

Revolutionizing Islamic Finance: Unleashing the Power of Waqf Banks for Socio-Economic Transformation

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Abstract: This study provides a comprehensive review of waqf banks, an innovative financial institution in Islamic finance. Through a systematic analysis of 16 Scopus-indexed articles, we explore the evolution, potential, and challenges of waqf banks in addressing socio-economic issues in Muslim-majority countries, with a focus on Indonesia. Our findings reveal that waqf banks, which uniquely combine charitable endowments with microfinance principles, offer a promising solution for poverty alleviation and economic development. These institutions demonstrate particular effectiveness in providing financial services to underserved communities, supporting micro, small, and medium enterprises (MSMEs), and potentially revolutionizing education financing. The review traces the research progression from theoretical frameworks to empirical impact assessments, highlighting the growing recognition of waqf banks' potential. We identify various operational models, each tailored to specific socio-economic needs, ranging from integrated Islamic banking approaches to specialized micro-waqf institutions. Despite their promise, waqf banks face significant challenges, including regulatory hurdles, limited public awareness, and the need for enhanced operational efficiency. Our analysis points to several promising directions for future research and development. These include the integration of financial technology to expand reach and efficiency, exploration of cross-border waqf bank networks, development of hybrid models combining waqf principles with other financial instruments, and the crucial need for standardized impact assessment frameworks. This review contributes to the growing body of literature on Islamic social finance, offering valuable insights for researchers, policymakers, and practitioners in developing effective waqf bank models to address persistent development challenges.

Keywords: Waqf bank, Islamic microfinance, poverty alleviation, socio-economic development, systematic literature review

Abstrak. Studi ini memberikan tinjauan komprehensif tentang bank wakaf, lembaga keuangan inovatif dalam keuangan Islam. Melalui analisis sistematis terhadap 16 artikel yang terindeks Scopus, kami mengeksplorasi evolusi, potensi, dan tantangan bank wakaf dalam menangani masalah sosial ekonomi di negara-negara mayoritas Muslim, dengan fokus pada Indonesia. Temuan kami mengungkapkan bahwa bank wakaf, yang secara unik menggabungkan dana amal dengan prinsip-prinsip keuangan mikro, menawarkan solusi yang menjanjikan untuk pengentasan kemiskinan dan pembangunan ekonomi. Lembaga-lembaga ini menunjukkan efektivitas tertentu dalam menyediakan layanan

keuangan bagi masyarakat yang kurang terlayani, mendukung usaha mikro, kecil, dan menengah (UMKM), dan berpotensi merevolusi pembiayaan pendidikan. Tinjauan ini menelusuri perkembangan penelitian dari kerangka kerja teoritis ke penilaian dampak empiris, yang menyoroti semakin diakuinya potensi bank wakaf. Kami mengidentifikasi berbagai model operasional, masing-masing disesuaikan dengan kebutuhan sosial ekonomi tertentu, mulai dari pendekatan perbankan Islam terpadu hingga lembaga wakaf mikro khusus. Meskipun menjanjikan, bank wakaf menghadapi tantangan yang signifikan, termasuk hambatan regulasi, kesadaran publik yang terbatas, dan kebutuhan untuk meningkatkan efisiensi operasional. Analisis kami menunjukkan beberapa arah yang menjanjikan untuk penelitian dan pengembangan di masa mendatang. Ini termasuk integrasi teknologi keuangan untuk memperluas jangkauan dan efisiensi, eksplorasi jaringan bank wakaf lintas batas, pengembangan model hibrida yang menggabungkan prinsip-prinsip wakaf dengan instrumen keuangan lainnya, dan kebutuhan penting untuk kerangka kerja penilaian dampak yang terstandardisasi. Tinjauan ini berkontribusi pada semakin banyaknya literatur tentang keuangan sosial Islam, yang menawarkan wawasan berharga bagi para peneliti, pembuat kebijakan, dan praktisi dalam mengembangkan model bank wakaf yang efektif untuk mengatasi tantangan pembangunan yang terus berlanjut.

