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Article

Waqf as a Sustainable Financing Model for Education and Health Services

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Abstract

This study explores the role of waqf as a sustainable financing model for education and health services, with a focus on its contemporary application in Indonesia. Traditionally regarded as a religious and philanthropic practice, waqf has evolved into a critical mechanism for funding social services, yet its potential remains underutilized due to institutional and managerial constraints. Using a qualitative approach, this research examines the current role of waqf institutions, governance practices, challenges faced, and emerging innovations in sustaining education and healthcare. The findings reveal that waqf continues to play a vital role by supporting schools, scholarships, and hospitals, particularly in underserved communities. However, the study also identifies significant challenges, including weak professional capacity among waqf managers, fragmented regulatory enforcement, and limited public awareness of waqf's socio-economic potential. Despite these obstacles, innovations such as cash waqf, productive waqf, digital platforms, and public–private partnerships are reshaping the landscape, offering promising pathways to enhance sustainability and impact. The discussion highlights the need for stronger governance frameworks, professional training for nazir, and greater public engagement to ensure the productive use of waqf assets. The study concludes that waqf, when effectively managed, represents a hybrid institution that bridges religious values and modern financial practices, aligning with the Sustainable Development Goals (SDGs) in promoting inclusive education and equitable healthcare. These findings underscore the importance of revitalizing waqf institutions as a reliable, long-term mechanism for advancing social welfare and sustainable development.

Keywords

Waqf
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Introduction

The institution of **waqf** has historically played a central role in the socio-economic development of Muslim societies. Rooted in Islamic law, waqf refers to the endowment of assets or wealth for perpetual charitable purposes, with its proceeds directed toward public welfare activities such as education, healthcare, and community services (Laluddin, 2021). Its unique characteristics particularly the inalienability of endowed assets and the continuity of benefit made waqf a reliable instrument for financing essential services outside of state control. This enduring function highlights waqf's potential as a sustainable financing model in modern contexts where states and markets often face challenges in meeting social needs.

Historically, waqf was crucial in the development of **education systems** in the Muslim world. Madrasas and centers of higher learning such as Al-Azhar University in Cairo, established during the Fatimid era, were largely sustained by waqf revenues, which provided for scholarships, faculty salaries, and infrastructure (Bakr et al., 2021). Across regions including Iraq, Morocco, and the Ottoman Empire, educational institutions benefited from waqf subsidies, allowing broad access to knowledge and the growth of intellectual traditions. In Turkey today, dozens of universities continue to operate under waqf foundations, reflecting the resilience of this tradition. In Indonesia, waqf supports pesantren (Islamic boarding schools), funding infrastructure, scholarships, and teacher development while aligning with the Sustainable Development Goal (SDG) of providing inclusive and equitable quality education.

The role of waqf in healthcare has been equally prominent. From the early Islamic period, waqf-funded hospitals, known as bimaristans, provided free medical treatment and education for physicians, with waqf resources covering salaries, medicine, and maintenance (Kusuma & Badreza, 2025). These institutions not only served as centers of healing but also advanced medical science. In contemporary times, countries such as Indonesia and Malaysia have revived the model through waqf-based hospitals and clinics. Examples include Dompet Dhuafa's hospital in Indonesia and the Waqf An-Nur clinics in Malaysia, which provide affordable healthcare to underserved populations. Such initiatives demonstrate that waqf can complement public health systems by mobilizing community resources for sustainable healthcare financing.

The growing interest in cash waqf and corporate waqf further illustrates the adaptability of this institution. Unlike traditional land-based waqf, cash waqf allows individuals and corporations to contribute monetary endowments, which are then invested to generate income for social services. In Malaysia, university-based cash waqf schemes have raised significant funds, while corporate waqf under Johor Corporation generates millions annually for education, healthcare, and social welfare programs (Khaliq et al., 2025). In Indonesia, the Indonesian Waqf Board (BWI) has promoted innovative schemes linking cash waqf with microfinance, social enterprises, and humanitarian initiatives. These developments highlight waqf's potential alignment with broader frameworks of Islamic social finance and sustainable development.

Despite these successes, significant challenges remain in realizing waqf's full potential. Governance issues, lack of transparency, and weak institutional capacity hinder effective management in many countries. In Indonesia, it is estimated that a large portion of waqf land remains unproductive due to poor planning and legal fragmentation. In Turkey, bureaucratic inefficiencies have prevented many endowed assets from contributing effectively to public welfare. Furthermore, in Southeast Asia, many waqf institutions lack adequate disclosure mechanisms, reducing public trust and limiting community participation. Addressing these governance gaps is critical for ensuring sustainability.

