

Analysis of Productive Waqf Transformation and Cost Efficiency on Health Infrastructure Development in Bogor Regency

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ABSTRACT

This study explores the transformation of traditional waqf into productive waqf and its role in enhancing cost efficiency for health infrastructure development in Bogor Regency. Using a qualitative approach, the study draws on data from four key informants and document analysis, with findings analyzed through NVivo software. The research highlights how innovative waqf management strategies, such as leasing waqf land and reinvesting revenues, have contributed to sustainable financing of healthcare projects. Despite its potential, challenges such as regulatory constraints, limited management capacity, and cultural perceptions of waqf hinder its full implementation. The study emphasizes the need for regulatory reforms, capacity-building initiatives, and community engagement to optimize the use of productive waqf in public infrastructure. These findings provide valuable insights for policymakers, waqf institutions, and healthcare planners in leveraging Islamic financial instruments for sustainable development.

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1. INTRODUCTION

The utilization of productive waqf as a sustainable funding solution for public infrastructure, particularly in the health sector, is gaining traction in regions like Bogor Regency. Productive waqf, an Islamic endowment designed to generate continuous benefits through investment in income-generating activities or assets, aligns with Islamic principles of social and economic justice. Waqf has been instrumental in supporting sectors such as education and healthcare by funding schools, universities,

hospitals, and clinics in Indonesia [1], and in Jordan, its implementation has significantly impacted public facility development and economic growth, showcasing its potential as a sustainable development solution [2]. The cash waqf model, incorporating blended finance, is proposed as an innovative financing mechanism for infrastructure development, including health infrastructure in Indonesia's future capital, aligning with government policies and adapting to the specific needs of healthcare infrastructure development [3]. The transformation of waqf into a complex socio-economic instrument has

been facilitated by modern financial products and technologies like blockchain, enhancing transparency and efficiency in waqf management [4]. Moreover, productive waqf supports sustainable development by optimizing assets for economic activities, creating jobs, and supporting social programs [4], [5].

The transformation of waqf from a static to a dynamic model presents significant opportunities for funding public infrastructure, including healthcare, by leveraging waqf assets for economic activities. Grounded in Islamic principles, productive waqf aims to manage waqf assets to generate ongoing community benefits, with its theological foundation supporting its role as a tool for economic empowerment and sustainable development [6]. Waqf has made significant contributions to sectors such as education and health by funding hospitals, clinics, and infrastructure development [1], as evidenced by successful initiatives in West Java that align with the Sustainable Development Goals (SDGs) [7]. However, key challenges include limited public understanding, regulatory barriers, and ineffective management, alongside human resource issues such as low managerial skills and traditional mindsets that hinder productive waqf management [1], [8]. Addressing these challenges requires regulatory reforms, capacity building, and community engagement [1], [9], while opportunities for maximizing waqf's impact include public-private partnerships, innovative financing mechanisms, and technology-enabled solutions [5], [7].

This study investigates the transformative role of productive waqf in improving cost efficiency for health infrastructure projects in Bogor Regency. It seeks to address the following questions: How has productive waqf been utilized in developing health infrastructure? What are the challenges and opportunities associated with its transformation? And to what extent does productive waqf contribute to cost efficiency in these projects? To answer these questions, the study employs a qualitative

approach, drawing insights from key informants, including waqf managers, healthcare planners, policymakers, and community leaders. By analyzing data through NVivo software, this research identifies critical themes and strategies for optimizing the use of productive waqf in achieving sustainable development goals.

2. LITERATURE REVIEW

2.1 *Concept of Waqf and Its Transformation into Productive Waqf*

The concept of productive waqf represents a significant evolution from traditional waqf, addressing sustainability challenges by transforming static assets into income-generating ventures. Grounded in Islamic law, productive waqf supports the management of waqf assets to generate ongoing community benefits, aligning with the principles of maqasid al-shariah, which emphasize economic justice and social welfare [6], [10]. By optimizing community assets for economic activities, productive waqf creates jobs and supports social programs [11], while modern practices, such as cash waqf and waqf-venture capital funds, enhance the sustainability of waqf assets [12]. Effective management and governance are crucial to ensuring transparency and accountability, and the integration of technology in waqf management has expanded donor participation and increased funding availability [12]. Historically, waqf played a vital role in the development of educational institutions, demonstrating its societal impact, and its evolution into productive models reflects the

broader integration of Islamic social finance with commercial finance [12].