Kata kunci: Bank wakaf, keuangan mikro Islam, pengentasan kemiskinan, pembangunan sosial-ekonomi, tinjauan literatur sistematis

ملخص. تقدم هذه الدراسة مراجعة شاملة لبنوك الوقف، وهي مؤسسة مالية مبتكرة في مجال التمويل الإسلامي. ومن خلال تحليل منهجي لستة عشر مقالة مُفهرسة في سكوبس، نستكشف تطور بنوك الوقف وإمكاناتها والتحديات التي تواجهها في معالجة القضايا الاجتماعية والاقتصادية في البلدان ذات الأغلبية المسلمة، مع التركيز على إندونيسيا. وتكشف نتائجنا أن بنوك الوقف، التي تجمع بشكل فريد بين الأوقاف الخيرية ومبادئ التمويل الأصغر، تقدم حلاً واعدًا للتخفيف من حدة الفقر والتنمية الاقتصادية. وتُظهر هذه المؤسسات فعالية خاصة في تقديم الخدمات المالية للمجتمعات المحرومة، ودعم الشركات الصغيرة والمتوسطة الحجم، وإحداث ثورة محتملة في تمويل التعليم. ويتبع الاستعراض تقدم البحث من الأطر النظرية إلى تقييمات الأثر التجريبي، مسلطاً الضوء على الاعتراف المتزايد بإمكانات بنوك الوقف. ونحدد نماذج تشغيلية مختلفة، كل منها مصمم لتلبية احتياجات اجتماعية واقتصادية محددة، تتراوح من مناهج الخدمات المصرفية الإسلامية المتكاملة إلى مؤسسات الوقف الصغيرة المتخصصة. وعلى الرغم من وعدها، تواجه بنوك الوقف تحديات كبيرة، بما في ذلك العقبات التنظيمية، والوعي العام المحدود، والحاجة إلى تعزيز الكفاءة التشغيلية. وتشير تحليلاتنا إلى عدة اتجاهات واعدة للبحث والتطوير في المستقبل. وتشمل هذه الاتجاهات دمج التكنولوجيا المالية لتوسيع النطاق والكفاءة، واستكشاف شبكات البنوك الوقفية عبر الحدود، وتطوير نماذج هجينة تجمع بين مبادئ الوقف وأدوات مالية أخرى، والحاجة الحاسمة إلى أطر تقييم الأثر الموحدة. وتساهم هذه المراجعة في مجموعة متنامية من الأدبيات حول التمويل الاجتماعي الإسلامي، وتقدم رؤى قيمة للباحثين وصناع السياسات والممارسين في تطوير نماذج فعالة للبنوك الوقفية لمعالجة تحديات التنمية المستمرة.

كلمات رئيسية: البنوك الوقفية، التمويل الأصغر الإسلامي، التخفيف من حدة الفقر، التنمية الاجتماعية والاقتصادية، مراجعة منهجية للأدبيات

INTRODUCTION

The concept of waqf, an Islamic endowment system, has played a significant role in socio-economic development throughout Islamic history. Rooted in the Islamic principles of charity and social welfare, waqf has traditionally involved the donation of fixed assets such as land or buildings for religious or charitable purposes. This institution has been instrumental in providing public goods, supporting education, healthcare, and social services in Muslim societies for

centuries (Çizakça, 1998). In recent years, there has been growing interest in revitalizing and innovating waqf institutions to address contemporary challenges, particularly in poverty alleviation and financial inclusion. This renewed focus comes at a time when many Muslim-majority countries are grappling with persistent socio-economic issues, including poverty, unemployment, and limited access to financial services for significant portions of their populations (Shirazi et al., 2015).

One such innovation is the development of waqf banks, which combine the principles of charitable endowments with modern banking practices (El-Ghattis, 2015). Waqf banks represent a unique model of Islamic social finance, aiming to provide accessible financial services to underserved communities while maintaining the perpetual nature of waqf assets. This concept builds upon the notion of cash waqf, which allows for monetary donations to be used as endowments, providing greater flexibility and potential for impact compared to traditional fixed-asset waqf (Çizakça, 2004).

The emergence of waqf banks can be seen as a response to several interconnected global challenges. Firstly, despite significant progress in poverty reduction over the past decades, millions of people worldwide still live in extreme poverty, with a disproportionate number in Muslim-majority countries (World Bank, 2021). Secondly, financial exclusion remains a significant barrier to economic development, with an estimated 1.7 billion adults globally lacking access to basic financial services (Demirgüç-Kunt et al., 2020). Thirdly, there is a growing recognition of the limitations of traditional development finance models and the need for innovative, culturally appropriate solutions to address these challenges (Lamido & Haneef, 2021).