Research also points to sector-specific obstacles, particularly in healthcare. Studies in Indonesia and Malaysia identify limited human resource capacity, inadequate legal frameworks, and weak digital infrastructure as major barriers to effective waqf-based health financing (Gaffar & Al Brashdi, 2025). Without improved regulation and professional management, waqf health initiatives risk underperformance. Nevertheless, innovations such as hybrid waqf models, integration of big data, and the introduction of health-specific waqf regulations are being proposed as solutions.

At the policy level, waqf is increasingly recognized as a tool for advancing the Sustainable Development Goals (SDGs). UNDP and national agencies in countries such as Indonesia have emphasized the integration of waqf into financing strategies for poverty reduction, education, healthcare, and environmental protection (Annamalah et al., 2025). The concept of "green waqf," which channels waqf funds toward environmental sustainability, illustrates the institution's adaptability to modern development needs. By linking traditional Islamic practices with contemporary development agendas, waqf demonstrates its enduring relevance.

This background underscores the need to understand waqf not only as a religious or charitable institution but as a sustainable financing model. Its historical successes in education and healthcare show its potential, but persistent governance and management challenges highlight the necessity for reform and innovation. This study contributes to the discourse by exploring how waqf is currently structured and managed to finance education and health services, analyzing both its challenges and opportunities in contemporary contexts.

Methods

Research Design

This study adopted a qualitative research design to explore how waqf functions as a sustainable financing model for education and health services. A qualitative approach was chosen because it allows for in-depth exploration of perceptions, practices, and institutional strategies surrounding waqf management. Rather than quantifying relationships, the focus was on understanding processes, meanings, and lived experiences of stakeholders. The design was anchored in a case study approach, enabling the researcher to investigate waqf implementation within its real-life context and to capture variations in governance, challenges, and opportunities across different institutions.

Research Site and Context

The research was conducted in Indonesia, a country with a strong tradition of Islamic philanthropy and one of the largest potentials for waqf assets in the world. The sites selected included waqf-based schools, universities, hospitals, and healthcare centers managed by Islamic foundations and non-governmental organizations. This context was significant because Indonesia is currently reforming its waqf governance through state institutions such as the Indonesian Waqf Board (BWI), making it an ideal setting to study how traditional practices adapt within modern frameworks of sustainable development.

Participants and Sampling

Participants in this study consisted of key stakeholders directly involved in the management, governance, and utilization of waqf resources. They included waqf managers (*nazir*), education administrators, healthcare professionals, policymakers, and community beneficiaries. Purposive sampling was employed to select participants with rich and relevant experiences, while snowball sampling helped identify additional informants through referrals. In total, 24 participants were interviewed until data saturation was achieved, ensuring that no new themes emerged and that the information collected was sufficiently comprehensive.

Data Collection Methods

Data collection relied on three primary methods: interviews, document analysis, and observation. Semi-structured interviews were the main instrument, allowing participants to narrate their experiences and perspectives while providing the researcher flexibility to probe deeper. Institutional documents such as financial reports, organizational statutes, and policy guidelines were examined to triangulate interview data. Observations of waqf-funded facilities, including schools and hospitals, were conducted to capture the physical and operational dimensions of waqf practices. This combination of methods enhanced the depth and validity of findings.

Data Collection Procedures

The research was conducted in several stages. Initial contact with institutions was established through formal requests for participation. Interviews were then scheduled at participants' convenience and were conducted face-to-face or virtually depending on availability. Each interview lasted between 45 to 90 minutes and was audio-recorded with the consent of participants. Field notes were taken to document contextual details and non-verbal expressions. Document analysis was carried out concurrently, and observations were recorded systematically using a checklist developed beforehand.

Data Management

All interviews were transcribed verbatim and stored in digital format. The data were organized using qualitative data management software to facilitate systematic coding and retrieval of information. Anonymity of participants was ensured by assigning pseudonyms and removing any identifying details from the transcripts. The data were securely stored on password-protected devices, accessible only to the researcher.

Data Analysis

Thematic analysis was employed to analyze the data. The process began with repeated readings of transcripts to familiarize with the content. Initial codes were generated inductively from the data, followed by grouping them into broader categories and themes. Constant comparison was used to refine themes and identify patterns across cases. Attention was also paid to divergent views, which were included to present a nuanced understanding. The final themes highlighted how waqf operates as a financing model, the challenges faced, and the strategies employed for sustainability.

