



A Fiqh Review of Cash Waqf and Its Implications for the Optimization of Islamic Social Funds: An Analysis of Classical and Contemporary Scholars' Opinions and Its Potential as a Development Financing Instrument

Insanul Nabil¹, Aidil Alfin²

1,2 UIN Sjech M. Djamil Djambek Bukittinggi

Corresponding: insanulnabil88@gmail.com

Abstract. Cash waqf (waqf al-nuqud) is an important innovation in Islamic social finance that continues to develop and is debated among scholars. Classical scholars, such as those of the Shafi'i school, generally reject the validity of cash waqf because it is considered to not meet the requirement of the waqf object being permanent, while some Maliki and Hanafi scholars and contemporary figures allow it on the condition that the principal fund is maintained and the proceeds are used for the benefit of the community. Contemporary institutions such as the Indonesian Council of Ulama (MUI) and the International Islamic Fiqh Academy (IIFA) support the legality of cash waqf, emphasizing the importance of professional management and transparency. Recent studies show that cash waqf has great potential in raising social funds from the wider community, including those who do not have fixed assets, and can be integrated with other Islamic financial instruments such as zakat and microfinance to support sustainable development, poverty alleviation, and economic empowerment. The implementation of cash waqf in Indonesia and other Muslim countries has shown significant contributions to infrastructure, education, and health development, despite still facing challenges in the form of low public literacy, governance, and sub optimal regulations. Innovations such as Cash Waqf Linked Sukuk (CWLS) and the digitization of cash waqf management are beginning to be adopted to improve effectiveness and accountability. With strengthened regulations, professionalism of nazhir, and public education, cash waqf has the potential to become an inclusive and sustainable development financing instrument in the current and future Islamic social finance ecosystem.

Keywords: Cash Waqf; Islamic Social Finance; Economic Empowerment; Governance; Sustainable Development

1. Introduction

Waqf is an Islamic philanthropic instrument that has played an important role in the social and economic development of the Muslim community since classical times. The tradition of waqf is generally synonymous with immovable assets such as land and buildings, but the development of modern community needs has led to the emergence of an innovation in the form of cash waqf (waqf al-nuqud) (Mu'is, A., et al. 2022). Cash waqf offers flexibility, inclusiveness, and the potential for broader fundraising, thus providing a solution to the limitations of conventional Islamic social funds (Jaharuddin, J. 2025).

In terms of fiqh, the validity of cash waqf has been debated among classical scholars. The Shafi'i and some Maliki schools of thought reject cash waqf because the object of waqf must be a fixed object whose benefits can be taken without reducing its substance. Conversely, the Hanafi school of thought allows cash waqf on the condition that the principal remains intact and the proceeds are used for social purposes (Mu'is, A., et al. 2022). In the contemporary context, scholars and fatwa institutions such as the Indonesian Council of Ulama (MUI) and the International Islamic Fiqh Academy (IIFA) have issued fatwas permitting cash waqf on the condition that it is managed professionally and in accordance with sharia principles (Lubis, I., & Marpaung, M. 2025).

In Indonesia, the potential for cash waqf is enormous, with estimates reaching hundreds of trillions of rupiah per year (Rusydiana, et al., 2021). However, the realization of its collection and utilization is still far from optimal due to challenges in literacy, governance, and regulation (Lubis, I., & Marpaung, M. 2025). Innovations such as Cash Waqf Linked Sukuk (CWLS) and integration with Islamic finance technology are beginning to be adopted to improve the effectiveness and transparency of cash waqf management (Wijaya, R., 2023).

Optimizing cash waqf as a development financing instrument is highly relevant in supporting sustainable development goals (SDGs), poverty alleviation, and community economic empowerment (Khalim, M., 2025). This article aims to analyze the fiqh review of cash waqf, compare the opinions of classical and contemporary scholars, and explore the implications and challenges of implementing cash waqf in optimizing Islamic social funds.

2. Methods

This study uses a qualitative approach with a literature study method (library research) of scientific publications from the last five years. Data were collected from reputable international journals, official agency reports, and fatwa documents related to cash waqf. The analysis was conducted using a descriptive-comparative approach, with the following steps:

1. Identification of relevant literature on fiqh cash waqf,
2. Classification of classical and contemporary scholars' opinions,
3. Analysis of the mechanism and implementation of cash waqf, as well as
4. Evaluation of the potential and challenges of cash waqf as a development financing instrument.