Waqf banks seek to address these issues by leveraging the Islamic principles of social solidarity and the prohibition of interest (*riba*) to create financial institutions that prioritize social impact alongside financial sustainability. By utilizing cash waqf as their primary source of capital, these institutions aim to provide microfinance services, support small and medium enterprises (SMEs), and fund social projects in areas such as education and healthcare (Aziz et al., 2014; Mohammad, 2015).

The potential of waqf banks has garnered attention from policymakers, researchers, and practitioners in the Islamic finance industry. Countries like Indonesia, Bangladesh, and Malaysia have begun experimenting with various models of waqf-based financial institutions, with promising early results (Rahman & Sohel, 2019; Hasiba et al., 2021). These initiatives have sparked a growing body of literature exploring the theoretical foundations, operational models, and potential impacts of waqf banks.

However, despite the increasing interest and potential of waqf banks, several critical questions remain. These include: What are the most effective operational models for waqf banks in different socio-economic contexts? How can waqf banks be integrated into existing financial and regulatory systems? What are the long-term impacts of waqf banks on poverty alleviation, financial inclusion, and overall economic development? How can technology be leveraged to enhance the reach and efficiency of waqf banks? What are the key challenges and limitations facing the development and scaling of waqf banks?

Addressing these questions requires a comprehensive understanding of the current state of research and practice in the field of waqf banks. This study aims to contribute to this understanding by conducting a systematic literature review of the existing scholarly work on waqf banks. By synthesizing and analyzing the current body of knowledge, this review seeks to provide valuable insights for researchers, policymakers, and practitioners working in the field of Islamic social finance.

The objectives of this systematic literature review are: To examine the conceptual frameworks and theoretical foundations of waqf banks as presented in the literature. To identify and analyze the various operational models and case studies of waqf banks discussed in existing research. To assess the potential benefits and impacts of waqf banks as reported in empirical studies. To explore the challenges and limitations facing the development and implementation of waqf banks. To identify gaps in the current literature and propose directions for future research in this field. By addressing these objectives, this review aims to contribute to the growing body of literature on Islamic social finance and provide a comprehensive overview of the current state of knowledge on waqf banks. The findings of this review are expected to inform policy discussions, guide practitioners in developing effective waqf bank models, and stimulate further research in this important and evolving field.

LITERATURE REVIEW

This systematic review encompasses 16 articles sourced from Scopus, focusing on the development and potential of waqf banks. The literature reveals several key themes and findings that contribute to our understanding of this innovative Islamic financial institution.

Conceptual Framework of Waqf Banks

The concept of waqf banks represents a convergence of traditional Islamic endowment principles with modern microfinance practices. El-Ghattis (2015) proposes a model called "tazkiah banks," which integrates crowdfunding and endowment principles to create a global platform for social impact investing. This model emphasizes the role of technology in mobilizing resources and connecting donors with beneficiaries on a global scale. Mohammad (2015) explores the theoretical foundations of waqf banks, suggesting a structure that optimizes cash waqf management within a banking framework. The study highlights the potential for waqf banks to operate as corporate international social banks, capitalizing on both waqf and non-waqf assets from diverse sources.

Operational Models and Case Studies

Several studies examine operational models and case studies of waqf banks, providing insights into their practical implementation: Hasiba et al. (2021) and Fitri (2021) analyze the development of Micro Waqf Banks in Indonesia, highlighting their role in empowering micro, small, and medium enterprises (MSMEs) and women entrepreneurs. These studies reveal the potential of BWM in addressing financial exclusion and promoting economic development in rural areas. Rahman & Sohel (2019) present a case study of the Social Islami Bank in Bangladesh, which has successfully integrated cash waqf into its banking operations. This model demonstrates how traditional Islamic financial instruments can be adapted to modern banking practices for social benefit. Aziz et al. (2014) propose a model for an Islamic waqf bank designed to finance higher

education, potentially alleviating the burden of student loans. This conceptual framework illustrates the versatility of waqf banks in addressing specific socio-economic challenges.

