DEVELOPING A PARTNERSHIP MODEL BETWEEN FOUNDATIONS AND SHARIA COOPERATIVES FOR PRODUCTIVE WAQF

Sony Hendra Permana[1]*, Rendra Fahrurrozie[1], Zulnan Tinggi Hari[1], Sugeng Ribowo[1], Samsul Arifin[1]

[1]Universitas Ibn Khaldun Bogor, Indonesia

*[1]*Corresponding email: sonyhendrapermana@uika-bogor.ac.id / sony.hendra@gmail.com*

ABSTRACT - The management of productive waqf in Indonesia continues to face institutional challenges, particularly among foundations acting as nazhirs, whose limited business capacity, managerial professionalism, and governance have constrained the productive development of waqf assets. This study aims to analyze the institutional limitations of foundations in managing productive waqf and to develop a partnership model between foundations and sharia cooperatives as an alternative governance framework. The study employs a qualitative approach using library research and conceptual framework development. Secondary data were collected from laws and regulations, DSN-MUI fatwas, publications of the Indonesian Waqf Board (BWI), and relevant academic literature, and were analyzed using content analysis and conceptual synthesis. The findings indicate that sharia cooperatives possess comparative advantages in business management, MSME empowerment, community-based financing, and socio-economic integration, making them strategic partners for overcoming the institutional limitations of foundations. Based on these findings, this study proposes a productive waqf partnership model in which foundations maintain responsibility for safeguarding waqf objectives, legal compliance, and accountability, while sharia cooperatives manage productive economic activities through sharia-based business mechanisms. The proposed model offers a collaborative governance framework that integrates the social function of waqf with the economic capacity of sharia cooperatives. This model is expected to improve the productivity of waqf assets, expand socio-economic benefits for beneficiaries, and contribute to the development of more sustainable productive waqf governance.

Keywords: productive waqf; foundations; sharia cooperatives; partnership model

ABSTRAK – *Konstruksi Model Kemitraan Yayasan dan Koperasi Syariah untuk Wakaf Produktif. Pengelolaan wakaf produktif di Indonesia masih menghadapi berbagai tantangan kelembagaan, terutama pada yayasan sebagai nazhir, yang memiliki keterbatasan dalam kapasitas pengembangan usaha, profesionalisme pengelola, dan tata kelola sehingga pengembangan aset wakaf belum optimal. Penelitian ini bertujuan menganalisis keterbatasan kelembagaan yayasan dalam pengelolaan wakaf produktif serta mengembangkan model kemitraan antara yayasan dan koperasi syariah sebagai alternatif tata kelola. Penelitian menggunakan pendekatan kualitatif melalui studi kepustakaan dan pengembangan model konseptual. Data sekunder diperoleh dari peraturan perundang-undangan, fatwa DSN-MUI, publikasi Badan Wakaf Indonesia (BWI), serta literatur akademik yang dianalisis menggunakan content analysis dan conceptual synthesis. Hasil penelitian menunjukkan bahwa koperasi syariah memiliki keunggulan dalam pengelolaan usaha, pemberdayaan UMKM, pembiayaan berbasis komunitas, dan integrasi fungsi sosial-ekonomi sehingga berpotensi menjadi mitra strategis bagi yayasan dalam pengelolaan wakaf produktif. Berdasarkan temuan tersebut, penelitian ini menawarkan model kemitraan yang menempatkan yayasan sebagai penjaga tujuan, kepatuhan hukum, dan akuntabilitas wakaf, sedangkan koperasi syariah berperan sebagai pengelola kegiatan ekonomi produktif melalui mekanisme usaha berbasis syariah. Model ini menawarkan kerangka tata kelola kolaboratif yang mengintegrasikan fungsi sosial wakaf dengan kapasitas ekonomi koperasi syariah sehingga berpotensi meningkatkan produktivitas aset wakaf, memperluas manfaat bagi masyarakat, dan mendukung pengembangan tata kelola wakaf produktif yang lebih berkelanjutan.*

Kata Kunci: *wakaf produktif; yayasan; koperasi syariah; model kemitraan*

INTRODUCTION

Waqf is one of Islam's social financial instruments that possesses unique characteristics because it integrates the dimensions of worship, philanthropy, and sustainable economic development. Waqf has even made a significant contribution to the provision of various public assets, such as schools, hospitals, infrastructure, and various social services that support community well-being (Rakhmat & Beik, 2022).

