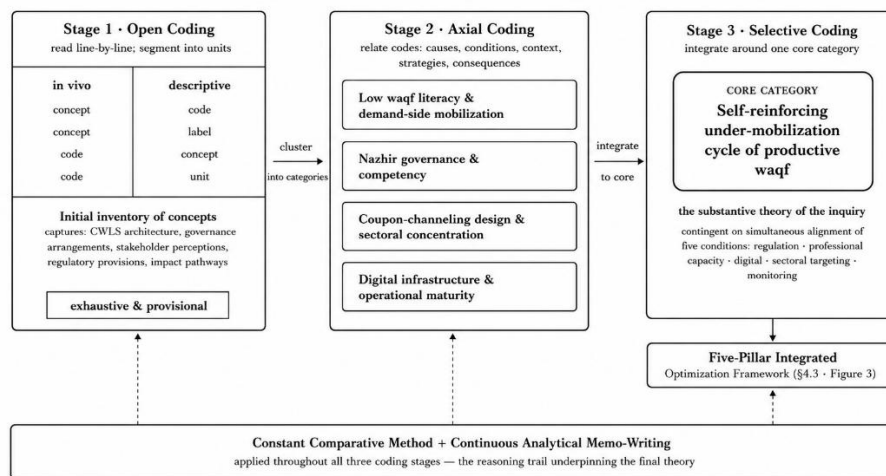


**Figure 1.** Theoretical sampling and the construction of the triangulated data corpus.

### Analytical Procedure: Grounded Theory Coding

Data analysis followed the three-stage coding protocol of Strauss and Corbin (1998), as refined within the constructivist tradition by Charmaz (2014), with concurrent use of the constant comparative method and analytical memo-writing throughout. In the first stage, open coding, each text was read line-by-line and segmented into meaningful units, with in vivo and descriptive labels assigned to each unit to generate an initial inventory of concepts capturing CWLS architecture, governance arrangements, stakeholder perceptions, regulatory provisions, and impact pathways. Open coding was deliberately exhaustive and provisional, prioritizing fidelity to the source data over premature abstraction. In the second stage, axial coding, open codes were systematically interrogated for relationships of causation, condition, context, intervening factors, action–interaction strategies, and consequences; through this process, granular concepts were clustered into higher-order categories most prominently “literacy and demand-side mobilization,” “nazhir governance and competency,” “coupon-channeling design and sectoral concentration,” and “digital infrastructure and operational maturity” each developed in terms of its constituent properties and dimensional range. In the third stage, selective coding, the categories generated during axial coding were integrated around a central core category that crystallizes the substantive theory of the inquiry: that CWLS optimization is contingent on the simultaneous alignment of regulatory architecture, professional capacity, digital infrastructure, sectoral targeting, and

impact-monitoring systems with the maqāsid al-sharī'ah and the Sustainable Development Goals. The five-pillar integrated optimization framework presented in Section 4.3 represents the visible outcome of this selective coding stage. Throughout the three coding stages, the constant comparative method was applied; each new datum was compared with previously coded data within the same category, across categories, and across data sources (academic, regulatory, and institutional). Analytical memos were written continuously to capture emergent insights, conceptual relationships, and analytical decisions, serving as the primary reasoning trail underpinning the construction of the final theoretical framework.



**Figure 2.** The three-stage grounded theory coding procedure and constant comparative analysis.

### Trustworthiness and Limitations

Trustworthiness was established along the four criteria of Lincoln and Guba (1985): credibility, transferability, dependability, and confirmability. Credibility was strengthened through investigator triangulation (parallel coding by two researchers followed by a consensus discussion), source triangulation (academic literature, regulatory texts, and institutional documents), and prolonged engagement with the data through iterative coding cycles. Transferability is supported by a thick description of the Indonesian CWLS context, enabling readers to assess the framework’s applicability to comparable jurisdictions. Dependability and confirmability are anchored in an audit trail comprising coding records, analytical memos, and documented decisions from the iterative theoretical sampling process. Three limitations should be acknowledged. First, the inquiry relies exclusively on textual data; the absence of primary interviews with wakif, nazhir, and mawqūf ‘alayh constrains the experiential granularity of the resulting theory. Second, although the corpus was drawn from major academic databases and authoritative regulatory sources, language coverage, while encompassing both English and Indonesian, does not exhaust the grey-literature universe. Third, consistent with the conventions of grounded theory, the substantive theory developed here is provisional:

it remains open to refinement through subsequent empirical engagement, including longitudinal observation of CWLS series following SWR006 and primary fieldwork with stakeholders along the CWLS value chain.