Data validity is maintained through triangulation of sources and comparison of findings with practices in Indonesia, Malaysia, and other Muslim countries. This study also considers regulatory developments, product innovations, and case studies of cash waqf implementation in various institutions.

3. Results and Discussion

3.1. Review of Fiqh on Cash Waqf: Opinions of Classical and Contemporary Scholars

3.1.1. Classical Scholars

The majority of classical scholars, particularly those of the Shafi'i and some Maliki schools of thought, reject cash waqf because the object of waqf must be a fixed asset (*ain*) whose benefits can be taken without reducing its substance. Money is considered to not meet this requirement because of its consumable nature. However, the Hanafi school of thought allows cash waqf on the condition that the principal amount is preserved and the proceeds are used for social purposes, as practiced in the Ottoman Empire (Mu'is, A., et al. 2022).

3.1.2. Contemporary Scholars

Contemporary scholars tend to be more accepting of cash waqf, provided that it is professionally managed and the principal is preserved. Fatwas from the Indonesian Ulema Council (MUI) and the Islamic Financial Services Board (IIFA) allow cash waqf, emphasizing the importance of governance, transparency, and accountability (Lubis, I., & Marpaung, M. 2025). This approach is supported by the need for more inclusive and productive social financial instruments in the modern era (Khalim, M., & Yusoff, W. 2025).

3.2. Mechanisms and Implementation of Cash Waqf

Cash waqf is collected from the community, managed by nazhir through sharia investments (e.g., mudharabah deposits, sukuk, microfinance), and the proceeds are used for social, educational, health, and economic empowerment programs (Jaharuddin, J. 2025). Innovations such as Cash Waqf Linked Sukuk (CWLS) in Indonesia and Malaysia have successfully raised funds for infrastructure development, education, and health (Wijaya, R. 2023).

Case studies in Indonesia show that the success of cash waqf management is greatly influenced by the professionalism of the nazhir, good governance, and regulatory support (Khotib, K., Sundari, A., & Sun'iyah, S. L. 2025). Models such as integration with sharia fintech, digitalization, and strengthening the capacity of nazhir are key to optimization (Widiastuti, T., et al., 2020).

3.3. The Potential of Cash Waqf as a Development Financing Instrument

Cash waqf has great potential in raising social funds from the wider community, including those who do not have fixed assets (Jaharuddin, J. 2025). The funds raised can be invested to finance infrastructure development, education, health, and economic empowerment (Wijaya, R. 2023). Empirical studies show that cash waqf can increase micro-business income by up to 12% in Indonesia (Khalim, M., & Yusoff, W. 2025).

Innovations such as CWLS, Blue Waqf, and Green Waqf expand the scope of cash waqf utilization to support sustainable development, climate change mitigation, and the strengthening of the green economy (Raniah, T., & Rohim, A. 2025). The integration of cash waqf with other Islamic financial instruments such as zakat and microfinance also strengthens its role in the Islamic social finance ecosystem (Samrat, S., & Nabi, A. 2025).

3.4. Challenges and Strategies for Optimizing Cash Waqf

The main challenges in optimizing cash waqf include low public literacy, limited nazhir capacity, institutional fragmentation, and unintegrated regulations (Lubis, I., & Marpaung, M. 2025). In addition, transparency and accountability in the management of waqf funds are key factors in increasing public trust (Khotib, K., Sundari, A., & Sun'iyah, S. L. 2025).

Optimization strategies include:

- a. Strengthening regulations and harmonizing policies,
- b. Developing the capacity and professionalism of nazhir,
- c. Digitalization and innovation of cash waqf products, and
- d. Education and socialization to the community (Widiastuti, et al., 2020).

Collaboration between the government, Islamic financial institutions, nazhir, and the community is essential to create a productive and sustainable cash waqf ecosystem (Khalim, M., & Yusoff, W. 2025).

4. Conclusion

Cash waqf is an important innovation in Islamic social finance that has gained legitimacy from the majority of contemporary scholars, although there are still differences of opinion among classical scholars. The implementation of cash waqf in Indonesia and other Muslim countries has shown a significant contribution to social and economic development, especially in poverty alleviation, infrastructure development, and economic empowerment. However, the optimization of cash waqf still faces challenges in the form of public literacy, nazhir capacity, governance, and regulation. Joint efforts are needed to strengthen regulations, increase the professionalism of nazhir, develop product innovations, and improve public literacy so that cash waqf can play an optimal role as an instrument of development financing and realize the welfare of the people.

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