The institutional strengthening of waqf in Indonesia has gained significant momentum following the enactment of Law No. 41 of 2004 on Waqf, which expanded the scope of waqf assets to include monetary contributions. The introduction of this regulation, which grants legal recognition to monetary waqf, has provided new momentum for the transformation of the governance of the Muslim community's endowment capital in Indonesia, shifting from a model previously dominated by immovable assets toward the development of productive waqf capable of generating sustainable economic benefits. Unlike zakat, infak, and sedekah schemes, whose distribution is dominated by short-term consumptive programs, the nature of waqf instruments requires the preservation of the principal financial asset while simultaneously promoting the optimization of economic benefits that can be continuously channeled to the beneficiaries (Mauquf 'Alaih).

According to the Chair of the Indonesian Waqf Board (BWI), the potential for waqf in Indonesia is enormous, reaching nearly Rp400 trillion annually, with cash waqf alone potentially amounting to Rp181 trillion (BWI, 2025). Unfortunately, this vast potential has not yet been fully realized through optimized management. A study conducted by Imron et al. (2024) indicates that while the potential for monetary waqf reaches Rp130 trillion, its realization as of October 2023 had only reached Rp2.23 trillion or approximately 1.71 percent of that potential. This indicates that the majority of waqf assets are still not managed productively and face various challenges, ranging from insufficient professionalism among waqf trustees, limited funding sources for asset development, to weak integration of information systems and governance in waqf management.

One of the key challenges in the development of productive waqf lies in the institutional capacity of waqf managers. Many waqf assets in Indonesia are managed through foundation-based nazhir institutions. Foundations possess strong legal legitimacy and are closely associated with social, religious, and

humanitarian objectives. However, their nonprofit orientation may limit organizational flexibility when waqf assets must be developed through dynamic productive activities that require business planning, risk management, capital mobilization, and professional commercial capabilities (Suryamah & Lita, 2021; Kristianti, 2021).

On the other hand, the development of sharia cooperatives shows promising results. Sharia cooperatives possess relatively stronger economic management capacity in overseeing the community's productive business activities. Sharia cooperatives are characterized by a participatory approach, a broad membership base, experience in financing micro, small, and medium-sized enterprises (MSMEs), and business mechanisms grounded in sharia principles. These characteristics position sharia cooperatives to serve as strategic partners in developing productive waqf assets without compromising the social functions and fiduciary responsibilities inherent to foundations as waqf administrators.

The state of the art of this study lies in examining institutional complementarity between foundations and sharia cooperatives as a structural response to the limitations of foundation-based productive waqf management. Sharia cooperatives may combine community-based economic functions with social objectives, while some institutions also operate Baitul Maal and Baitul Tamwil functions. Studies specifically examining the integration of foundations, as waqf trustees, with sharia cooperatives, as community-based economic institutions, remain limited. This gap creates an opportunity to formulate a collaborative governance model that preserves the social and fiduciary character of waqf while strengthening its productive economic management.

Accordingly, this study aimed to analyze the institutional limitations of foundations in managing productive waqf and to formulate a partnership model between foundations and sharia cooperatives that could support sustainable waqf asset development. The model was designed to leverage the comparative advantages of each institution: the foundation safeguards the waqf trust, legal compliance, and social objectives, while the sharia cooperative contributes business capacity, economic networks, and experience in MSME empowerment. The study therefore contributes a conceptual governance framework for integrating Islamic philanthropy with community-based Sharia economic institutions.



The remainder of the paper is organized as follows. The next section reviews the literature on productive waqf governance, foundation-based management, sharia cooperatives, and institutional partnership. The methodology section explains the qualitative library-research and conceptual-synthesis approach. The result and discussion section presents the identified institutional limitations, the comparative advantages of sharia cooperatives, the proposed partnership model, and its governance implications, followed by the conclusions and future research agenda.

LITERATURE REVIEW

Productive waqf governance and nazhir professionalism

Productive waqf extends the role of waqf beyond the preservation of endowed assets by requiring the asset or its returns to generate sustainable benefits for beneficiaries. In this framework, the preservation of the waqf principal remains fundamental, but the management function also requires economic planning, asset development, accountability, and appropriate risk control. Waqf has historically supported public assets and social services, while contemporary productive waqf seeks to strengthen this social function through sustainable economic returns (Rakhmat & Beik, 2022).