## RESULT AND DISCUSSION

### Mapping the Implementation of CWLS in Indonesia (2018–2025)

The implementation trajectory of CWLS reveals a pattern of incremental institutional learning. Table 1 summarizes the principal CWLS series issued since the instrument's inception, illustrating the progressive expansion from institutional placement to retail subscription and the diversification of distribution channels.

**Table 1.** Evolution of CWLS Series in Indonesia (2018–2025)

Series	Year of Issuance	Investor Type	Tenor	Coupon Rate (p.a.)	Use of Proceeds (Coupon Allocation)
SW001	2020 (March)	Institutional	5 years	6.15%	Healthcare (Achmad Wardi Eye Hospital, Banten)
SWR001	2020 (Nov)	Retail	2 years	5.50%	Health, education, COVID-19 socio-economic recovery
SWR002	2021	Retail	2 years	5.57%	Education, micro-enterprise empowerment
SWR003	2022	Retail	2 years	5.15%	Education, MSME ecosystem, dakwah infrastructure
SWR004	2023	Retail	2 years	6.10%	Education, healthcare and productive economic programs
SWR005	2024	Retail	2 years	6.25%	Boarding-school empowerment, MSME financing
SWR006	2025	Retail	2 years	5.70% (floating-with-floor)	Diversified social-economic empowerment portfolio

The data in Table 1 underscore three salient observations. First, the retail mobilization channel has demonstrated resilience: SWR001 was launched during the height of the COVID-19 pandemic and yet attracted a 99.6 percent share of individual

wakif, indicating latent retail demand for shari'ah-compliant philanthropic-investment hybrids (Sasongko et al., 2021). Second, sectoral allocation of coupon flows has progressively diversified from a near-exclusive healthcare focus in SW001 to a multi-sector portfolio encompassing education, dakwah infrastructure, and micro-enterprise empowerment. Third, the inclusion of a floating-with-floor coupon mechanism in SWR006 reflects an institutional response to interest-rate volatility risk faced by both wakif and beneficiary programs.

The grounded theory analysis identified four interlocking bottlenecks that limit the optimization of productive waqf management through CWLS.

### **Low Waqf Literacy among the General Public and Younger Cohorts**

Survey-based studies converge on the finding that public familiarity with cash waqf as a distinct instrument from zakat or sadaqah remains limited, particularly among Generation Z and millennial cohorts (Khairani et al., 2024; Putro et al., 2020; Mujiatun, 2023). The Indonesian Sharia Financial Literacy Index reports that only 9.14 percent of Muslim respondents demonstrate operational knowledge of CWLS, against 65 percent for general Islamic banking. Low literacy translates into low conversion of latent willingness to donate into actual subscriptions, suppressing the realized share of the IDR 180 trillion potential.

### **Fragmented and Sub-professional Nazhir Governance**

BWI data indicate that Indonesia hosts more than 200 individual nazhir and several dozen institutional nazhir authorized to receive cash waqf. However, only a minority meet the competency thresholds prescribed by the Waqf Core Principles framework promulgated by Bank Indonesia and IRTI-IsDB (Lenap et al., 2023). Documentary review of BWI quarterly bulletins reveals recurring concerns over inconsistent financial reporting, weak audit trails, and limited integration between LKS-PWU systems and BWI's central database. These governance shortcomings undermine Wakif's confidence and complicate impact attribution.

### **Coupon Channeling Design and Sectoral Concentration**

Although CWLS coupon flows are nominally redistributive, the design of channels shapes their effective developmental yield. The early concentration of coupon allocation in single-site healthcare projects (e.g., the Achmad Wardi Eye Hospital from SW001) generated visible flagship outputs but limited geographic diffusion. Mubarak et al. (2024) argue that diversifying coupon allocation to include green technology procurement and SDG-aligned environmental investment would multiply the developmental footprint without compromising shari'ah compliance. The sectoral concentration also reproduces inequality across underserved provinces in eastern Indonesia.