Results and Discussion

Current Role of Waqf

The research reveals that waqf continues to hold a central position in financing social services, particularly education and health, even in modern contexts. In education, waqf funds have historically supported pesantren and Islamic schools, but today their contributions extend to universities, vocational training centers, and scholarship programs that enable students from low-income families to access higher education. For instance, several universities in Indonesia have developed endowment-like systems from waqf assets, generating revenue to cover tuition waivers and academic programs. Beyond infrastructure, waqf resources also finance teacher training, digital learning tools, and extracurricular activities, creating a more holistic impact on educational quality.

In healthcare, waqf-funded hospitals and clinics play an equally important role, especially in bridging service gaps in rural and underserved regions. The research shows that in some cases, waqf revenues are used to subsidize patient fees, cover costs of essential medicines, and maintain medical equipment. Certain hospitals even channel productive waqf returns into specialized health programs, such as maternal care or dialysis services, ensuring that vulnerable groups gain access to essential treatments at reduced or no cost. However, the findings highlight clear disparities in impact: larger institutions with diversified, professionally managed waqf portfolios can provide comprehensive and sustainable services, while smaller local waqf initiatives often struggle to scale due to limited resources and weak management capacity.

Governance and Management Practices

One of the strongest themes that emerged from the study concerns governance. Effective governance proved to be a decisive factor in determining whether waqf institutions could fulfill their intended social and developmental roles. Institutions with well-established governance frameworks showed high levels of accountability and transparency, which in turn increased public trust and encouraged consistent donor participation. For example, some organizations publish detailed financial reports annually and adopt digital accounting systems, ensuring that both regulators and donors can monitor how funds are utilized. These institutions also tend to employ professional managers with expertise in finance, law, and social development, moving beyond the traditional reliance on religious figures alone.

Conversely, the research uncovered institutions where governance and management remain weak. These organizations often depend on volunteer leaders, operate without clear standard operating procedures, and use manual systems that make accountability difficult. In such settings, the waqf assets particularly land are frequently underutilized or remain idle because managers lack the knowledge to convert them into productive ventures. This discrepancy demonstrates that governance is not just a technical requirement but the backbone of waqf sustainability. Without professionalism and accountability, even large waqf assets risk stagnating, while well-governed smaller waqf initiatives can sometimes achieve impressive impact.

Challenges Identified

The study identifies several challenges that consistently limit the optimization of waqf as a sustainable financing model. A key issue is the lack of uniform regulatory enforcement. While overarching policies exist at the national level, such as those issued by the Indonesian Waqf Board (BWI), the implementation at local levels is fragmented, leaving room for inconsistencies. This creates situations where some waqf assets are well-documented and efficiently managed, while others are unregistered or left vulnerable to disputes.

Another critical challenge lies in public perception. Many community members continue to see waqf only through a religious lens, focusing on its spiritual merit without recognizing its socio-economic potential. As a result, contributions are often limited to traditional assets like land and mosques, while innovative forms such as cash waqf remain underutilized. This lack of awareness restricts the diversification of waqf assets and narrows their developmental scope.

A further obstacle is the limited professional capacity of nazir (waqf managers). In numerous cases, waqf managers lack the training required for investment, asset development, or strategic planning. Consequently, waqf properties may remain idle or poorly maintained. For instance, parcels of donated land remain barren because managers do not have the skills or partnerships to develop them into income-generating projects. Together, these challenges highlight systemic weaknesses that require structural reform if waqf is to fulfill its potential as a reliable source of sustainable financing for education and health.

Opportunities and Innovations

Despite these challenges, the findings also reveal exciting opportunities and innovations that are reshaping the waqf landscape. One of the most promising trends is the adoption of digital technology. Mobile applications and online platforms now allow donors to contribute quickly and transparently, while blockchain-based systems are being piloted to enhance trust by recording every transaction permanently. These technological tools are helping waqf institutions build stronger connections with younger generations of donors who expect efficiency and transparency.

Public–private partnerships (PPPs) represent another emerging opportunity. In several cases, waqf institutions have successfully collaborated with government agencies, private corporations, and non-governmental organizations to expand healthcare and education projects. These partnerships allow for resource pooling, capacity sharing, and wider program outreach. For example, a waqf-funded clinic may partner with a pharmaceutical company for subsidized medicines or with local government for joint maternal health initiatives.