The literature consistently identifies nazhir professionalism and governance as central determinants of productive waqf performance. Wulandari et al. (2019) emphasize accountability, manager professionalism, human-resource quality, and institutional networks in the selection and performance of nazhir. Huda et al. (2023) similarly identify waqf literacy, inclusion, and governance as persistent challenges, while Shiddiqy (2022) highlights the importance of managerial capacity and cooperation networks. These studies indicate that the productive potential of waqf depends not only on the availability of assets but also on the institutional capability of the organization entrusted to manage them.

Foundations as waqf management institutions

Foundations are widely associated with social, religious, and humanitarian activities and therefore provide a credible legal vehicle for safeguarding the social objectives of waqf. However, the nonprofit character of foundations also shapes their organizational orientation. Kristianti (2021) discusses the legal and institutional position of foundations as entities with predominantly social purposes, while Suryamah and Lita (2021) show that the use of waqf funds as

capital for business activities by foundations requires careful legal and governance arrangements. These characteristics can constrain organizational flexibility when productive waqf demands active business development and commercial risk management.

Partnership provides one mechanism for addressing these limitations without transferring the nazhir's fiduciary responsibility. The experience of the Daarut Tauhid Foundation demonstrates that productive waqf assets can be developed through cooperation with business entities that possess stronger managerial and business-development capabilities (Fauzia et al., 2022). This evidence supports an institutional approach in which foundations retain responsibility for the waqf trust while specialized partners undertake defined economic functions under accountable contractual arrangements.

Sharia cooperatives and community-based economic empowerment

Sharia cooperatives are community-based economic institutions founded on participation, mutual assistance, partnership, justice, and collective benefit. Their members act as both owners and users of services, enabling cooperatives to combine economic intermediation with community empowerment. These principles are consistent with the social orientation of productive waqf and provide a philosophical basis for institutional collaboration (Effendi et al., 2018).

Operationally, sharia cooperatives have experience in mobilizing funds, providing Sharia-compliant financing, serving MSMEs, developing member businesses, and delivering business assistance (Harahap & Nawawi, 2022; Permanasari, 2026). Evidence from the Benteng Mikro Indonesia Sharia Cooperative further shows that a cooperative can mobilize and manage productive waqf for community economic empowerment. Septianti et al. (2025) report productive waqf management associated with increased member income, wider microenterprise access to capital, and job creation. This experience indicates that sharia cooperatives may possess economic-management capabilities that complement the fiduciary strengths of foundations.

Conceptual framework: institutional complementarity and partnership

The conceptual foundation of the proposed model is institutional complementarity. Each institution is assigned functions aligned with its comparative advantage rather than being required to perform the entire waqf-



management process independently. A partnership is understood as a cooperative relationship based on mutual need, mutual reinforcement, and mutual benefit (Ayu et al., 2026). In productive waqf, these principles must also be constrained by Sharia compliance, preservation of the waqf principal, transparency, accountability, and the public-interest objectives specified by the waqif.

Within this framework, the foundation retains the core nazhir functions of safeguarding the waqf trust, ensuring legal and Sharia compliance, maintaining alignment with the waqf declaration, supervising asset management, and distributing benefits to the mauquf ‘alaih. The sharia cooperative operates as an economic-management partner responsible for feasibility assessment, business planning, productive asset utilization, MSME financing, business-unit development, and community economic empowerment. The research gap addressed by this study is therefore not the absence of productive waqf or cooperative practice separately, but the lack of a clearly articulated collaborative governance model that systematically connects these two institutional capacities.

METHODOLOGY

This study employed a qualitative approach using library research and the conceptual framework development method. This approach was used to analyze various concepts, regulations, and practices related to the management of productive waqf, as well as to formulate a partnership model between foundations and sharia cooperatives as a more effective and sustainable alternative for managing productive waqf.

All data used were secondary data obtained from various literature sources and official documents. Data sources include laws and regulations related to waqf and cooperatives, fatwas from the National Sharia Council-Indonesian Ulema Council (DSN-MUI), reports from BWI, scholarly publications in journals and books, and other publications relevant to productive waqf and sharia cooperatives.