### **Limited Digital Infrastructure for Wakif Acquisition and Reporting**

Despite the progressive integration of digital subscription channels in SWR004 onward, the wakif onboarding process remains friction-laden. End-to-end digital identity verification, real-time impact dashboards, and blockchain-based traceability of coupon disbursement to mawqūf 'alayh are not yet standard features. Comparative review of cash waqf digitalization in Singapore (Wakaf Ilmu) and Malaysia (myWakaf) suggests that Indonesian CWLS lags in user-experience maturity, a gap that disproportionately deters younger digital-native wakif (Putro et al., 2020).

### **From Categories to Theory: The Core Category and Its Relational Structure**

The four bottlenecks elaborated above are not discrete, additive constraints; axial coding revealed that they are bound together in a relational structure that selective coding distilled into a single core category, which may be termed the *self-reinforcing under-mobilization cycle of productive waqf*. The grounded relationships run as follows. Low waqf literacy, the principal causal condition, suppresses the conversion of latent willingness-to-give into actual subscription and keeps the realized waqf pool small; a small and volatile pool, in turn, weakens the business case for nazhir to invest in professional governance and certification (an intervening condition), perpetuating fragmented and sub-professional management. Weak nazhir governance then degrades the quality and timeliness of impact reporting, which biases coupon-channeling toward concentrated, easily administered single-site projects rather than diversified, geographically dispersed portfolios. Concentrated channeling produces a visible but spatially limited impact that, absent real-time, traceable digital reporting, remains weakly communicated to prospective wakif, thereby failing to raise literacy and trust and closing the loop back to the first condition. Immature digital infrastructure operates across the cycle as an amplifying contextual condition, simultaneously increasing onboarding friction, reducing transparency, and disproportionately excluding digital-native cohorts whose participation would most expand the base.

Read together, these linkages yield the study's central theoretical proposition: the redistributive efficacy of CWLS is governed less by the financial design of the instrument than by the degree of simultaneous alignment among five conditions regulatory architecture, professional capacity, digital infrastructure, sectoral targeting, and impact-monitoring systems such that intervening on any single node in isolation is absorbed by the cycle and yields only marginal gains, whereas coordinated intervention across nodes is capable of breaking it. This proposition offers a conceptual explanation for the empirical pattern reported by Yumna et al. (2024), whose difference-in-difference evaluation detected welfare and financial-inclusion gains but no statistically discernible effect on social-spiritual participation: piecemeal program design lifts the most direct outcomes while leaving the deeper redistributive and participatory potential of CWLS structurally unrealized. The five-pillar framework presented in the next section is therefore not an inventory of independent

recommendations but the operational counterpart of this core category. Each pillar targets one node of the cycle, and the framework's claim to optimization rests on their simultaneity rather than their separate adoption.

### Integrated Optimization Framework: Five Pillars

Building on the bottlenecks identified above and triangulating with the maqāṣid, stakeholder, and resource-based theoretical lenses, this study proposes a five-pillar integrated optimization framework. The framework is depicted conceptually in Figure 3 (described below) and elaborated in the following subsections.

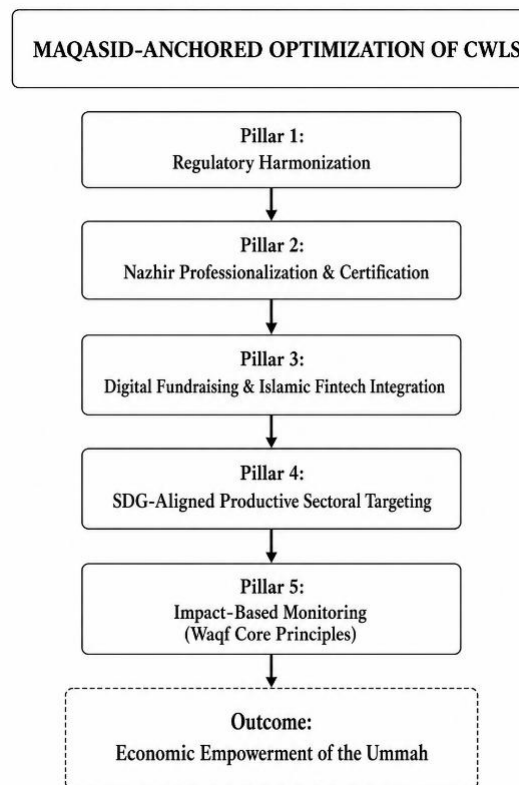


Figure 3. Five-Pillar Integrated CWLS Optimization Framework.