2.2 *Role of Productive Waqf in Health Infrastructure Development*

Productive waqf offers a promising alternative financing model for healthcare infrastructure by leveraging waqf assets to generate income and reduce reliance on conventional funding. In Indonesia, waqf significantly contributes to the health sector by funding hospitals and clinics, although challenges such as limited regulation and ineffective management must be addressed to enhance its impact [1]. The use of cash waqf as a blended finance model for developing health infrastructure, particularly in new capital cities, further highlights its potential [3]. Historically, the Ottoman Empire's implementation of cash waqfs in the Balkans supported educational and infrastructural needs, providing a framework adaptable for modern healthcare systems [3], [13]. Case studies in Malaysia and Turkey illustrate the efficacy of waqf in healthcare financing; Malaysia successfully integrates waqf-based funds into the healthcare system through partnerships with government and private sectors, while Turkey utilizes waqf revenues to support hospital operations, demonstrating its potential to sustain healthcare facilities [1], [14]. These examples demonstrate the potential of productive waqf in filling financing gaps while promoting equity in healthcare access.

2.3 *Cost Efficiency in Infrastructure Development*

Cost efficiency in healthcare infrastructure development is essential for optimizing resources and ensuring high-quality services at minimal costs. Traditional funding models, such as government budgets and private investments, often face challenges including lengthy approval processes and high costs, which limit their scalability and efficiency [15]. Inefficiencies in health financing can result in significant resource wastage, with estimates indicating that up to 40% of resources in health systems are wasted [16]. Productive waqf emerges as a cost-efficient alternative, with waqf institutions effectively allocating funds, minimizing waste, and directing resources toward impactful projects [16]. Additionally, the stable funding provided by waqf endowments reduces financial volatility, making it a more reliable alternative to traditional models [16]. Strategies such as implementing total quality management and performance measurement systems have proven to enhance cost efficiency in sectors like logistics and could be adapted for healthcare [17]. Moreover, inventory management techniques like the Economic Order Quantity (EOQ) method offer potential for optimizing resource use and reducing costs, especially in healthcare supply chains [17].

2.4 *Challenges in Implementing Productive Waqf*

Despite its potential, the implementation of productive waqf faces several challenges. A significant issue is the lack of awareness and understanding

among stakeholders regarding the concept and benefits of productive waqf [5], [18]. Additionally, regulatory frameworks in many countries, including Indonesia, often lag behind the innovative applications of waqf, creating administrative and legal hurdles for waqf institutions. Management capacity is another critical barrier, as the effective utilization of waqf assets requires professional expertise in investment, project management, and financial planning, which traditional waqf institutions often lack [1], [6]. Moreover, societal perceptions of waqf as merely a charitable tool further hinder its adoption as a productive financial instrument.

3. METHODS

3.1 Research Design

This study employs a qualitative research design to explore the role of productive waqf in enhancing cost efficiency for health infrastructure development in Bogor Regency. The qualitative approach was chosen to gain in-depth insights into the experiences, perceptions, and strategies of key stakeholders involved in waqf management and healthcare infrastructure development. This method allows for a comprehensive understanding of the complex interplay between waqf transformation and cost efficiency in the local context.

3.2 Data Collection Methods

Data for this research were collected through in-depth interviews and document analysis. The interviews involved four key informants selected for their relevance to the study's objectives, including a representative from a waqf management institution, a healthcare infrastructure developer, a policymaker from the local government, and a community leader familiar with waqf

practices in Bogor Regency. Conducted in a semi-structured format, the interviews ensured flexibility while covering critical topics such as waqf transformation strategies, cost-efficiency practices, and challenges in implementing productive waqf. Additionally, document analysis of relevant materials, such as waqf management reports, health infrastructure project plans, and policy documents, provided contextual insights and validated the informants' perspectives.

3.3 Sampling Technique

A purposive sampling technique was employed to select informants, ensuring that participants possessed direct experience and expertise related to waqf management or healthcare infrastructure development in Bogor Regency. The inclusion criteria for informants included active involvement in waqf management, healthcare infrastructure planning, or policymaking; familiarity with the concept of productive waqf; and a willingness to participate in the study and provide in-depth insights.

3.4 Data Analysis

The data collected were analyzed using NVivo software, enabling systematic coding, categorization, and theme identification. The process began with data transcription and organization, where audio recordings of interviews were transcribed verbatim, and document data were digitized and categorized thematically. Next, the data were coded into nodes using NVivo, focusing on recurring themes such as "productive waqf strategies," "cost efficiency," "challenges," and "opportunities," allowing the identification of patterns and relationships. Thematic analysis was then conducted to extract key themes and insights related to waqf transformation and health infrastructure development by reviewing coded data for meaningful connections. To ensure credibility and reliability, triangulation was employed, cross-checking interview data with document analysis to validate the consistency of the findings.

4. RESULTS AND DISCUSSION

4.1 Transformation of Waqf into Productive Waqf

The transition of waqf in Bogor Regency from its traditional form to a productive waqf model represents a significant step in modernizing Islamic philanthropic practices to address current societal challenges. Informants revealed that productive waqf is increasingly being leveraged for income-generating activities such as leasing waqf land for agricultural purposes, developing commercial properties, and investing in small and medium enterprises. These activities not only preserve the waqf assets but also create sustainable revenue streams to fund health infrastructure development.

One waqf manager stated:

"We recognized the underutilized potential of waqf land and decided to transform it into a productive asset by leasing it to businesses. The income generated has been directly reinvested into healthcare projects in the region."

