

Innovation in Islamic Social Finance: Integration of Digital Waqf and Sharia Crowdfunding in Indonesia

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ABSTRACT

This study explores the integration of digital waqf and sharia crowdfunding in Indonesia, focusing on its potential to enhance Islamic social finance and contribute to sustainable development. Through qualitative analysis of interviews with five key informants, the research identifies the opportunities and challenges of combining these two financial instruments. The findings highlight the potential to expand access to funding, increase transparency, and align with Islamic values of charity and social justice. However, challenges such as regulatory uncertainty, technological limitations, and trust concerns need to be addressed for successful implementation. The study concludes that the integration of digital waqf and sharia crowdfunding can significantly contribute to social welfare and sustainable development in Indonesia, provided that regulatory frameworks are strengthened, technological infrastructure is improved, and public awareness is raised.

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1. INTRODUCTION

In recent years, Islamic social finance has emerged as a powerful tool for addressing socio-economic challenges in various parts of the world, particularly in Muslim-majority countries. With its roots deeply embedded in Islamic principles, Islamic finance operates under the guidance of Shariah law, which prioritizes social welfare, equity, and the ethical distribution of wealth. Among the most prominent instruments in this domain are waqf (Islamic endowment) and crowdfunding, which have traditionally been used to promote charitable causes and support community welfare. However, the rapid advancement of digital technologies has sparked a new wave of innovation in Islamic

social finance, leading to the development of digital waqf and sharia crowdfunding platforms. Islamic social finance, deeply rooted in Shariah law, has evolved significantly with the integration of digital technologies, enhancing its role in addressing socio-economic challenges. Instruments like waqf and crowdfunding have been pivotal in promoting social welfare and ethical wealth distribution. The modern practice of waqf, for instance, has expanded beyond traditional assets to include innovative financial instruments such as cash waqf and waqf-venture capital funds, which are professionally managed to ensure sustainability and better returns for beneficiaries [1]. This evolution is further

supported by the rapid growth of the Islamic finance industry, now valued at \$2 trillion, which adheres to Shariah principles by prohibiting interest and unlawful activities [2]. The application of technology in waqf management has broadened donor bases and increased public participation, enhancing the supply of waqf funding [1]. Digital platforms have also improved accessibility, transparency, and efficiency in managing Islamic social finance, strengthening the role of instruments like zakat and waqf in supporting social welfare (Samsudin et al., 2024). Furthermore, blockchain and fintech technologies have been instrumental in overcoming challenges such as low financial literacy and bureaucratic constraints, facilitating better management of social funds [3]. In countries like Turkey and Saudi Arabia, Islamic social finance has improved access to education and health services, contributing to community empowerment and poverty alleviation [3]. Additionally, waqf creates networks between micro-entrepreneurs and SMEs, supporting financial systems and contributing to sustainable development goals [4].

Indonesia, as the largest Muslim-majority country in the world, offers a unique context for exploring the integration of digital waqf and sharia crowdfunding—two innovative financial tools that have the potential to revolutionize Islamic social finance by providing more accessible and efficient means of channeling resources for the public good. These digital platforms offer greater transparency, wider outreach, and ease of participation, which are crucial for optimizing their impact in addressing urgent social needs. Digital waqf innovations, such as blockchain and mobile applications, enhance the efficiency and accountability of waqf management by facilitating the collection and allocation of waqf funds, enabling broader public participation and supporting sustainable development programs [5]. The use of blockchain, in particular, can optimize the realization of waqf development by ensuring transparency and trust, although issues like waqf literacy and public awareness

remain challenges [6]. Similarly, Islamic crowdfunding platforms serve as alternative funding sources, especially benefiting small and medium enterprises (SMEs), thereby contributing to the expansion of the Islamic fintech ecosystem and promoting broader financial inclusion in Indonesia [7]. However, despite its promise, Islamic crowdfunding faces significant obstacles, including limited public awareness and the lack of specific regulatory frameworks necessary for the sector's growth (Achsien & Purnamasari, 2016). The integration of digital waqf and crowdfunding within fintech presents an opportunity to optimize waqf management and enhance public welfare by leveraging technology for efficient fund management and capital raising [8]. Nonetheless, challenges such as digital literacy, public trust, and regulatory alignment must be effectively addressed to fully harness the transformative potential of these innovations [5], [9].