#### Pillar 1: Regulatory Harmonization Grounded in Maqasid

Optimization requires harmonization between Law No. 41 of 2004 on Waqf, Law No. 19 of 2008 on SBSN, Minister of Religious Affairs Regulation No. 1 of 2022, and DSN-MUI Fatwā No. 131/2019, with explicit reference to maqāṣid al-sharī'ah as the interpretive lens. Harmonization should resolve definitional ambiguities concerning the temporary versus permanent character of cash waqf in CWLS contracts, the permissibility of secondary-market transferability for liquidity management, and the tax treatment of coupons redirected to mawqūf 'alayh. A unified regulatory text, potentially in the form of a Government Regulation rather than a Law (Perppu), that consolidates the existing legal mosaic would reduce transaction costs for nazhir and

increase legal certainty for wakif (Modernizing Zakat and Waqf Management in Indonesia, 2025).

### **Pillar 2: Professionalization and Certification of Nazhir**

A national nazhir certification scheme, administered jointly by BWI, the Indonesian Sharia Financial Services Authority (OJK), and Islamic universities, should establish competency standards in five domains: *First*, fiqh of waqf; *Second*, Islamic finance and sukuk mechanics; *Third*, financial accounting and reporting per AAOIFI standards; *Fourth*, project management and impact measurement; and *Fifth*, digital literacy. Certification should be tiered (basic, intermediate, advanced) and conditional for managing CWLS proceeds above prescribed thresholds. Comparative experience from Malaysia's State Islamic Religious Councils (Majlis Agama Islam Negeri/MAIN) demonstrates that certification-anchored governance correlates with improved fund mobilization and beneficiary outreach (Productive Waqf Development Model, n.d.; Adapting Comparative Analysis from Millah, 2022).

### **Pillar 3: Digital Fundraising Platforms and Islamic Fintech Integration**

The maturation of Islamic fintech in Indonesia, as evidenced by the OJK's licensing of more than a dozen shari'ah-compliant peer-to-peer lending platforms, creates an opportunity to embed CWLS subscriptions within mainstream digital financial journeys. A national CWLS digital platform, integrated via an Open API with LKS-PWU systems, would streamline wakif onboarding through electronic Know Your Customer (e-KYC), enable micro-subscription tickets (e.g., starting at IDR 1 million, as in SWR006), and provide real-time impact dashboards for transparency. Awwaliah et al. (2025) demonstrate that integrating shari'ah fintech with digital financial literacy programs strengthens rural economic resilience, suggesting that the same logic applied to CWLS would broaden the wakif base into underserved geographies.

### **Pillar 4: SDG-Aligned Productive Sectoral Targeting**

Coupon allocation should be portfolio-managed against an explicit SDG impact matrix. Drawing on the maqāsid mapping in Section 2.3, this study recommends a target portfolio composition: 30 percent to education and skills development (SDG 4), 25 percent to micro and small enterprise capitalization (SDG 8), 20 percent to primary healthcare and maternal-child welfare (SDG 3), 15 percent to climate-adaptive infrastructure and green procurement (SDG 13), and 10 percent to innovation and research-development of waqf instruments (SDG 9). Mubarok et al. (2024) argue that channeling CWLS funds toward green technology aligns with both shari'ah objectives and Indonesia's Nationally Determined Contributions, generating compound developmental returns. Khanifa et al. (2024) reinforce this proposition through a maqāsid-grounded analysis of green sukuk.

## **Pillar 5: Impact-Based Monitoring through Waqf Core Principles**

The adoption of the Waqf Core Principles (WCPs) developed by Bank Indonesia, IRTI-IsDB, and BWI should be mandatory for all CWLS-managing nazhir. The WCPs articulate 29 principles across regulatory, supervisory, and reporting dimensions, providing a globally benchmarked monitoring infrastructure. Implementation should include annual WCP-based supervisory ratings published by BWI, mandatory disclosure of project-level impact indicators (number of beneficiaries, employment generated, services rendered), and external shari'ah audit by certified auditors (Lenap et al., 2023; Mubarok et al., 2024). Combined with a public impact dashboard, the WCP-based monitoring would close the accountability loop and reinforce wakif confidence.