Data collection was conducted through documentary studies and literature reviews. The literature used was selected based on its relevance to the research theme, particularly those discussing the governance of productive waqf, the institutional capacity of nazhirs, the development of waqf assets, Sharia cooperatives, and partnership models in the Sharia economy. Subsequently,



various concepts and findings from previous research were identified, classified, and synthesized to gain a comprehensive understanding of the challenges and opportunities for the development of productive waqf in Indonesia.

Data analysis was conducted using content analysis and conceptual synthesis techniques. Content analysis was used to identify various institutional limitations of foundations in managing productive waqf, as well as the characteristics of sharia cooperatives relevant to waqf asset development. Subsequently, the results of this identification were synthesized to construct a productive waqf-based partnership model that integrates the social functions of foundations with the economic functions of sharia cooperatives.

The conceptual model was developed through the following stages: problem identification, institutional analysis, conceptual synthesis, and model design. The problem identification stage was used to map out the foundations' limitations in managing productive waqf. The institutional analysis stage was conducted to assess the capacity of sharia cooperatives as partners in managing productive waqf. Subsequently, the results of these two analyses were synthesized to produce a partnership model that encompasses the institutional structure, mechanisms for managing waqf assets, choices of sharia contracts, and patterns of benefit distribution to the mauquf 'alaih.

RESULT AND DISCUSSION

Limitations of foundations in the management of productive waqf

The development of productive waqf in Indonesia cannot be separated from the role of foundations as one of the most commonly used legal entities for managing waqf assets. In addition to possessing strong legal legitimacy, foundations are also viewed as capable of upholding the social and religious objectives inherent in waqf assets. However, various practices in managing productive waqf through foundations still face several limitations that hinder the optimal development of waqf assets and the distribution of benefits to the community.

The first limitation relates to the fundamental nature of foundations as nonprofit organizations. Normatively, foundations are established to achieve social, religious, and humanitarian objectives. Foundations are not designed to pursue commercial profit. This characteristic results in the foundation's institutional orientation being directed more toward managing social programs rather than



developing productive business activities. Although the Waqf Law has opened opportunities for the productive management of waqf assets, in practice, the requirement to preserve the integrity of the assets and comply with various regulations imposes limitations on foundations that are legally classified as social entities. This situation often makes foundations less flexible in responding to business opportunities and expanding economic activities that require more adaptive business capabilities (Suryamah & Lita, 2021; Kristianti, 2021).

The second limitation relates to the human resource capacity and professionalism of the nazhir. The success of productive waqf management is heavily dependent on the managers' competence in business planning, investment management, risk management, and oversight of waqf assets. However, in practice, the literacy and competence of nazhir remain a significant challenge in the development of waqf in Indonesia. Research by Hasanah et al. (2026) found that nazhirs' understanding of waqf governance and accounting standards remains relatively limited, resulting in the implementation of accountable waqf management not yet functioning optimally. This situation is particularly evident in foundation-based nazhir institutions, where a lack of understanding regarding waqf and its management remains a hurdle that must be addressed through capacity building and competency certification for nazhirs (Huda et al., 2023).

The third limitation is the limited ability to develop waqf assets into productive economic activities. In practice, many foundations face difficulties in transforming their waqf assets into sustainable sources of income. Research conducted by Almuin et al. (2022) indicates that the majority of waqf assets owned by the Raudhatul Mutaallimin Waqf Foundation have not been optimally utilized for productive activities, despite their high economic value and strategic locations. Some of these assets remain undeveloped land due to limited funding, a lack of entrepreneurial motivation, and weak managerial capacity to develop productive businesses. Consequently, waqf assets that should be generating sustainable economic benefits have not yet been able to make an optimal contribution to the community.

The fourth limitation is the weakness in governance and the mobilization of economic resources. Fundamental challenges still faced by Indonesia that lead to low waqf implementation include low levels of waqf literacy, inclusion, and governance (Huda et al., 2023). Additionally, management by foundations still relies heavily on traditional funding sources, namely donations, grants, and



social assistance. This results in a relatively limited ability to mobilize capital for the development of productive enterprises. This also further reinforces the foundations' dependence on external funding sources and hinders business expansion efforts that could increase the value of waqf assets (Suryamah & Lita, 2021).