This study aims to explore the integration of digital waqf and sharia crowdfunding in Indonesia, specifically examining the potential benefits, challenges, and opportunities arising from their combination. Given the complexity and novelty of these concepts, understanding the perspectives of key stakeholders is crucial. Through in-depth interviews with five informants from various sectors—ranging from Islamic finance, digital platform development, and social entrepreneurship—this research seeks to uncover insights on the current state of digital waqf and crowdfunding, as well as the future prospects for their integration.

2. LITERATURE REVIEW

2.1 *Islamic Social Finance*

Islamic social finance integrates Shariah-compliant financial instruments to promote justice, ethical investment, and equitable wealth distribution through zakat, waqf, sadaqah, and qard al-hasan, all aimed at poverty alleviation and social welfare while avoiding interest (riba) and speculation (gharar). Zakat plays a key role in wealth

redistribution [10], while waqf supports socio-economic development and sustainability through voluntary endowments [11], [12] Sadaqah enhances community welfare [12], and qard al-hasan promotes entrepreneurship through interest-free loans [12]. However, challenges such as low public awareness, preference for conventional finance, and regulatory gaps persist [10]. Still, its alignment with ethical and socially responsible finance highlights its role in inclusive development [13].

2.2 Waqf and Its Role in Islamic Social Finance

Digital waqf marks a significant transformation in Islamic social finance by using technology to enhance waqf asset management, improve transparency, and expand public participation. Through platforms leveraging blockchain and AI, digital waqf simplifies donations and supports sustainable funding for education, healthcare, and infrastructure [14]. Innovations like online cash waqf and corporate waqf integrate modern finance for greater social impact [15]. This shift revitalizes community involvement, crucial for overcoming past economic challenges (Rashid, 2018), and aligns with Islamic law objectives by ensuring continuous, efficient resource use for public welfare [16].

2.3 Crowdfunding and Its Emergence in Islamic Finance

Islamic crowdfunding, which avoids interest-based transactions and promotes ethical investments, is gaining popularity in regions with limited banking access like Indonesia. Platforms such as Equity and Donation Crowdfunding mobilize resources for sectors like healthcare, education, and environmental sustainability, aligning with Shariah through models like sadaqah and qard al-hasan [17], [18]. Ensuring compliance with Shariah principles, including avoiding riba and speculation, requires a clear regulatory framework [17], [19]. As demand for ethical finance grows globally—even beyond Muslim-majority countries—Islamic crowdfunding supports SMEs and poverty alleviation [20], [21]. Despite its potential,

challenges such as investment risks and low awareness persist, underscoring the need for education, public trust, and strong government support [18], [20].

3. METHODS

This study employs a qualitative descriptive research design to explore the integration of digital waqf and sharia crowdfunding, aiming to understand the opportunities, challenges, and potential impact on Islamic social finance in Indonesia. The research addresses three key questions: (1) What are the potential benefits of integrating digital waqf and sharia crowdfunding in Indonesia? (2) What challenges do stakeholders face in implementing these mechanisms? and (3) How can their integration impact social welfare in the country? Data were collected through semi-structured interviews with five key informants selected for their expertise in Islamic finance, digital platforms, and social entrepreneurship. Informants were chosen based on their experience with digital waqf and sharia crowdfunding, involvement in relevant platforms, familiarity with the regulatory environment, and representation from various sectors, including financial institutions, digital platform developers, and social enterprises. Semi-structured interviews allowed for flexible yet focused conversations, conducted either in-person or online depending on informant availability, and each lasting approximately 60 to 90 minutes. All interviews were audio-recorded with participant consent and transcribed for analysis, with questions designed to explore themes related to benefits, challenges, and the broader implications for social welfare in Indonesia.

- a. Understanding of digital waqf and sharia crowdfunding: What are the informants' views on the potential of digital waqf and sharia crowdfunding in Indonesia? How do they perceive the integration of these two instruments?
- b. Opportunities and benefits: What are the potential social, economic, and

regulatory benefits of integrating digital waqf and sharia crowdfunding? How can these instruments address existing challenges in social welfare and development?