## **DISCUSSION**

### **Theoretical Implications**

The five-pillar framework reframes CWLS as a developmental rather than purely philanthropic instrument. Theoretically, this reframing extends the Islamic social finance literature in three directions. First, it operationalizes *maqāṣid al-shari'ah* beyond abstract ethical commentary into a portfolio allocation logic, providing testable propositions for future empirical work. Second, it integrates stakeholder theory into Islamic philanthropy by elevating *waqif*, *nazhir*, *mawqūf 'alayh*, and regulators to co-equal agents whose accountability relationships must be structurally clarified. Third, it applies the resource-based view to argue that optimizing CWLS depends on complementary capabilities, digital infrastructure, certified human capital, and governance frameworks rather than on the instrument's design alone.

Situating these contributions within the broader debate in Islamic social finance clarifies both the distinctiveness and the transferability of the Indonesian model, since jurisdictions have pursued markedly different institutional routes to mobilize waqf through capital markets. Malaysia has advanced a predominantly market-led model: the Securities Commission's Waqf-Featured Fund Framework, introduced in 2020, channels all or part of the income generated by Islamic unit trusts and wholesale funds to waqf purposes, with eligible recipients limited to State Islamic Religious Councils, and is complemented by an SRI Sukuk framework that treats waqf-asset development as an eligible project and by the public offering of the world's first waqf shares. However, this model has so far mobilized only modest sums; six waqf-featured funds had accumulated about RM46.7 million by December 2022, underscoring that the potential of waqf remains largely untapped even in a mature Islamic capital market. Turkey represents the historical and conceptual antecedent of the instrument: the Ottoman cash waqf, regarded as the pioneer of modern interest-free financial institutions, directed endowed capital to charitable services rather than to the founder, and its institutional legacy is today administered by the state the General Directorate of Foundations, established in 1924, manages some 52,000 waqfs dating largely from the Ottoman era and by adjacent participation banks, rather than

through a securitized sovereign instrument. In the GCC, the dominant approach is endowment-asset and fund based: Saudi Arabia's General Authority for *Awqaf*, an independent body established under royal decree to regulate and develop the endowment sector in line with Vision 2030, oversees a sector anchored in real estate, and the Kingdom became the first GCC country to issue waqf investment funds in November 2018, allocating capital across REITs, sukuk, and murabahah contracts; even there, weak awareness and insufficient promotion have hindered the growth of cash-waqf investment.

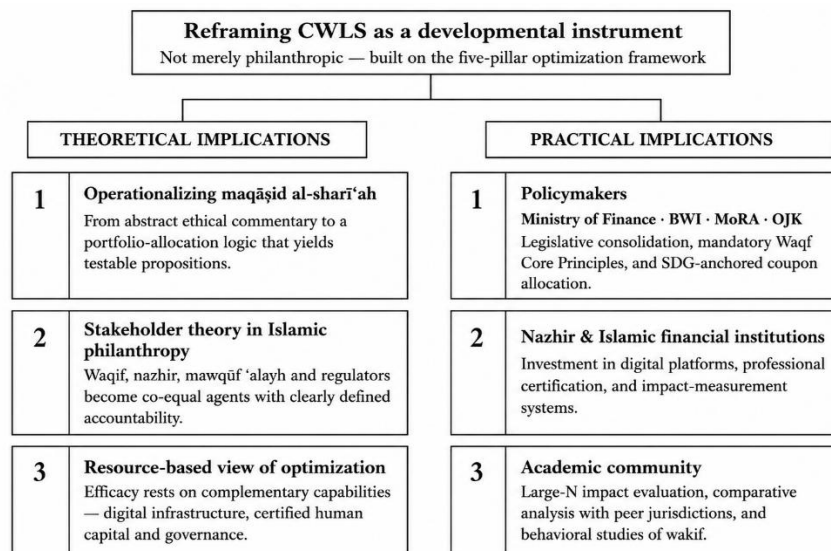
Against this comparative backdrop, Indonesia's CWLS occupies a distinctive position. Unlike Malaysia's market-led funds or the GCC's real-estate-anchored endowment vehicles, CWLS is a state-intermediated and capital-protected instrument in which mobilized cash waqf is placed into sovereign sukuk, the endowed principal is preserved, and the periodic coupon is redirected to social projects; its retail tranches, moreover, democratize waqf participation to ordinary citizens rather than confining it to institutional endowers. In this sense, CWLS can be read as a securitized, sovereign-backed revival of the Ottoman cash-waqf logic, reconnecting a centuries-old Islamic practice to a modern public-finance architecture. The comparison is also analytically sobering: the underperformance documented in this study is not idiosyncratically Indonesian. However, it mirrors the awareness and mobilization gaps reported in both Malaysia and Saudi Arabia, suggesting that the four-part bottleneck cycle theorized here captures a structural pattern across jurisdictions rather than a purely national pathology. This cross-jurisdictional convergence strengthens the claim that the proposed five-pillar framework offers not merely a domestic reform agenda but a transferable governance template whose pillars speak directly to constraints recurring across OIC member states.

