

**The Effectiveness Productive Waqf as a Social Welfare Development Through Community Empowering: A Case in Islamic Hospital Foundation Malang**

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**ABSTRACT**

Waqf in Indonesia has become an important part of promoting economic stability in the community. From an Islamic perspective system, waqf aims at promoting equitable and distribution of wealth. Thus, this study aims to see the effectiveness of the acceptance of productive waqf in community empowerment by case studies at the Islamic Hospital Foundation Malang, which is the biggest foundation which is established by cash waqf in Malang City. Using the quantitative description method and the Logit test with a total sample of 100 respondents represented, the findings showed that waqf has a positive and significant impact on the level of income and consumption levels of the *mauquf alaih* (person who became a waqf recipient). The impact of waqf on asset ownership and education is insignificant. The influence of receiving productive waqf is more widely used by *mauquf alaih* for the level of consumption of daily basic needs, not for increasing assets nor increasing the level of education. Moreover, due to the existence of Indonesian's government program for free schools up to nine (9) years, waqf did not effectively impact on *mauquf alaih*'s family levels of education.

Keywords: Effectiveness, Productive Waqf, Social Welfare Development, Community Empowerment

**1. INTRODUCTION**

Nowadays in mainstream economics generally, the policymakers in some countries focus on enhancing the level of economic growth, reducing unemployment rates, rising people's living standards, and managing price level. These macroeconomic variables can be stimulated with various combinations of conventional policies such as fiscal, monetary, and macro-prudential policy (Chapra, 2008). In Indonesia context, the macroeconomic phenomenon has invited attention by many groups especially among

the experts and actors of Islamic economists who began to pay attention to help achieve the objectives of the policymaker in stabilizing the economy.

The existing Islamic economic paradigm, economic stability in particular in terms of improving the quality of life as measured by income can be supported by a model of community empowerment through waqf. By definition, waqf is an asset that is allocated for public benefit where the principal is giving it to organize by nazir (waqf management), while the results could be enjoyed for public purposes (Mandaville, 2009). There are two basic paradigms contained in the waqf, first, the ideological paradigm, which is that anything that culminates in the belief in the Oneness of God must be accompanied by an awareness of the realization of social justice. Second, the foundation of the socio-economic paradigm, waqf has a contribution to overcome the problems of social economy (Bonner, 2005). From in the ideological level, waqf talks about how the values that should be realized by Muslims, then the area of the socio-economic paradigm, waqf becomes a concrete answer in the reality of the social-economic problematic.

In Indonesia, waqf has invited serious attention since it be noticed by the Government Regulation No. 28 of 1977 which concerning on the land ownership. However, the type of waqf is not only waqf belonging to land but also covers productive waqf. First, productive waqf is a waqf donation management scheme from the people to produce a sustainable surplus. While waqf donations can be in the form of movable objects, such as money and precious metals, or immovable objects, such as land and buildings. The productive waqf surplus is a source of external funds for financing the people needs, such as funding for education and health.

The productive waqf that attracts a lot of attention is the type of productive waqf which finances a foundation. Foundations can take the form of Islamic boarding schools, places of education and even hospitals. In Malang of East Java, the type of productive waqf is provided in the form of a hospital foundation which was first conceived by the Universitas Islam Malang (Unisma) Foundation. The productive waqf is categorized into four assets managed by different *Nazirs*. One of the assets managed by the Unisma Foundation is the Very Important Person class Inpatient (VIP Unisma Islamic Hospital in Malang. The Unisma Hospital is located in Dinoyo Village, Lowokwaru District in Malang. To present, Unisma Islamic Hospital is accredited C by the Government and includes hospitals that are demanded by many people because it is known as a hospital that provides fast and responsive services to the patients. This is because healthcare is important to society (Baqutayan & Mahdzir, 2018).

By using productive waqf, it can provide positive benefits for the surrounding environment. A positive impact is that the Unisma Hospital will form and support the empowerment of the circumstances both in terms of economic and social aspects. By providing these programs, it is expected to increase the welfare of the community (Chowdhury, 2011). Besides, the society empowerment is also forecasted reducing the poverty level as well as unemployment when it can be done maximally.

Waqf institution is indeed recognised as apart of the mechanism of eradicating poverty; as well as generating the development of Muslim ummah from the economic dimension. Indeed, time goes on, there is a need for the betterment of good governance of waqf matters accordingly (Yusuf, 2009). However, there is some institution have not

to report the number of beneficiaries that received by waqf funds. At some institution in Malaysia, the impact on waqf activities/programs/ projects conducted under the cash waqf scheme is not presented. Furthermore, Waqf Institution A only discloses separation between waqf khas and waqf am funds in their financial report. There is no specific disclosure based on each waqf activity/program/project conducted (Mandaville, 2009).