- c. Challenges and barriers: What challenges do the informants identify in the implementation and operation of digital waqf and sharia crowdfunding platforms? What obstacles exist in terms of regulatory compliance, public trust, and technological infrastructure?
- d. Impact on social welfare: How do the informants believe the integration of digital waqf and sharia crowdfunding can improve social welfare and contribute to sustainable development in Indonesia?

The data collected through interviews were analyzed using thematic analysis, a widely adopted method in qualitative research that focuses on identifying and interpreting patterns or themes within qualitative data. This method was selected for its flexibility and effectiveness in capturing key insights relevant to the research questions. The analysis followed Braun and Clarke's (2006) six-step process: (1) familiarization with the data through repeated reading of interview transcripts and noting initial impressions; (2) generating initial codes by manually identifying relevant data segments and highlighting recurring or significant ideas; (3) searching for themes by organizing codes into broader thematic categories; (4) reviewing themes to ensure alignment with the data and research objectives, making necessary adjustments by merging, splitting, or redefining themes; (5) defining and naming themes to succinctly reflect their core meanings; and (6) writing the report, which involved discussing each theme in depth with supporting quotes and linking findings to research questions and existing literature. Throughout this process, the researcher-maintained integrity and faithfully represented the perspectives of informants, resulting in a comprehensive understanding

of the integration of digital waqf and sharia crowdfunding in Indonesia, including the opportunities and challenges these innovations present.

4. RESULTS AND DISCUSSION

4.1 Opportunities and Benefits of Integrating Digital Waqf and Sharia Crowdfunding

The integration of digital waqf and sharia crowdfunding in Indonesia presents significant opportunities to enhance the effectiveness of Islamic social finance. Informants highlighted several key benefits, particularly in expanding access and efficiency. All informants emphasized that this integration could provide a more inclusive and effective way of raising funds for social projects. According to Informant 1, a senior executive at a sharia crowdfunding platform: "Digital waqf and crowdfunding platforms offer an opportunity to tap into a wider pool of donors, including younger generations who are tech-savvy and prefer digital transactions. This can significantly increase the amount of funds available for social initiatives." Digital platforms lower participation barriers, enabling contributions from smaller donors who might otherwise be excluded in traditional fundraising models, thus mobilizing a more diverse and substantial financial base for Islamic social initiatives.

Another key advantage identified by the informants was the enhancement of transparency and trust in fund management. Informant 3, a researcher on Islamic finance, explained: "Digital platforms can provide real-time updates on how funds are being used, which fosters accountability and trust. Transparency is crucial for both waqf and crowdfunding, especially when it comes to ensuring that the funds are being used for their intended purposes." The integration of blockchain technology and digital payment systems ensures that transactions are traceable, reinforcing accountability and strengthening public confidence. This heightened transparency is instrumental in attracting and retaining both donors and fundraisers.

In addition, the integration of digital waqf and sharia crowdfunding resonates deeply with Islamic values of justice, charity, and social responsibility. Informant 4, a scholar in Islamic finance, noted: "By combining waqf and crowdfunding, we are staying true to the spirit of Islamic philanthropy. Waqf ensures that donations are used for long-term benefits, and crowdfunding can provide the immediate funds needed for urgent social needs." This synergy allows for the development of sustainable financial mechanisms that address both short-term urgencies and long-term social welfare, consistent with the objectives of Islamic law (*maqasid al-shariah*).

Several informants also emphasized the alignment of these digital financial tools with the United Nations Sustainable Development Goals (SDGs). Informant 2, an expert in social entrepreneurship, stated: "Digital waqf and crowdfunding can play a crucial role in financing projects that contribute to SDGs, such as eradicating poverty, improving education, and promoting health and well-being. These platforms allow for direct funding of projects that have a measurable social impact." By enabling targeted investments in initiatives that tackle critical societal issues, digital waqf and sharia crowdfunding can contribute significantly to sustainable development in Indonesia.