### **Practical Implications**

Practically, the framework offers calibrated implications for three stakeholder groups. For policymakers (Ministry of Finance, BWI, Ministry of Religious Affairs, OJK), the framework suggests legislative consolidation, mandatory adoption of WCP, and SDG-anchored coupon allocation guidelines. For Nazhir and Islamic financial institutions, this implies investment in digital platforms, certification, and impact measurement systems. For the broader academic community, it highlights research priorities: large-N impact evaluation, comparative analysis with Malaysian and Singaporean models, and behavioral studies on wakif decision-making.

The framework's findings resonate with Yumna et al. (2024), whose impact evaluation found improvements in welfare and financial inclusion but no statistically distinguishable difference-in-differences between treatment and comparison groups. The five pillars address the inferred design limitations of existing CWLS programs by proposing systemic rather than incremental adjustments. Furthermore, the framework converges with the policy direction articulated by Bank Indonesia's Master Plan for Indonesia's Islamic Economic and Financial Development 2024–2029,

which identifies productive waqf and CWLS as strategic priorities. Taken together, these theoretical and practical implications are synthesized in Figure 4.



**Figure 4.** Theoretical and Practical Implications of the Study.

### Positioning CWLS within the Global Islamic Social Finance Debate

Positioning these findings within the broader Islamic social finance landscape clarifies both their specificity and their wider relevance. Malaysia offers the closest institutional comparator. Kunhibava et al. (2023) demonstrate that CWLS is legally and operationally viable within the Malaysian framework. However, its development is constrained by the fragmentation of waqf authority among state-level Islamic Religious Councils (MAINs) and the absence of a sovereign issuer comparable to that of the Republic of Indonesia. While Indonesia channels cash waqf through a unified national governance spine, Bank Indonesia, the Indonesian Waqf Board, and a sovereign sukuk apparatus, Malaysian initiatives such as corporate and share waqf (Mohamad Suhaimi et al., 2014) and mosque-based cash waqf funds (Hasan et al., 2019) have advanced in a more decentralized manner. This contrast suggests that Indonesia's centralized architecture is a comparative advantage for instrument standardization, even though the present study shows that this advantage remains substantially under-exploited.

The Turkish and Ottoman experience adds historical and jurisprudential depth. Mandaville (1979) documents the protracted controversy over the permissibility of cash waqf in the sixteenth-century Ottoman Empire, a debate whose echoes persist in contemporary questions about the Shariah characterization of waqf-linked financial instruments. This lineage reinforces the present study's emphasis on explicit harmonization of maqāṣid al-sharī'ah as a precondition for legitimacy and uptake. Modern Turkish practice extends this trajectory: Laila (2025) assesses the socioeconomic potential of retail CWLS, while Musari (2025) reads the historic Ottoman esham instrument as a conceptual antecedent of contemporary sukuk-waqf hybrids. In the Gulf, the institutional bottleneck takes a different form. Saudi Arabia's

General Authority for Awqaf, established to consolidate endowment assets and channel them into investment vehicles spanning real estate, sukuk, and other Shariah-compliant instruments, illustrates that substantial endowment wealth does not automatically translate into developmental deployment; the binding constraints there are awareness, governance, and channeling capacity rather than capital availability.

