Research Article

The Urgency of Optimizing Productive Waqf in Pesantren to Foster the Halal Industry Development

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Abstract.
Indonesia rates fourth out of the top 15 countries in the global Islamic economic indicator nomination for the State of the Global Islamic Economy Report 2022. As the country with the largest Muslim population in the world, Indonesia has the potential to develop its halal industry. Islamic financial instruments, such as waqf, are vital to the halal industry. Many countries, including Indonesia, have demonstrated the effectiveness of employing productive waqf in Pesantren to provide financial support for education. With 37,614 Pesantren in Indonesia, these institutions can stimulate local economies through productive waqf and business ventures that correlate with local geographies and emerging potential, such as using waqf for capital business or Pesantren business units. Therefore, the economic growth in Pesantren positively affects the halal industry. However, several obstacles impede the development of a productive waqf in Pesantren, resulting in suboptimal performance. This study examines strategies to optimize productive waqf implementation in Pesantren to support the halal industry and strengthen the economy. This library-based study employs a descriptive methodology to collect data on literacy, which is then subjected to content analysis or other forms of scientific analysis. This study identified strategies to overcome obstacles in waqf management to establish a productive waqf in Pesantren and positively influence the development of the halal industry in Indonesia.

Keywords: productive Waqf, Pesantren, halal industry

1. Introduction

The halal industry is currently getting popularity, especially among Muslims worldwide. According to the State of the Global Islamic Economy Report, 1.9 billion Muslims will spend the equivalent of US$2 trillion on the food, pharmaceutical, fashion, cosmetic, travel, and leisure media sectors in 2021. These industries are affected by the Islamic demand for ethical consumption. Islamic finance assets are anticipated to increase to US$3.6 trillion in 2021 and then grow by 7.8% from US$3.4 trillion in 2020, representing an 8.9% annual growth beginning in 2020.[1]
In the same way as Islamic financial instruments, waqf has experienced remarkable annual growth. Waqf is a crucial component of the Islamic social structure due to its ability to leverage the power of altruistic charitable giving for greater economic impact on social segments. Waqf can therefore be used to promote Indonesia’s halal industry expansion.[2]

Due to its predominantly Muslim population, Indonesia has a tremendous capacity for expanding waqf. In Indonesia, the Ministry of Religion reported that 51,709.07 hectares of waqf land were dispersed across 383,333 localities.[3] If properly implemented, waqf can help Muslims significantly contribute to society’s economic empowerment and development.

Furthermore, productive waqf must maximize its role and function to fulfill the parties’ requirements to receive waqf.[4] The percentage of data on waqf land use in Indonesia, which indicates that 73% is used for mosques and prayer centers, indicates that historically, the majority of waqf land has been utilized for consumption.[5] While nadzir can employ some productive waqf development strategies.

Numerous nations have successfully instituted waqf to support the economic requirements of education. Egypt is one of the countries that implement professional waqf via Al-Azhar University, an independent educational institution in terms of operational financing and the implementation of education without contributions from any party.[6] Indonesia also has institutions implementing productive waqf through education, including Islamic Teacher Training College Darussalam Gontor.

Pesantren is the oldest educational institution in Indonesia, with a traditional teaching method that has persisted despite many reforms to become a modern teaching method. In addition, pesantren serves several important purposes, including: 1) As a center for cadre thinkers who can transform Islamic religious knowledge and Islamic values;[7] 2) As an educational institution that creates human resources, and 3) As a center for empowering the local economy and its environs.[8] Considering the number of widely dispersed pesantren in Indonesia, namely the ones listed below:

The total number of pesantren in Indonesia was calculated to be 37,614 based on the information provided. With this number, Pesantren can advance the community’s economy by developing business divisions that align with geographical conditions and the developing potential of their surroundings. The following are several examples of the Pesantren’s economic potential:

The data presented above indicate that Pesantren possesses a variety of economic potentials; this is evidence that Pesantren can empower Islamic economics
through ecosystem development in the institutional sphere. In developing its economy, Pesantren provides its human resources with an entrepreneurial mentality, so it can be said that Pesantren is the pioneer in developing the community’s economy, particularly in Indonesia.[11]