This circumstances is also happened in Unisma due to their financial report is only for the wakif. Therefore the focus of this study is to understand how the effectiveness of earning productive waqf in empowering the community surrounding Unisma Islamic Hospital in Malang. The effectiveness in this study was measured by the increase in the level of income, ownership of the level of assets received by the community around Unisma Hospital and the increase in the level of education in the environment around Unisma Hospital.

## 2. LITERATURE REVIEW

Effectiveness prioritizes outputs and vice versa on goods and services produced as a direct result of management activities. An additional measure of performance is the outcome, which is agreed on the results of the output produced (Abdul, 2007). Effectiveness ensures that measurable goals exist with clear processes to support the programs implemented in meeting the organization's objectives, and also ways to overcome deficiencies. There are two main types of solutions: administrative administration programs (Nugroho, 2007). While administrative or managerial assistance is related to the right thing to achieve the specified goals, the assistance program is related to which program is by following the organization's goals. From some of these opinions, it can be concluded that effectiveness is a measure or benchmark used to achieve certain goals or objectives both in terms of quality or quantity.

Productive waqf is commonly provided in the form of agricultural land and commercial buildings, managed in such a way as to bring in profits which some of the proceeds are used to finance various activities. Therefore, the waqf fund is a source of funds from the community for the community (Poister, 2003). It means that productive waqf is not only in the form of cash that is managed but also in the form of assets that can be managed by many people and the results will provide benefits primarily for the surrounding environment. Productive waqf management in Indonesia also can duplicate Malaysia and Singapore. In Malaysia not only share sales done by MAIS (Selangor), bond production can also be used at the inside and outside of waqf property sale which has higher returns. Bond Production is practised by MUIS (Singapore). As an example, MUIS has produced as S\$25 million musyarakah bond for the purchase of a building using the musyarakah (partnership) and ijarah (leasing) principles. Some of the waqf development are through bond is a luxurious residential. MAIK has made detailed discussion with MUIS to apply the bond production system in Kedah which in return also advised other MAIN (state) to produce bond (Yusuf, 2009).

The empowerment concept in the development perspective is commonly associated with the concepts of independence, participation, networking, and justice. Participation is the most important component in the effort to grow independence and the empowerment process. The empowerment strategy places community participation

as the first issue of development today (Muhammad, et. al, 2018). It implies that community empowerment is seen from many aspects such as community empowerment for hospitals. It can be implemented by utilizing waqf assets to help the development of health services through the provision of public facilities (hospital development, medical science development, and industrial development in the field of medicine. In Malaysia, waqf in health services is very efficient in terms of administrative management and is a good model for improving the well-being of the people (Baqutayan & Mahdzir, 2018).

### 3. METHODOLOGY

This study applied a quantitative descriptive combined with logit test using primary data from 100 respondents. The logit model is a non-linear regression model that produces an equation where the dependent variable is categorical. The most basic categories of the model produce binary values such as numbers 0 and 1. The resulting numbers represent a certain category that results from calculating the probability of occurrence of that category. Gujarati explains that the use of the logit model is often used in classification data (Gujarati, 2003). The respondents came from the community surrounding the Unisma Islamic Hospital in Malang. The research model of this study is:

$$L_i = \ln\left(\frac{P_i}{1 - P_i}\right) = Z_i = \beta_1 + \beta_2 X_1 + \beta_3 X_2 + \beta_4 X_3 + e_i \quad (1)$$

Notes:

L	= Log of the odds ratio (0, 1)
$\beta_1, \beta_1, \beta_1, \beta_1, \beta_1$	= Intercept
$X_1$	= Income
$X_2$	= asset
$X_3$	= education
e	= error term
i	= number of respondents

### 4. RESULT AND DISCUSSION

Table 1 shows the descriptive result of average income and average assets for respondents. Based on Table 1, a comparison was conducted for respondents before and after receiving waqf. Before the year 2016 and currently has not received a waqf, average income of respondents was IDR 498,333 while the average assets of the respondents is IDR 4,385,000. However after receiving waqf assistance which started from 2016, the average income increased to IDR 728,500 while average assets also increased to IDR 4,673,890.

Table 1: Descriptive Analysis

Year	Income (Average)	Assets (Average)
Before 2016	498,333	4,385,000
2016	728,500	4,673,890

Next based on the logit test, from the three existing variables, namely income (Y), assets (I), and Education (Y), that is only income variable that significant for productive waqf at Unisma Islamic Hospital in Malang. In more detail, the result of the rest is provided in Table 2.