4.2 Challenges in Implementation

Despite the promising opportunities, the integration of digital waqf and sharia crowdfunding in Indonesia faces several critical challenges that must be addressed to ensure success. One of the primary concerns raised by informants is regulatory uncertainty. Informant 5, a regulator in the Indonesian financial sector, stated: "The regulatory framework for Islamic finance, especially digital platforms, is still evolving. Clear regulations are needed to ensure that these platforms comply with both sharia law and Indonesian financial regulations." Although the government has made efforts to support fintech and Islamic finance, ambiguities remain—particularly regarding

digital waqf—creating uncertainty for platform developers, donors, and investors. Additionally, technological limitations, especially in rural areas, pose obstacles to inclusion. Informant 1 noted: "Although digital platforms can reach a large audience, many people in remote areas still lack access to reliable internet connections and digital literacy. This limits the effectiveness of digital waqf and crowdfunding in rural communities." Bridging this digital divide requires improved infrastructure and targeted digital literacy programs.

Concerns over security and fund misuse were also prominent among the informants. While digital platforms are praised for enhancing transparency, vulnerabilities to fraud and cyberattacks can undermine donor confidence. Informant 3 remarked: "Digital platforms are susceptible to security breaches, and fraud could deter people from donating. It's essential to establish strong security protocols to protect both donors and recipients." These risks highlight the need for platforms to implement stringent security measures—such as encryption, identity verification, and audit trails—to safeguard financial transactions and sensitive data. Without such protections, the credibility and effectiveness of digital waqf and crowdfunding could be compromised, potentially reducing public participation and slowing the growth of these platforms.

Another major challenge is the low level of public awareness and understanding regarding digital waqf and crowdfunding. Informant 2 emphasized: "Many people are still unfamiliar with the concept of waqf, especially in a digital context. Education campaigns are needed to increase understanding of how these platforms work and their potential impact." A lack of familiarity with Islamic social finance tools in a modern digital format can hinder user adoption. To overcome this, extensive public education and outreach initiatives are required to inform communities about the mechanisms, benefits, and Islamic principles underlying these platforms. Such efforts are essential to foster trust, enhance user

engagement, and realize the full potential of digital waqf and sharia crowdfunding in contributing to Indonesia's socio-economic development.

4.3 Impact on Social Welfare and Sustainable Development

The integration of digital waqf and sharia crowdfunding holds significant potential to enhance social welfare and support sustainable development in Indonesia. One of the most promising impacts of these platforms lies in their ability to directly address social gaps by funding initiatives that benefit underserved communities. Informant 4 emphasized: "The integration of these platforms can help target funding to the most pressing social issues, such as poverty alleviation, healthcare, and education, which are often neglected in traditional finance systems." By channeling financial support toward marginalized and vulnerable populations, these platforms foster greater equity and contribute to the promotion of social justice in ways that traditional financing mechanisms may overlook.

In addition to addressing immediate social needs, the integration of waqf and crowdfunding also offers long-term developmental benefits. Waqf, by its nature, is designed to create a perpetual source of support, with its generated income sustaining ongoing projects over time. Informant 1 observed: "Waqf has the potential to create long-term, sustainable solutions for social issues. The integration of waqf with crowdfunding can accelerate the growth of these funds and expand their reach." This model not only ensures the continuity of support for key sectors such as education, healthcare, and community infrastructure but also reinforces financial sustainability in social development.

Moreover, the strategic use of digital waqf and sharia crowdfunding aligns with

global development agendas, particularly the United Nations Sustainable Development Goals (SDGs). By enabling targeted, transparent, and inclusive financing for impactful social projects, these platforms can drive measurable progress toward goals like poverty eradication, quality education, and improved public health. Their capacity to mobilize resources efficiently and equitably positions digital waqf and crowdfunding as innovative tools for building a more inclusive and sustainable future in Indonesia.

5. CONCLUSION

The integration of digital waqf and sharia crowdfunding presents a promising avenue for advancing Islamic social finance in Indonesia. By leveraging digital platforms, these instruments offer a unique opportunity to enhance the accessibility and efficiency of fundraising for social projects, thereby contributing to broader societal goals such as poverty alleviation, education, and healthcare. The research identifies several benefits, including expanded access to funding, increased transparency, and alignment with Islamic philanthropic principles. However, the successful implementation of digital waqf and sharia crowdfunding requires addressing challenges such as regulatory uncertainty, technological barriers, and concerns related to trust and security. Furthermore, public education campaigns are essential to raise awareness and build trust in these platforms. With the right regulatory framework, technological infrastructure, and public engagement, digital waqf and sharia crowdfunding can significantly contribute to sustainable development and social welfare in Indonesia, aligning with both national and global development goals.

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