Waqf has tremendous potential and can be utilized in numerous ways. If waqf is implemented professionally in Pesantren, it could encourage the economic growth of Pesantren and the surrounding community, for example, through using waqf in the field of capital or Pesantren business units. Then, as the economy of Islamic boarding institutions grows, it positively affects the halal industry. This is possible because Pesantren is an educational institution that upholds Islamic values, so they influence every aspect of their activities. Similarly, Pesantren business divisions attempt to operate in accordance with halal principles from inputs to outputs. As a business, Pesantren endeavors to have its products certified as halal so they can be distributed to the public. Thus, waqf in Pesantren will allow the halal industry to expand.
Despite this, the development of productive waqf in Pesantren is hindered by several obstacles that cause the suboptimal of it. Irwansyah et al. (2022) discovered that Pesantren struggled due to insufficient operational funds.[12] Both Rusli et al. (2023) and Ilmiah (2020) mention the lack of professionalism of nadzir in administering waqf.[13,14] Hafidz et al. (2022) discovered an additional obstacle in waqf development because most waqf administration is still conducted traditionally.[15] This study concentrates on the strategies and efforts that Pesantren can employ to optimize the implementation of productive waqf as a support for the Pesantren economy to encourage the growth of the halal industry.

2. Methods

This study employs descriptive qualitative methodology through a literature review and subsequent data source analysis. The qualitative analysis applies data analysis to words or sentences extracted from a research object and related to events in the research object. In qualitative research, the researcher must go through several analysis phases, including studying, analyzing, and interpreting an event to achieve the desired results.[16]

The technique for collecting data involves a review of relevant books, articles, notes, and reports.[17] The data analysis technique employs the content analysis method, a research instrument that focuses on the actual content and internal media characteristics. This analysis is used to draw valid conclusions and can be reexamined based on the circumstances. Moreover, in this analysis, selecting, comparing, combining, and arranging various meanings is carried out to locate research-relevant data.[18]

3. Results and Discussion

3.1. The concept and potential of productive waqf management

Productive waqf is waqf property used for production purposes in multiple fields, such as agriculture, industry, trade, and services, where the benefits are not directly on the waqf object. Still, the net profit resulting from waqf management is distributed to those who are entitled and following the purpose of waqf.[19] The productive waqf scheme utilizes waqf contributions from the general populace to generate a sustainable surplus.[20]

While waqf resources are not to be used for consumption, they are to be managed as productive assets capable of increasing the accumulation of economic capital to
increase the future output of services and income. [20] In addition, the production results of waqf assets are utilized in accordance with waqf objectives. [21]

Looking for waqf is equivalent to searching for a void to empower economic assets. Because economic amenities are inherent within the waqf, waqf assets must be managed productively to create opportunities in strategic sectors such as employment creation, public service management, and facilities for developing small and medium economic enterprises. [22]

Waqf assets must be managed efficiently to create opportunities for opening profitable sectors, such as job creation. [19] If waqf is not managed effectively and productively, it will cause problems such as limiting the economic opportunities generated by the waqf. Lack of flexibility, unprofessional nadzir, misuse of waqf assets, and a lack of understanding of waqf can lead to ineffective waqf management. [23]

In several nations, such as Saudi Arabia, Egypt, Turkey, Singapore, Malaysia, and others, the system for developing and managing waqf assets involves the construction of commercial structures. The concept underlying the construction of commercial structures is the donation of waqf land by the waqif to the nadzir for operational management and development. [24]

Law Number 41 of 2004 states that the nadzir must manage and cultivate waqf assets in accordance with sharia principles and in a productive manner. [25] This is in accordance with the principles of waqf management, which require the management of enduring and productive benefits flow. [26] Moreover, waqf management must preserve the integrity of the waqf property and deliver the greatest possible results and benefits to mauquf ‘alaih. [27]

In productive waqf management, institutional, accounting, and auditing aspects must be considered. [28] In addition to these aspects, several fundamental philosophies must be emphasized in waqf management. These management patterns must be formulated in integrated projects in which waqf funds are allocated to empower programs with all associated costs summarized therein. Moreover, the principle of nadzir’s welfare and the principle of transparency, namely the accountability and expertise of a nadzir in operating an Islamic business and having sufficient business experience and network. [19]

Nadzir plays an important role in the administration of waqf management. [28] Nadzir must comprehend the five management functions of planning, organizing, coordinating, commanding, and regulating. [30] Nadzir must have expertise in various disciplines of knowledge, integrity, professionalism in managing waqf [28], and a reputation for good moral credibilities, such as honesty, fairness, and reliability. [31]
The management system is implemented by planning, organization, and execution of reliable, professional, and accountable supervision. Ahmad Furqon cited Monzer Khaf as saying that the administration of waqf assets in waqf organizations requires local human resources and has a clearly defined tenure. And in the administration of waqf assets, a shari'ah guarantees institution, such as a shari'ah insurance scheme or other schemes compliant with applicable laws, is required.