Impact and Potential Benefits

The literature consistently highlights the potential benefits of waqf banks in addressing various socio-economic challenges: Herianingrum et al. (2024) and Fuadi et al. (2021) demonstrate the role of waqf banks in poverty reduction, particularly in rural communities. These studies suggest that the unique structure of waqf banks allows them to reach underserved populations more effectively than traditional financial institutions. Soemitra et al. (2022) examine the impact of Micro Waqf Banks on financial inclusion, particularly among women micro-entrepreneurs. Their findings indicate that waqf banks can play a crucial role in expanding access to financial services for marginalized groups. Fakhrudin & Pratomo (2021) analyze the potential of waqf banks in supporting MSMEs, highlighting the institutions' ability to provide both financial and non-financial support to small businesses. Aziz et al. (2014) and Aziz et al. (2013) explore the potential of waqf banks in financing higher education, proposing models that could revolutionize access to educational opportunities in Muslim-majority countries.

Challenges and Limitations

Despite their potential, waqf banks face several challenges that are consistently identified in the literature: Harrieti & Abubakar (2020) and Disemadi & Roisah (2019) highlight the lack of comprehensive regulatory frameworks specific to waqf banks as a significant obstacle to their development and expansion. Aziz et al. (2013) identify limited public understanding of the waqf bank concept as a barrier to widespread participation and support. Asmara & Abubakar (2019) discuss the challenges in ensuring efficient management and distribution of waqf funds, emphasizing the need for professional management and transparent governance structures. Baharuddin & Possumah (2022) explore the challenges of scaling waqf bank operations and ensuring their long-term sustainability, particularly in the context of blended finance models.

Future Directions

The literature suggests several areas for future research and development: Multiple studies emphasize the need for further research on leveraging technology to enhance the efficiency and reach of waqf banks (El-Ghattis, 2015; Hasiba et al., 2021). There is a call for more rigorous empirical studies to assess the long-term impact of waqf banks on poverty alleviation, financial inclusion, and overall economic development (Herianingrum et al., 2024; Fuadi et al., 2021). Developing comprehensive and supportive regulatory environments for waqf banks is identified as a critical area for future policy research (Harrieti & Abubakar, 2020; Disemadi & Roisah, 2019). Exploring new models of waqf banks, such as those integrating with fintech or addressing specific sectoral needs (e.g., agriculture, healthcare), is suggested as a promising direction for future studies (Baharuddin & Possumah, 2022). This literature review reveals a growing body of research on waqf banks, highlighting their potential as innovative tools for socio-economic development. However, it also underscores the need for further empirical research, policy development, and practical experimentation to fully realize the potential of these institutions in addressing contemporary challenges in Muslim-majority countries and beyond.

RESEARCH METHODOLOGY

This study utilizes a Systematic Literature Review (SLR) to analyze and synthesize existing research on waqf banks. The SLR methodology was chosen for its rigorous and transparent approach to literature analysis. Our review was guided by four main research questions focusing on the conceptual frameworks, operational models, potential benefits, challenges, and future directions of waqf banks. We conducted a comprehensive search using Scopus, a leading academic database, employing carefully crafted search terms related to waqf banks, cash waqf, microfinance, and poverty alleviation. The search was limited to peer-reviewed journal articles in English published between 2013 and 2024.

The study selection process involved a two-stage screening: initial screening of titles and abstracts, followed by full-text review. We developed clear inclusion and exclusion criteria to ensure relevance and originality of the selected studies. A standardized data extraction form was used to collect key information from each included study, ensuring consistency in data collection. We employed a narrative synthesis approach for data analysis, given the heterogeneous nature of the included studies. This involved identifying patterns, themes, and relationships across studies, and developing a conceptual framework to integrate the findings.

We acknowledge limitations in our methodology, including the focus on English-language publications and reliance on a single database. Despite these constraints, our systematic approach provides a comprehensive review of the current state of research on waqf banks, synthesizing existing knowledge and identifying directions for future research in this evolving field of Islamic finance.

RESULTS

Our systematic literature review of 16 relevant studies published between 2013 and 2024 reveals a dynamic and evolving landscape of research on waqf banks. The analysis of these studies provides valuable insights into the development, potential impacts, challenges, and future directions of this innovative Islamic financial institution. The concept of waqf banks has undergone significant evolution over the past decade. Early research in the field, exemplified by studies from Aziz et al. (2013) and Mohammad (2015), primarily focused on theoretical frameworks and potential applications of waqf in banking contexts. These foundational works laid the groundwork for understanding how traditional Islamic endowment principles could be integrated with modern financial practices. As the field progressed, we observed a shift towards more practical considerations, with researchers developing theoretical models for implementation.