These various limitations indicate that the main challenges in managing productive waqf lie not only in the collection of waqf assets but also in the institutional capacity of the managing entities. Foundations have strengths in safeguarding the trust, social objectives, and adherence to waqf principles, but they often face limitations in business development, capital mobilization, and professional business management. Therefore, an institutional model for waqf management is needed that can complement the strengths of these foundations with stronger economic and entrepreneurial capacities.

The management of waqf assets by foundations will be greatly influenced by their ability to build partnerships with various parties. The experience of the Daarut Tauhid Foundation shows that waqf assets can be developed productively through collaboration with business entities that possess managerial expertise and business development capabilities (Fauzia et al., 2022). In this context, sharia cooperatives are worth considering as strategic partners in the development of more sustainable productive waqf.

Potential of sharia cooperatives in the development of productive waqf

Sharia cooperatives have great potential to become strategic partners in the development of productive waqf in Indonesia. This potential arises because sharia cooperatives not only function as business institutions that collect and distribute members' funds, but also serve a social function that aligns with the objectives of waqf, namely, improving community welfare and empowering the Muslim community economically. From an Islamic economic perspective, sharia cooperatives are built on the principles of ta'awun (mutual aid), musyarakah (partnership), justice, and the public good, which are in harmony with the core values of productive waqf (Effendi et al., 2018).

Conceptually, Sharia cooperatives are a form of economic institution that positions members as both owners and users of services. This institutional model enables the development of a more inclusive, community-participation-based economic system. Cooperatives serve as a form of collective enterprise grounded in the principles of kinship and mutual aid, where profits and economic benefits are distributed fairly among all members. These values align



with the principles of productive waqf, which emphasize the sustainability of benefits for the broader community. Thus, the integration of productive waqf and Islamic cooperatives has a strong philosophical foundation in both Islamic economics and people-centered economics (Effendi et al., 2018).

The first potential lies in the cooperative's capacity as a sharia-compliant microfinance institution that is closely connected to the community. Sharia cooperatives have a network that reaches MSME actors down to the community level. This characteristic enables sharia cooperatives to serve as an effective vehicle for channeling the benefits of productive waqf to community groups in need of access to financing and economic empowerment. As Islamic financial intermediaries, Islamic cooperatives have experience in mobilizing funds, managing Sharia-based financing, and providing business mentoring to their members, thereby supporting the optimal utilization of productive waqf assets (Harahap & Nawawi, 2022).

The second potential lies in the capacity of Islamic cooperatives to carry out community-based economic empowerment. The development of productive waqf requires not only professional asset management but also benefit-distribution mechanisms capable of enhancing the economic capacity of the community. Sharia cooperatives have experience in microenterprise development, providing productive financing, entrepreneurship training, and strengthening business networks for their members (Permanasari, 2026; Ascarya & Illiyyin, 2013). With the support of productive waqf assets, Sharia cooperatives can develop various empowerment models, such as waqf-based financing for MSMEs, waqf-based productive agriculture development, strengthening the halal industry, and the development of waqf-based community economic centers. This approach ensures that the benefits of waqf are not merely consumptive but also productive and sustainable.

The third potential lies in the ability of sharia cooperatives to build economic partnership networks. One key factor in the successful management of productive waqf is the ability to foster collaboration among stakeholders. Research conducted by Shiddiqy (2022) indicates that effective waqf management requires a broad network of cooperation, with financial institutions, the business sector, the government, and civil society organizations. Sharia cooperatives have an advantage in building such networks because they operate based on the principles of partnership and member participation. Through networks of primary and secondary

cooperatives, waqf assets can be integrated with various economic development programs that have a broader impact on the community.

The fourth potential lies in the ability of sharia cooperatives to manage productive assets in a professional and accountable manner. The success of waqf asset development is largely determined by several key aspects, such as accountability, the professionalism of managers, the quality of human resources, and institutional networks (Wulandari et al., 2019). Sharia cooperatives already have a relatively comprehensive governance framework through annual general meetings, internal oversight systems, sharia supervisory boards, and accountability mechanisms to members. This institutional structure serves as a key instrument supporting transparency and accountability in the management of productive waqf assets.