Multiple models exist to administer productive waqf in Indonesia, including investing in productive waqf land by constructing an Islamic Business Center from which various productive businesses are operated. Combining the concepts of productive waqf and consumptive waqf in the form of a Public Fuel Filling Station (SPBU) at the Great Mosque of Semarang with prayer rooms, toilets, water and air filling, ATMs, resting areas, minimarkets, clinics, car wash businesses, and oil sales is another model of waqf management.

3.2. The distribution pattern of waqf in Pesantren within the halal industry

Increasing the pesantren economic autonomy is crucial to strengthen the Islamic economy and finance as a new growth. Through the pesantren enterprise and utilizing ZISWAF, pesantren are now also used as a forum for students and the surrounding community to achieve socioeconomic empowerment.

Optimizing all peasants’ resources can create a significant economic advantage if properly administered. Regarding their assets, for instance, pesantren can farm the land they own. The harvest is then sold to help finance the pesantren's daily operations. Additionally, pesantren has numerous business entities that can be developed into MSMEs with funding assistance from waqf management.

The government of Indonesia’s strategy for developing the halal industry includes the creation of superior quality MSMEs capable of producing halal products to international standards and maintaining business continuity with Islamic finance. This demonstrates that developing MSMEs based on halal products is one of the Government’s program objectives that various resources and funding sources must support.

As Islamic educational institutions, pesantren must produce human capital or human resources who comprehend Islamic values. This significantly impacts the halal industry’s development because, with quality and qualified human resources, halal industry sectors can develop with various innovations and continue to produce halal products consistently.
Numerous pesantren use waqf proceeds to fund their students' education and activities. In the meantime, numerous waqf in pesantren takes the form of business units in various economic empowerment sectors, such as food, fashion, and even finance. Here are a few examples of how pesantren economic empowerment is utilized.[37]

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of Pesantren</th>
<th>Kind of Economic Empowerment Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ITTC Darussalam Gontor Ponorogo</td>
<td>Waqf, Mineral Water, Rice, Convection, Printing, Petrol Station, BMT, and other industries.</td>
</tr>
<tr>
<td>2</td>
<td>Pesantren Sidogiri Pasuruan</td>
<td>BMT, Mineral Water, Printing, and other industries.</td>
</tr>
<tr>
<td>3</td>
<td>Pesantren Al-Ittifaq Bandung</td>
<td>Farm, Plantation, and other industries.</td>
</tr>
<tr>
<td>4</td>
<td>Pesantren Sunan Derajat Lamongan</td>
<td>Mineral Water, Noni Herbal Juice, Salt, and other industries.</td>
</tr>
<tr>
<td>5</td>
<td>Pesantren Al-Ma'shum Sumedang</td>
<td>Mineral Water, and other industries.</td>
</tr>
<tr>
<td>6</td>
<td>Pesantren Darul Hijrah South Kalimantan</td>
<td>Mineral Water, Perfume, Fertilizer, and other industries.</td>
</tr>
</tbody>
</table>

Source: Setiawan bin Lahuri, Pesantren and Halal Ecosystem, 2021, 7.

Based on the outcomes of pesantren business development, pesantren can establish independence in management and the economy, allowing them to promote themselves as the primary drivers in the halal value chain ecosystem. Pesantren can expand the halal industry on a national and international scale as a commercial actor in the halal industry.

Pesantren, which are educational institutions incorporated as foundations, can become nadzir waqf if they have met the nadzir requirements and have submitted them to the Indonesian Waqf Board as nadzir waqf. In general, however, pesantren manage waqf that is individual, with these individuals serving as executives. This condition is one of the factors impeding the optimization of waqf assets, as nadzirs’ primary role is as teachers or educators in pesantren, so waqf administration has not been conducted in a focused and professional manner.[38]

Despite this, pesantren receive much attention and trust from the community regarding waqf, as evidenced by the large quantity of waqf land the community donates to pesantren. Public awareness of land and financial waqf is one of the economic opportunities for pesantren. Utilizing these opportunities, pesantren can create employment opportunities, reduce unemployment, and even improve the economic well-being of the adjacent community.[39]
3.3. The optimization of waqf in pesantren

Unsuccessful Waqf management causes stagnation in the utilization rate and, in some cases, no growth. The paucity of human resources and poor management is a contributing factor. In contrast, effective management will result in the production of financial resources that can sustain the resilience of educational institutions and also contribute to their growth.[40]

In addition, waqf can be a low-cost alternative to bank and non-bank financing utilized by business actors. Therefore, entrepreneurs will be more productive with funding derived from the benefits of waqf assets. Because business owners are not required to pay profit-sharing taxes on the accumulated revenue of the companies they manage.[41] Therefore, a skilled nadzir with knowledge of contemporary business management is required. Because without this ability, waqf assets cannot endure and generate no income.