This transformation highlights the potential for waqf to evolve from a passive charity model into a dynamic tool for sustainable development.

4.2 Contributions of Productive Waqf to Cost Efficiency

Productive waqf has significantly contributed to cost efficiency in health infrastructure projects by reducing dependency on traditional funding sources such as government budgets and private investments. Informants emphasized that waqf revenues were instrumental in financing the construction of clinics, purchasing medical equipment, and covering operational costs. This approach minimized financial burdens and allowed for more efficient resource allocation.

A local government official noted:

"By integrating waqf revenues into our health infrastructure projects, we have

been able to achieve better outcomes at lower costs. The reduced reliance on external loans has also ensured long-term financial stability."

The study also found that community-driven waqf initiatives fostered a sense of ownership, encouraging greater community involvement and reducing project delays.

4.3 Challenges in Implementing Productive Waqf

Despite its potential, several challenges hinder the full realization of productive waqf in Bogor Regency. Regulatory constraints were highlighted by informants, pointing to a lack of clarity in existing legal frameworks regarding the management and utilization of waqf for productive purposes. Additionally, many waqf institutions face limitations in management capacity, lacking the expertise needed for professional asset management, investment planning, and financial optimization. Furthermore, cultural and religious perceptions of waqf as purely a charitable act often restrict its acceptance as a tool for economic development.

A community leader stated:

"Many still view waqf as limited to mosques and religious schools. Shifting this mindset is critical for expanding its use in health and other public sectors."

Discussion

The findings demonstrate that productive waqf is a viable and sustainable solution for addressing health infrastructure financing challenges in Bogor Regency. By creating self-sustaining revenue streams, productive waqf aligns with Islamic principles while addressing contemporary needs. This evolution mirrors successful case studies from countries like Malaysia and Turkey, where productive waqf has been integrated into healthcare systems to bridge funding gaps [6], [19].

However, to replicate and scale such successes, a supportive ecosystem must be

established, including policy reforms, stakeholder collaboration, and capacity-building initiatives. Productive waqf thus emerges as a dual-purpose instrument, fostering economic empowerment while addressing societal needs.

The ability of productive waqf to enhance cost efficiency is a key finding of this study. By utilizing revenues from waqf-managed assets, infrastructure projects can reduce initial capital expenditures and ensure sustained operations. This finding aligns with prior research emphasizing the role of waqf in optimizing resource allocation for public welfare [6], [18].

The Bogor Regency case demonstrates that leasing waqf land for commercial activities and reinvesting profits into healthcare projects creates a cyclical, self-replenishing funding model. This reduces the reliance on government funding and eliminates the need for expensive external loans, making infrastructure projects more financially sustainable in the long term.

Addressing Implementation Challenges

While the transformation of waqf into a productive model shows promise, the study highlights the need to address key challenges. Regulatory reform is essential to update waqf laws, providing clear guidelines for productive waqf management, eliminating administrative hurdles, and fostering innovation. Capacity building is equally critical, requiring the development of skills in investment, project management, and financial planning among waqf managers to optimize asset utilization. Additionally, raising community awareness about the broader potential of waqf beyond religious purposes is vital, with informants recommending education programs and success stories as effective tools to shift perceptions. Overcoming these challenges will necessitate coordinated efforts from policymakers, waqf institutions, and community leaders, enabling waqf to evolve into a more impactful instrument for sustainable development.

Implications for Policy and Practice

The findings of this study offer several implications for policymakers, waqf institutions, and healthcare planners. Policy recommendations include reforming regulatory frameworks to encourage innovative waqf practices and establishing governance standards to ensure transparency and accountability. For waqf institutions, developing training programs to enhance financial and operational skills among managers is essential, alongside fostering partnerships with government bodies and private sector entities to leverage expertise and resources. Community engagement efforts should focus on conducting awareness campaigns to highlight the benefits of productive waqf for public welfare and involving community stakeholders in waqf-based projects to build trust and a sense of ownership.

5. CONCLUSION

This study highlights the transformative potential of productive waqf as a sustainable financing model for health infrastructure development in Bogor Regency. By integrating income-generating activities into waqf management, productive waqf enhances cost efficiency, reduces reliance on traditional funding sources, and fosters long-term financial stability for healthcare projects. However, the full realization of this potential requires addressing key challenges, including regulatory limitations, insufficient managerial expertise, and societal perceptions of waqf as solely charitable. To optimize its role, the study recommends targeted policy reforms to clarify waqf governance, capacity-building programs to enhance institutional competence, and public awareness campaigns to promote its acceptance as a tool for economic development. By fostering collaboration among waqf institutions, government agencies, and community stakeholders, productive waqf can become a powerful instrument for addressing pressing public infrastructure needs in Indonesia and

beyond. This research contributes to the growing discourse on Islamic finance and public welfare, offering actionable insights for

future studies and practical applications in sustainable development.

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