Empirical evidence regarding the potential of sharia cooperatives in the development of productive waqf can be seen in the practices of the Benteng Mikro Indonesia Sharia Cooperative (Kopsyah BMI). This cooperative has successfully mobilized productive waqf funds amounting to Rp38.5 billion and manages them through various community economic empowerment programs. The management of these productive waqfs has yielded positive impacts, including increased member income, expanded access to capital for microenterprises, and the creation of job opportunities for the surrounding community (Septianti et al., 2025). This demonstrates that sharia cooperatives possess sufficient institutional capacity to manage productive waqfs more effectively and sustainably.

Given these characteristics and the available empirical evidence, Islamic cooperatives are strategically positioned to complement the limitations of foundations in managing productive waqf. While foundations excel at safeguarding social trust and ensuring compliance with waqf objectives, Islamic cooperatives offer strengths in economic empowerment, business development, community fund mobilization, and the expansion of economic benefits. Synergy between foundations as trustees and sharia cooperatives as economic management partners has the potential to create a more professional, inclusive, and sustainable model for managing productive waqf, thereby enabling a greater contribution to the economic development of the Muslim community.

Development of a productive waqf partnership model between foundations and sharia cooperatives



The development of productive waqf requires an institutional model capable of integrating the potential of Islamic philanthropy with the economic capacity of the Muslim community. As discussed in the previous section, the main challenges in managing productive waqf lie not only in the collection of waqf assets but also in institutional aspects, the professionalism of managers, business development, access to capital, and accountable governance. In practice, foundations, as trustees (nazhir), have an advantage in safeguarding the waqf's trust and ensuring compliance with social objectives and Sharia provisions. However, foundations often face limitations in developing waqf assets into productive and sustainable economic activities. Conversely, Sharia cooperatives possess stronger capabilities in business operations, financing, community economic empowerment, and the development of productive enterprises, but they do not always have direct legitimacy as managers of waqf assets. This situation creates an opportunity for the formation of a partnership model that integrates the strengths of both institutions within a single framework for the management of productive waqf that is more effective and sustainable.

Conceptually, a partnership is a cooperative relationship built on the principles of mutual need, mutual reinforcement, and mutual benefit. A partnership is not merely understood as a business relationship but as a form of strategic collaboration that enables each party to leverage its comparative advantages to achieve shared goals (Ayu et al., 2026). In the context of productive waqf management, the goal of a partnership is not only to generate economic profits but also to create sustainable social benefits for the community. Therefore, the partnership model between foundations and sharia cooperatives must be built on the principles of sharia, transparent governance, and a focus on the public interest.

The construction of this partnership model stems from an approach that integrates social and economic functions. The foundation serves as the institution that safeguards the waqf trust, ensures management aligns with the waqf declaration, maintains the sustainability of the waqf's principal assets, and oversees the distribution of benefits to the beneficiaries (mauquf 'alaih). Meanwhile, the sharia cooperative serves as an economic management partner tasked with developing waqf assets through various productive business activities, member empowerment, MSME financing, and the development of sharia-based investments.



In the proposed model, the relationship between the foundation and the sharia cooperative is not one of subordination but rather a strategic partnership based on a division of functions according to their respective competencies. The foundation, as the waqf trustee (nazhir), is responsible for collecting and receiving waqf assets, ensuring legal compliance and adherence to Sharia principles in waqf management, determining the purpose of waqf utilization in accordance with the waqf donor's declaration, overseeing asset management, and distributing waqf benefits to beneficiaries. Meanwhile, the sharia cooperative, as a partner in managing productive waqf, is tasked with managing productive waqf assets in economic activities; preparing feasibility studies and business plans; providing financing for members' productive businesses; developing waqf-based business units; and providing business mentoring and economic empowerment to the community. Through this division of functions, the foundation can focus on the aspects of trust and compliance with waqf regulations, while the sharia cooperative acts as an economic driving force that generates productive benefits from waqf assets.