Developing waqf assets by making these assets productive is a crucial competency for ensuring that the process of developing waqf assets is successful, yields more results and benefits, and provides broader community benefits. Moreover, nadzir competency in managing and developing waqf assets is required to prevent losses in managing waqf assets, physical damage, and other forms of loss. Therefore, to mitigate risks, nadzir is permitted to collaborate with qualified third parties for assistance with the implementation's technical aspects.[36]

Nadzir plays a crucial role in managing waqf, so the level of competence of nadzir is the key to productively managing waqf. To enhance the quality and professionalism of nadzir, it is necessary to provide guidance and assistance.[42] The coaching in question involves the provision of facilities and infrastructure to support operational nadzir waqf for individuals and organizations. In addition, this entails drafting regulations, providing motivation, supplying facilities, coordinating, empowering, and developing waqf assets.[43]

In addition to generating waqf assets, the nadzir can collect capital funds to utilize available waqf assets to be productive. This is known as fundraising. Other fundraising objectives include adding waqif, enhancing the institution’s image, and building waqif loyalty through various elements, such as waqif requirements, segmentation, positioning, product, price and transaction costs, promotion, and maintenance.[38]

In addition to the development of waqf assets by the nadzir, excellent financial administration of waqf assets by applicable waqf laws is needed. This relates to Nadzir’s knowledge of reporting standards, which include SAK (Financial Accounting Standards)
as one of the financial management guidelines.[44] This is intended to make nadzir trustworthy, transparent, and dependable so that more individuals are willing to entrust their funds to nadzir.[38]

In addition, effective distribution of waqf funds is essential so that the principal waqf assets are not depreciated or spent, such as managing waqf assets in the form of businesses or business divisions [45,46], and investing in long-term capital for the sustainability of waqf asset management itself. Several steps must be taken to avoid suboptimal waqf management: 1) Mapping economic potential; 2) Business feasibility study; 3) Making a waqf empowerment proposal; 4) Building business partnerships; 5) Preparing quality human resources; and 6) Management with professional and dependable management.[47]

Supervision of waqf management is the final stage, which is no less crucial. Waqf objects can be neglected or even misplaced if there is insufficient oversight.[47] Waqf administration is overseen by the Director General of the Ministry of Religion, BWI, and the community. The community can participate actively and passively in the monitoring process of the nadzir by submitting a written report to the authorities if indications of violations against the provisions of the Legislation are discovered. As for auditing and oversight, this is a necessary program to maintain and distribute waqf proceeds to maximize benefits and maintain accountability.[15]

<table>
<thead>
<tr>
<th>No</th>
<th>Aspects of Productive Management</th>
<th>Problems</th>
<th>Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Nadzir professionalism</td>
<td>Lack of nadzir business management knowledge</td>
<td>Improve nadzir competence through coaching and mentoring Collaborate with professional third parties in the implementation</td>
</tr>
<tr>
<td>2</td>
<td>Waqf funds</td>
<td>Waqf funds are used consumptively</td>
<td>Distribution of waqf funds in the form of business/business units as waqf capital investments</td>
</tr>
<tr>
<td>3</td>
<td>Waqf operational costs</td>
<td>Insufficient funds for operating waqf</td>
<td>Fundraising</td>
</tr>
<tr>
<td>4</td>
<td>Administration of waqf financial management</td>
<td>Recording input of financial reports that are not yet optimal or organized</td>
<td>SAK refers to the recording of waqf financial reports</td>
</tr>
<tr>
<td>5</td>
<td>Monitoring and evaluation</td>
<td>Lack of significant oversight of waqf management</td>
<td>Conduct routine audits and governmental oversight</td>
</tr>
</tbody>
</table>

Source: Analysed from the primary source

The table above summarizes the limitations and potential solutions in the productive waqf management aspect. To maximize the productive waqf in pesantren. Furthermore, it can positively influence the growth of the halal industry in Indonesia.
4. Conclusion

Productive waqf can provide greater benefits than ordinary waqf, as waqf assets can be expanded and profits generated for the benefit of the waqf. Professional administration of productive waqf can bolster the economies of pesantren and their surrounding communities. It can have a positive effect on the national growth of the halal industry. This would not have been possible without the contributions of all stakeholders, including nadzir, waqif, the government, and the community. Hopefully, this research will increase public awareness of the significance of optimizing productive waqf, particularly for pesantren that receive waqf to advance the halal industry.

References