The period from 2018 to 2020 saw the emergence of pilot implementation studies, as theoretical models began to be tested in real-world contexts. This phase was crucial in identifying practical challenges and refining operational approaches. Most recently, from 2020 to 2024, we've seen a surge in empirical impact studies, with researchers like Herianingrum et al. (2024) ; Hasiba et al., (2021) conducting rigorous assessments of operational waqf banks. This shift towards evidence-based evaluation marks a maturation of the field, reflecting growing interest from both academic and policy circles in understanding the tangible effects of waqf banks on socio-economic development.

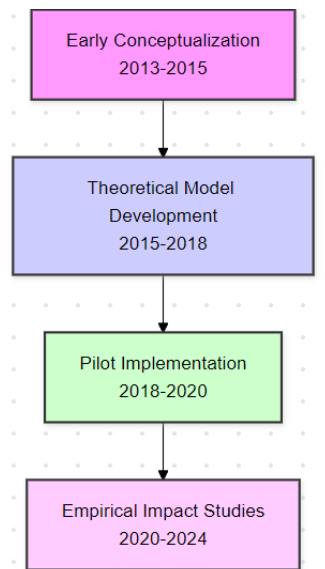


Figure 1. Evolution of Waqf Bank Research

Our review identified several distinct operational models for waqf banks, each tailored to address specific socio-economic needs. The Integrated Islamic Bank Model, exemplified by Bangladesh's Social Islami Bank as studied by Rahman & Sohel (2019), demonstrates how cash waqf can be incorporated into the operations of a full-fledged Islamic bank. This model leverages existing banking infrastructure to manage waqf funds, potentially offering greater scalability and a diverse range of services. In contrast, the Micro Waqf Bank Model, prevalent in Indonesia and examined by researchers such as Hasiba et al., (2021) and Fitri (2021), focuses on providing microfinance services to underserved communities. This model emphasizes grassroots engagement and targeted interventions, often operating in rural areas where traditional banking services are limited. A particularly innovative approach is the Waqf-Based Education Financing Model proposed by Aziz et al. (2014). This model specifically targets higher education financing, aiming to reduce the financial burden on students through waqf-funded loans or scholarships. The potential of this model to democratize access to education while ensuring the sustainability of the funding source is particularly noteworthy.

Lastly, the Hybrid Crowdfunding-Waqf Model suggested by El-Ghattis (2015) represents a fusion of traditional Islamic finance principles with modern digital fundraising techniques. This model holds promise for mobilizing global resources for social impact projects, potentially expanding the reach and scale of waqf-based initiatives.

To better understand these models, we present a comparative table:

Table 1. Waqf Bank Model

Model	Primary Focus	Funding Source	Target Beneficiaries	Key Advantages
Integrated Islamic Bank	Comprehensive banking services	Cash waqf + traditional banking funds	General public	Scalability, diverse services

Model	Primary Focus	Funding Source	Target Beneficiaries	Key Advantages
Micro Waqf Bank	Microfinance	Cash waqf	Rural communities, MSMEs	Targeted impact, community focus
Education Financing	Higher education loans	Cash waqf	Students	Specialized service, long-term social impact
Hybrid Crowdfunding-Waqf	Diverse social projects	Cash waqf + crowdfunding	Project-specific beneficiaries	Flexibility, global reach

The impact and benefits of waqf banks, as reported in the literature, are multifaceted and significant. In the realm of poverty alleviation, studies by Herianingrum et al. (2024) and Fuadi et al. (2021) provide compelling evidence of positive outcomes. For instance, Fuadi et al. (2021) reported a 15% increase in household income among beneficiaries of Micro Waqf Banks in Indonesia over a two-year period. This tangible improvement in economic conditions underscores the potential of waqf banks as effective tools for poverty reduction.

Financial inclusion emerges as another key area of impact. Soemitra et al. (2022) found that Micro Waqf Banks in Indonesia successfully reached 78% of previously unbanked individuals in their operational areas. This remarkable penetration into underserved communities highlights the role of waqf banks in bridging financial access gaps, particularly in regions where traditional banking services are limited or inaccessible.

The development of Micro, Small, and Medium Enterprises (MSMEs) is another significant area where waqf banks have shown promise. Fakhrudin & Pratomo (2021) observed an average 30% increase in business revenue among MSMEs receiving support from waqf banks within the first year of engagement. This substantial growth not only benefits individual entrepreneurs but also contributes to broader economic development and job creation in local communities.