This partnership model consists of five main stages: first, the collection of waqf assets. The foundation, acting as the nazhir, collects these assets. The collected assets may include cash, land, buildings, or other productive assets. All such assets are recorded and managed in accordance with the provisions of Law No. 41 of 2004 on Waqf. Second, the transfer of management rights to a sharia cooperative. Once the assets have been collected, the foundation may enter into a cooperation agreement with a sharia cooperative through an appropriate sharia contract. This transfer does not involve a transfer of ownership of the waqf assets but rather the granting of management rights for the purpose of generating economic benefits. The contracts that can be entered into include musyarakah if the foundation and the cooperative both contribute to business development; mudharabah if the foundation provides the waqf capital and the cooperative acts as the business manager; ijarah if the waqf assets are leased to the cooperative for productive management; and muzara'ah or musaqah for the development of agricultural and plantation waqfs. These contractual models allow for flexibility in management without compromising the principle of preserving the principal endowment assets.

Third, the development of productive businesses. Waqf assets managed by sharia cooperatives can be directed toward various productive sectors. Business development is carried out based on the principles of prudence, professionalism, and sustainability so as to generate a stable economic surplus.



Fourth, the distribution of benefits. The profits or business surpluses generated are allocated into three main categories: funds for the maintenance and development of waqf assets; operational management funds in accordance with Sharia provisions; and benefit funds for the mauquf ‘alaih in the form of social, educational, and health programs, as well as economic empowerment and poverty alleviation initiatives. Fifth, monitoring and evaluation. Oversight is conducted jointly by the foundation, the cooperative’s supervisors, and the Sharia Supervisory Board. Financial reporting and benefit reporting systems are designed transparently to ensure accountability is maintained.

This productive waqf-based partnership model between the foundation and the Sharia cooperative has several advantages, namely: first, it creates synergy between social trust and business professionalism. The foundation safeguards the social objectives of the waqf, while the Sharia cooperative optimizes the economic value of the waqf assets. Second, it expands access to financing for MSMEs. Sharia cooperatives have a broad network of members, allowing the benefits of waqf to directly reach the real economy. Third, it enhances the sustainability of waqf benefits. Waqf assets are not merely used for consumption but are capable of generating continuous economic benefits. Fourth, strengthening Sharia financial inclusion. Productive waqf serves as an instrument capable of linking Islamic philanthropy with community-based business development. Fifth, promoting community-based economic development. This model aligns with the concepts of people-centered economics, cooperatives, and the maqashid al-Sharia, which aim to achieve widespread community welfare.

Proposed Productive Waqf Partnership Model

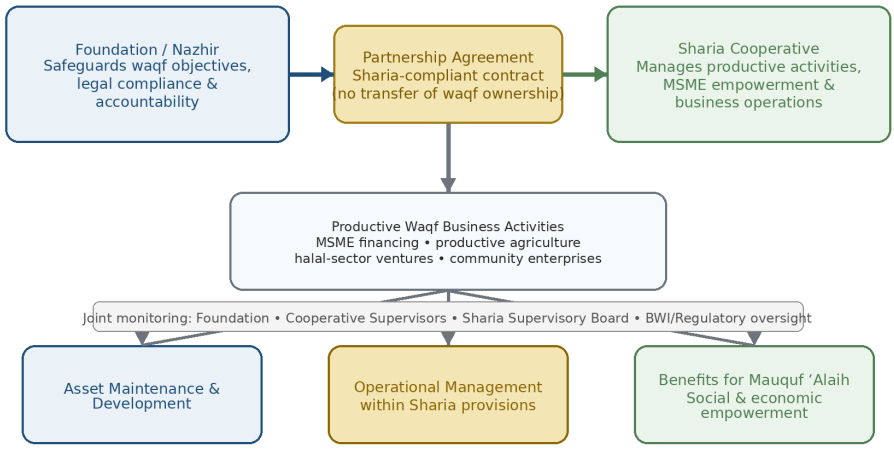


Figure 1. Proposed productive waqf partnership model between foundations and sharia cooperatives
(Source: Authors' conceptualization based on the study findings)

Table 1. Functional division in the proposed partnership model

Dimension	Foundation / Nazhir	Sharia Cooperative
Core mandate	Safeguard waqf trust, legal compliance, Sharia objectives, and accountability	Manage productive economic activities and business development
Asset role	Retains nazhir responsibility and ownership status of waqf assets	Receives limited management rights through an appropriate Sharia-compliant agreement
Operational role	Approves objectives, supervises management, and distributes benefits	Prepares feasibility studies, business plans, financing, and business mentoring
Governance	Monitors compliance and waqf-purpose alignment	Implements risk management, internal controls, and operational reporting
Outcome focus	Sustainable benefits for mauquf 'alaih	Productive returns, MSME empowerment, and community economic development