Diversification of waqf assets, particularly through cash waqf and productive waqf, has created new financial streams. Unlike land-based waqf, which often requires substantial investment to become productive, cash waqf can be immediately invested in sharia-compliant financial products or business ventures, generating returns that support schools and hospitals sustainably. Productive waqf, where land or property is developed into income-generating enterprises, also offers a long-term financing mechanism for community services. These innovations demonstrate that waqf, when managed strategically, has the potential not only to complement but also to strengthen national development agendas in education and healthcare.

Discussion

The findings of this study shed light on how waqf, as a form of Islamic social finance, can serve as a sustainable financing model for education and health services when supported by strong governance, professional management, and community trust. While previous scholarship has often framed waqf mainly as an act of piety with philanthropic benefits (Jafar et al., 2025), this research demonstrates that the sustainability of waqf programs depends equally on institutional and managerial capacities. Even with large endowments, poorly managed waqf institutions risk leaving assets idle or unproductive, thereby limiting their developmental impact. By highlighting the importance of governance structures and accountability mechanisms, this study addresses a gap in existing literature that tends to overlook the institutional dimensions shaping the performance of waqf organizations (Abhayawansa et al., 2021).

The study also shows that waqf is not only a religiously motivated practice but can be effectively positioned within the framework of modern financing models (Birkstedt et al., 2023). Comparisons with university endowments and non-profit foundations illustrate that cash waqf and productive waqf portfolios can generate predictable revenue streams, functioning similarly to investments managed by conventional endowment systems (Abdur, 2021). When professionally managed, waqf demonstrates the capacity to move beyond traditional philanthropy and operate as a structured financial system that sustains education and healthcare services. This perspective underscores waqf's adaptability and relevance within contemporary development contexts, making it a bridge between classical Islamic economic thought and modern sustainable financing frameworks.

At the policy level, several implications emerge from the findings. First, the absence of standardized regulatory enforcement across waqf institutions has produced uneven outcomes, with some organizations thriving under robust management while others stagnate (Hughes & Siddiqui, 2025). Strengthening national regulatory bodies such as the Indonesian Waqf Board (BWI) is therefore crucial to ensure transparency, accountability, and consistent oversight. Second, the need for professional training among waqf managers is evident. As the results suggest, managerial competence directly influences asset productivity, making financial literacy, legal awareness, and investment skills vital for effective waqf management. Third, the study highlights the importance of enhancing public awareness regarding waqf's socio-economic potential. Expanding donor participation through education campaigns and digital engagement can help diversify contributions beyond traditional land-based assets and foster broader support for cash waqf and productive waqf initiatives (Rossetti, 2021). Taken together, these measures would enable waqf to function more effectively as a complement to government programs in education and healthcare, aligning with national development priorities (Dorle et al., 2023).

From a theoretical standpoint, this research enriches institutional perspectives by showing how waqf operates as a hybrid institution, maintaining its religious legitimacy while simultaneously embracing modern governance practices and technological innovations (Siddiqui, 2022). The integration of digital platforms, professional management, and public–private partnerships illustrate how waqf can evolve within contemporary systems of sustainability without losing its cultural and spiritual identity. This adaptability challenges dichotomous views that place tradition and modernity in opposition, instead revealing waqf as a dynamic institution capable of negotiating both. By doing so, waqf contributes not only to local community welfare but also to global frameworks such as the Sustainable Development Goals (SDGs), particularly in advancing inclusive education and equitable health services. In this way, the study demonstrates that waqf holds both practical and theoretical significance, bridging classical Islamic practices with modern sustainable development agendas.

Conclusion

This study demonstrates that waqf has significant potential as a sustainable financing model for education and health services, provided it is supported by effective governance, professional management, and active community engagement. The findings reveal that while waqf institutions already contribute meaningfully to building schools, providing scholarships, and subsidizing healthcare, their impact remains uneven due to challenges such as weak managerial capacity, limited regulatory enforcement, and low public awareness. At the same time, innovations such as cash waqf, productive waqf, digital platforms, and public–private partnerships highlight promising opportunities for transformation and growth. By positioning waqf within both its classical religious roots and modern financing frameworks, this study shows how it can evolve into a hybrid institution that preserves spiritual values while contributing to contemporary development agendas, including the Sustainable Development Goals (SDGs). Ultimately, strengthening governance, enhancing managerial competence, and expanding public participation are essential for ensuring that waqf can fully realize its role as a long-term, reliable, and socially impactful source of funding for education and healthcare.

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