Table 2: The result of the Logit Test

Variable	P> z
Y	0.018
I	0.531
L	0.370

Prob >  $\chi^2 = 0.0001$ , Pseudo  $R^2 = 0.7079$

From Table 2, we can see that productive waqf impacts on income variable with a significantly level of 0.018, probability level of 0.0001 and  $R^2$  at 0.7079 respectively. It implies that is remarkably changing before the existence of productive waqf and after the existence of productive waqf at the Islamic University of Malang on income in the community around the hospital. About 70 percent of the income variable can explain its effect on the productive waqf variable at Unisma Islamic Hospital in Malang. In other words, the increased income of the community surrounding the hospital was caused by the management of productive waqf. The increased income in the community around the hospital also enhanced the quality of their standard of living which proven that in the paradigm in Islam, namely community empowerment through the waqf sector will indeed provide an increase in the standard of living through increased income (Ahmed, 2007).

The increase in income of the community around the hospital was caused after the management of waqf, Unisma Islamic Hospital in Malang built and enlarged the hospital building with the impact that the hospital had to provide workers or employees to be placed in the hospital. The policy of the Waqf manager prioritizes the community around the hospital on condition that they keep looking at the background level of education by following the hospital's needs. Furthermore, when Unisma Islamic Hospital built and enlarged the hospital, many unskilled workers (coolies and builders) were recruited from the community around the hospital. This finding shows that, greater in the standard of quality of life is not only felt by those who have an education degree, but also people who do not have a high level of education by the impact of the construction of the hospital with an increase in income.

Also, the increase the community income brings positive benefits for enlarging the level of consumption. With the increase in income coupled with an increase in the level of consumption, the welfare of the community around Unisma Islamic Hospital can be stated to be more prosperous rather than the previous condition of the management of waqf. Waqf receipts received by the community around the hospital can increase economic development for their families. In other words, the family's economy has increased and it will lead the welfare of the community that will be achieved. This research is likely Abdelbaki (2013), endowment (zakat) can eliminate poverty in Muslim countries and achieve the desired justice in the distribution of income. Then, when a country develops its economy using waqf maximally, the country's economic development can be achieved to the maximum, without relying on debt (Arief, 2014).

Variable assets (I) in this study showed a result of 0.531. This means that before and after the existence of waqf at Unisma Islamic Hospital, it does not significantly influence to increase in assets owned by the community around the hospital. These assets refer to both owned by the people who work at the hospital and the people who are not working at the hospital. In other words, the value of assets owned by the community around the hospital is still caused by the management of waqf at Unisma Islamic Hospital in Malang. Indeed, it affects the level of income, but the income level is not used to add to their assets instead of their level of consumption. During this time, their consumption level has not fully reached the maximum point due to their monthly income is uncertain and far below the regional minimum wage in Malang.

With these conditions, they did not have time to think about saving or investing their assets. They considered that their asset ownership was enough to be judged by owning a simple house and having a vehicle used for daily mobility (Alias, 2012). The vehicles they have are also using credit facilities and two-wheeled vehicle facilities. As a consequence, every month, they have to manage the expenditure of the household sector carefully because the tendency of the community around Unisma Islamic Hospital is a large family. Therefore, the increase in income they have due to the management of the waqf is indeed focused on fulfilling the level of consumption of their families. They have never thought of buying land, a new house, or save money in a bank.

For the third variable, the Education variable (L) showed a level of 0.370. It means that education level variable does not significantly effect on productive waqf. The education level of the community around the Unisma Islamic hospital is categorized at a low level. In general, they only graduate from Elementary school up to Senior High School but only a few completed their studies up to a bachelor's degree. The cause of the lack of people around the hospital who completed their education only up to high school degrees was the first because of economic limitations. The average income of the community around hospitals is classified as middle to lower income groups with below average income (Kuran, 2004).

The second cause is due to government regulations in Indonesia which only require 9 year compulsory education. It means that the government only requires children in Indonesia and subsidizes education in Indonesia only up to the level of junior high school. With the existing economic limitations, they only rely on the government subsidy program, which in the end will indeed not cost to send their children or family to school. The third is affected by the level of knowledge of the

community around the hospital is relatively low or tends to underestimate by remembering the importance of sending children or families to the level of a bachelor's degree. The community around the hospital did not prioritize education for their background in life but they depend on their life cycle through creativity in physical ability rather than in science (mind). Therefore, the level of education is not to be influenced by the management of productive waqf in communities around Unisma Islamic Hospital in Malang.

## 5. CONCLUSION

The conclusion that can be drawn in this study is the revenue of productive waqf has a positive and significant impact on the level of income and the level of consumption of the surrounding community. However, the impact of productive waqf on asset ownership and education has an insignificant influence. The impact of the acceptance of productive waqf is more widely used by the community for the consumption level of daily basic needs, not to add assets or to increase their education level. The main cause is due to the economic problem and the mindset about education surrounding community is not important to get a higher level of education rather than follow Indonesian government program for free schools for up to nine years. In addition, the level of community income received is not used to enhance their assets or pay the financial obligations of school children or their siblings, but is provided to meet basic daily needs.

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