Read together, these cases reveal a convergent pattern that strengthens the external validity of the core category developed here. Across Malaysia, Turkey, the Gulf, and Indonesia, the decisive limiting factor on the developmental impact of cash waqf is not financial engineering but institutional alignment, the coordinated functioning of regulation, governance, digital infrastructure, literacy, and outcome measurement. The wider literature on waqf-based development corroborates this reading: integrated waqf–microfinance models for poverty reduction (Haneef et al., 2015), cash waqf funds for refugee and microenterprise support (Kachkar, 2017), and cash waqf for human-capital formation among micro-entrepreneurs (Mohd Thas Thaker et al., 2020) succeed or stall on the same organizational conditions rather than on the availability of endowment capital. Indonesia represents the most advanced sovereign instance of this instrument class, and the self-reinforcing under-mobilization cycle identified in this study, together with the five-pillar conditions required to break it, therefore offers a transferable analytical lens for other member states of the Organisation of Islamic Cooperation seeking to operationalize productive waqf at scale.

## CONCLUSION

This study examined how the management of productive *waqf* can be optimized through Cash Waqf Linked Sukuk (CWLS) to advance the economic empowerment of the ummah in Indonesia. Through a constructivist grounded theory analysis of 47 peer-reviewed publications from 2018–2025 alongside foundational regulations and CWLS series press releases, the study identified four structural bottlenecks: low waqf literacy, fragmented nazhir governance, sub-optimal coupon-channeling design, and limited digital infrastructure that constrain the redistributive efficacy of CWLS.

In response, the study advanced a five-pillar integrated optimization framework: *First*, regulatory harmonization grounded in *maqāṣid al-shari'ah*; *Second*, professionalization and certification of *nazhir*; *Third*, digital fundraising platforms that leverage Islamic fintech; *Fourth*, SDG-aligned targeting of the productive sector; and *Fifth*, impact-based monitoring through the Waqf Core Principles. The framework reframes CWLS from a philanthropic curiosity into a strategic development instrument capable of mobilizing the IDR 180 trillion latent waqf base to make measurable contributions to SDGs 1, 3, 4, 8, 9, 10, and 13.

This study concludes that the gap between the potential of CWLS and its realized impact stems not from weak demand but from a self-reinforcing cycle of four constraints: low waqf literacy, fragmented nazhir governance, over-concentrated coupon allocation, and underdeveloped digital infrastructure, which can be broken

only through the coordinated deployment of the five governance pillars proposed here, recasting CWLS as a developmental rather than a purely philanthropic instrument.

The study contributes theoretically by integrating *maqasid al-shari'ah*, stakeholder theory, and the resource-based view into a multi-lens optimization logic; methodologically by offering a replicable constructivist grounded theory protocol for studying evolving policy artifacts in Islamic economics; and practically by providing calibrated guidance for the Ministry of Finance, BWI, OJK, nazhir, and Islamic financial institutions. Its findings are nonetheless interpretive, context-bound to Indonesia, and propositional rather than empirically tested. Future research should therefore validate the framework quantitatively, integrate primary stakeholder data, and apply it comparatively to Malaysia, Turkey, and the GCC to advance the substantive theory toward a formal one.

This study is subject to three limitations. First, the analysis rests on textual and documentary data; the absence of primary interviews with wakif, nazhir, and mawqūf 'alayh limits its experiential granularity. Second, although the corpus spans both English- and Indonesian-language sources, it does not exhaust the relevant grey literature. Third, in keeping with the grounded theory tradition, the substantive theory advanced here is provisional and remains open to refinement through subsequent empirical testing.

Future research should pursue four directions: (a) large-sample impact evaluation using quasi-experimental designs across multiple CWLS series; (b) comparative governance analysis of CWLS against the Malaysian, Turkish, Gulf, and Singaporean models; (c) behavioral experimentation on wakif decision-making under varying digital-interface designs; and (d) computable general equilibrium modeling of CWLS scaling scenarios under the proposed five-pillar framework. Through such work, the developmental promise of CWLS can be progressively translated into measurable economic empowerment of the ummah.

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