(Source: Authors' synthesis)

Governance implications of the partnership model

A partnership model based on productive waqf between foundations and sharia cooperatives not only offers a solution to the institutional limitations of waqf administrators but also has broader implications for national waqf governance. The integration of the social functions carried out by foundations and the economic functions carried out by sharia cooperatives has the potential to create a more professional, productive, and sustainable waqf management ecosystem. These implications are felt not only by the two institutions involved in the partnership but also by BWI and regulators mandated to develop the national waqf system.

For foundations as nazhirs, the partnership model allows a shift from attempting to perform every operational function independently toward a stronger trustee and oversight role. The foundation can focus on safeguarding the waqf trust, monitoring Sharia and legal compliance, evaluating management performance, and ensuring that benefits are distributed according to the waqf objectives. This division of roles can strengthen transparency, accountability, and



professionalism while enabling more sustainable social programs through productive income (see also Wulandari et al., 2019; Huda et al., 2023).

For sharia cooperatives, the model creates an opportunity to integrate Islamic social finance with community-based business activities. Productive waqf assets may support MSME financing, member-business development, and wider economic empowerment. At the same time, the cooperative must strengthen risk management, internal supervision, Sharia compliance, and financial reporting because waqf assets carry a fiduciary obligation to preserve the principal and channel benefits according to the designated purpose.

For BWI, collaborative management requires stronger nazhir supervision, certification, and partnership guidelines. Specific standards are needed for the division of authority, cooperation mechanisms, risk management, accountability, and reporting. An integrated digital waqf information system would also facilitate monitoring of nazhirs, cooperative partners, productive projects, and the distribution of benefits.

For the government and regulators, the model highlights the need for regulatory harmonization across waqf, cooperatives, and MSME-development policies. Legal certainty is required so that cooperative participation in productive waqf management does not weaken the nazhir's statutory responsibility. Government support can also include incubation, training, and institutional capacity building. More broadly, the model positions productive waqf as a potential instrument for poverty reduction, MSME strengthening, job creation, and community welfare within the national Islamic economy and finance agenda.

Overall, the productive waqf-based partnership model between foundations and sharia cooperatives implies a paradigm shift in waqf governance, from an individual-based institutional approach toward a collaborative one. This model enables a more effective division of roles between safeguarding the waqf trust and developing productive businesses, thereby allowing the benefits of waqf to grow sustainably while making a greater contribution to the economic development of the Muslim community.

CONCLUSIONS

This study shows that the management of productive waqf in Indonesia still faces various institutional limitations, particularly among foundations acting as nazhirs, including business development capacity, human resource professionalism, access to capital, and waqf asset governance. On the other

hand, sharia cooperatives have the potential to address these limitations through their business capacity, experience in empowering MSMEs, economic networks, and their ability to integrate social and economic functions.

Based on the analysis results, this study formulates a productive waqf-based partnership model between foundations and sharia cooperatives that positions the foundation as the custodian of the waqf's trust and social objectives, while the sharia cooperative acts as the manager of productive economic activities. This model is expected to increase the productivity of waqf assets, expand the benefits for the beneficiaries (mauquf 'alaih), and strengthen the contribution of waqf to the sustainable economic empowerment of the community.

A productive waqf-based partnership model between foundations and sharia cooperatives should be promoted as a more productive and sustainable alternative for waqf management. As trustees (nazhir), foundations can strengthen the development of waqf assets through collaboration with sharia cooperatives that possess business capacity and the ability to empower local communities economically. On the other hand, sharia cooperatives need to improve their governance, professionalism, and sharia compliance to manage waqf assets in an accountable manner. BWI and the government need to develop guidelines and regulations that support partnerships between trustees and sharia cooperatives, including institutional capacity building, oversight, and reporting systems for the management of productive waqf. Furthermore, further research is needed to test the implementation of this partnership model across various types of waqf assets and sharia cooperatives so that empirical evidence can be obtained regarding its effectiveness in enhancing the economic and social benefits of waqf.

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