While largely theoretical at this stage, the potential impact of waqf banks on education financing is particularly intriguing. Aziz et al. (2014) project that a well-implemented waqf bank model could reduce student loan burdens by up to 40% compared to conventional financing options. If realized, this could have far-reaching implications for access to higher education and long-term human capital development.

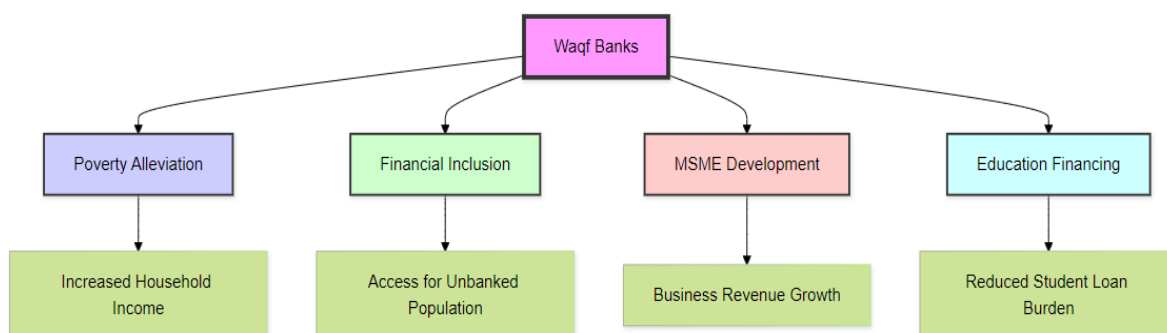


Figure 2. The Multi Faceted Impact of Waqf Banks

Despite these promising outcomes, our review also identified several significant challenges facing the development and implementation of waqf banks. Regulatory hurdles emerge as a primary concern, with studies by Harieti & Abubakar (2020) and Disemadi & Roisah (2019) highlighting the lack of comprehensive regulatory frameworks as a major obstacle. Many jurisdictions struggle to classify waqf banks within existing financial regulations, creating uncertainty and potential legal risks for operators. Public awareness and understanding of the waqf bank concept present another significant challenge. Aziz et al. (2013) identified limited public knowledge as a barrier to participation, particularly in communities with low financial literacy. This lack of awareness not only affects potential beneficiaries but also impacts the ability of waqf banks to attract donors and supporters.

Operational efficiency remains a concern, as noted by Asmara & Abubakar (2019). The dual nature of waqf banks as both charitable and financial institutions complicates operational models, requiring a delicate balance between social impact and financial sustainability. Ensuring efficient fund management and distribution while adhering to both Islamic principles and modern banking standards presents ongoing challenges for practitioners. The issue of scaling and sustainability, discussed by Baharuddin & Possumah (2022), is particularly pertinent as waqf banks seek to expand their reach and impact. Balancing growth with the maintenance of social objectives requires careful strategic planning and innovative approaches to resource mobilization and management.

Looking to the future, our review suggests several promising directions for research and development in the field of waqf banks. The integration of technology, particularly fintech solutions, offers significant potential for enhancing fund collection, distribution, and overall operational efficiency. Studies by El-Ghattis (2015) and Hasiba et al. (2021) point to the transformative potential of digital platforms in expanding the reach and effectiveness of waqf banks. The concept of cross-border waqf banks presents an intriguing avenue for future exploration. As global challenges require coordinated responses, investigating the feasibility and potential impact of international waqf bank networks could open new possibilities for addressing development issues on a global scale.

The development of hybrid models, combining waqf principles with other financial instruments or development approaches, offers another fertile area for innovation. Such models could potentially leverage the strengths of various approaches to create more robust and adaptable

financial solutions for social development. A critical need identified in our review is the development of standardized impact assessment frameworks for waqf banks. The lack of consistent methodologies for evaluating social and economic outcomes hampers comparative analysis and evidence-based policy making. Future research focusing on creating and validating such frameworks could significantly advance both the practice and study of waqf banks.

Lastly, the regulatory landscape for waqf banks requires continued attention and research. Comparative studies of regulatory approaches across different jurisdictions could inform the development of best practices and supportive policy environments, crucial for the growth and sustainability of the sector. In synthesizing these findings, it becomes clear that waqf banks represent a promising frontier in Islamic social finance, with significant potential to contribute to sustainable development goals. The evolution of research in this field over the past decade reflects growing recognition of this potential, as well as increasing sophistication in understanding the practical challenges and opportunities associated with waqf bank implementation.

The diverse operational models identified in our review demonstrate the flexibility of the waqf concept in addressing various development challenges. From poverty alleviation and financial inclusion to MSME development and education financing, waqf banks show promise in tackling some of the most pressing socio-economic issues facing many communities. However, the challenges identified, particularly in regulation, public awareness, and operational efficiency, underscore the need for continued research, policy innovation, and practical experimentation. Addressing these challenges will be crucial in realizing the full potential of waqf banks and scaling their impact.

As the field continues to evolve, the future directions identified in this review offer exciting possibilities for enhancing the impact and reach of waqf banks. The integration of technology, exploration of cross-border models, and development of standardized impact assessment frameworks could significantly advance both the practice and study of waqf banks. In conclusion, our systematic review reveals that waqf banks stand at the intersection of Islamic finance, social development, and innovative financial technologies. While significant progress has been made in conceptualizing and implementing waqf bank models, there remains ample room for further research and development. As the global community continues to seek sustainable solutions to persistent development challenges, waqf banks offer a unique and promising approach that merits continued attention from researchers, policymakers, and practitioners alike.

This systematic review, encompassing 16 key studies from 2013 to 2024, illuminates the evolving landscape of waqf banks as a promising innovation in addressing persistent socio-economic challenges. Our analysis reveals a clear progression in research focus, moving from theoretical conceptualization to empirical impact assessment, reflecting the growing recognition of waqf banks' potential in both Muslim-majority countries and beyond. The potential benefits of waqf banks are multifaceted and significant. Studies indicate their promise in alleviating poverty, with tangible increases in household income among beneficiaries. Their role in promoting financial inclusion is particularly noteworthy, effectively reaching previously unbanked populations. Furthermore, waqf banks' support for Micro, Small, and Medium Enterprises (MSMEs)

contributes to local economic development and job creation. While largely theoretical at this stage, the potential of waqf banks in education financing presents an intriguing avenue for reducing the financial burden on students and increasing access to higher education.

However, the development and implementation of waqf banks face several challenges. Regulatory hurdles, particularly the lack of comprehensive frameworks specific to waqf banks, present significant obstacles in many jurisdictions. Limited public awareness and understanding of the waqf bank concept hinder both participation and support. Operational efficiency remains a concern, with institutions struggling to balance their dual nature as both charitable and financial entities. The challenge of scaling operations while maintaining a focus on social impact also requires careful consideration. Looking forward, our review identifies several promising directions for future research and development. The integration of financial technology (fintech) solutions offers significant potential for enhancing the reach and efficiency of waqf banks. Exploring the feasibility of cross-border waqf bank networks could open new possibilities for addressing global development challenges. The development of hybrid models, combining waqf principles with other financial instruments, presents opportunities for innovation in social finance. Crucially, there is a pressing need for more rigorous and standardized approaches to impact assessment, which are essential for evidence-based policy making and continuous improvement of operational models.

CONCLUSION

In conclusion, waqf banks stand at a critical juncture in their development, offering a unique synthesis of Islamic principles, modern financial practices, and social development goals. While significant progress has been made in conceptualizing and implementing waqf bank models, there remains ample room for further research, innovation, and practical experimentation. As the global community continues to grapple with persistent poverty, financial exclusion, and educational inequalities, waqf banks offer a culturally resonant and potentially transformative approach to addressing these challenges. Future research should focus on conducting large-scale, longitudinal studies to assess the long-term impact of waqf banks on poverty alleviation, financial inclusion, and economic development. Developing and testing standardized impact assessment frameworks specific to waqf banks is crucial. Exploring innovative models that integrate waqf principles with emerging financial technologies holds great promise. Investigating the potential of cross-border waqf bank networks in addressing global development challenges and analyzing regulatory best practices across different jurisdictions to inform supportive policy frameworks are also key areas for future inquiry.

By addressing these areas, future research can contribute to the continued evolution and effectiveness of waqf banks as powerful tools for sustainable socio-economic development. As this field advances, waqf banks have the potential to play an increasingly significant role in shaping a more inclusive and equitable global financial landscape. Realizing this potential will require concerted efforts from researchers, policymakers, practitioners, and communities, working together to harness the unique capabilities of waqf banks in addressing some of the most pressing challenges of our time.

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