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Mapping Waqf Management and Economic Development in Indonesia: A Quadrant Analysis Based on the National Waqf Index

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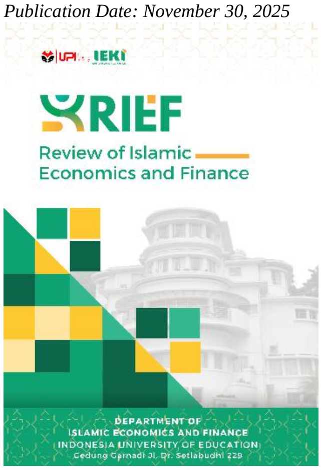

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Abstract

Purpose – *This study aims to map provinces in Indonesia based on the National Waqf Index (IWN) and economic development indicators using quadrant analysis. So that recommendations and policy making can be handled based on regional differences.*

Methodology - *IWN data is obtained from the Indonesian Waqf Board (BWI), while economic development indicators come from the Central Statistics Agency (BPS). This research method uses Quadrant Analysis.*

Findings - *This study's novelty highlights the use of IWN to assess the contribution of waqf to economic development across provinces. The results of this study reveal 4 quadrants of the distribution of 34 provinces in Indonesia based on the contribution of IWN to each development indicator, namely poverty, unemployment rate and HDI. There are ideal conditions (high IWN and development indicators), worst conditions (low IWN and development indicators), low IWN and high development indicators, and the focus of discussion is the condition when IWN is high but development indicators are low. This indicates that the high performance of waqf has not been able to overcome the problems of poverty, TPT, or HDI in the area.*

Implication - *The implications of this study suggest that future research should advocate improvements in waqf governance and Nazir capacity, while also exploring socio-economic factors and developing other methods to better assess waqf effectiveness.*

Keywords: *Waqf; National Waqf Index (IWN); Economic Development; Quadrant Analysis; Indonesia*

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1. INTRODUCTION

Waqf is one of the most important instruments in Islamic economics, playing a strategic role in promoting social welfare and economic development. Throughout Islamic civilization, waqf has demonstrated its effectiveness in supporting various public sectors such as education, healthcare, social infrastructure, and community economic empowerment. As a form of Islamic philanthropy, waqf not only reflects social solidarity but also serves as a sustainable mechanism for wealth distribution. This instrument possesses a unique characteristic in that it is non-consumptive and capable of generating long-term benefits. Therefore, if managed optimally, waqf holds significant potential to become an alternative economic resource for supporting national development, particularly in Muslim-majority countries like Indonesia.

The concept of economic development in Islam itself encompasses a broader dimension than that of conventional development paradigms. According to (Mohamad Suhaimi et al., 2014) development in the Islamic perspective involves not only economic aspects but also incorporates social, moral, and spiritual dimensions. Ideal development achieves a balance between material growth and spiritual advancement, realized through the application of Islamic values across all aspects of life. This aligns with the view of (Sadeq, 1987), who emphasized that true development begins with the growth of individual quality, whether moral, spiritual, physical, or environmental. In other words, human beings are the main agents of change in both economic and social development. Thus, value-based instruments such as waqf are highly relevant within the framework of multidimensional development.

In Indonesia, waqf is formally regulated through Law No. 41 of 2004 concerning Waqf and its derivative regulations. Legally, this regulatory framework provides a foundation for more professional, accountable, and productive waqf management. In the context of national policy, waqf has increasingly been recognized as an Islamic social financial instrument that can contribute to achieving the Sustainable Development Goals (SDGs). However, the implementation of waqf management in practice still faces several challenges. According to the study by (Santoso & Musthofa, 2022) , public literacy regarding waqf remains low. Many people are unfamiliar with the proper procedures for endowment and unaware of the economic benefits that waqf can offer. Additionally, there are weaknesses in the capacity and professionalism of Nazhir (waqf managers), who often lack adequate managerial and financial skills to manage waqf assets productively (Habibaty, 2017). This is consistent with the findings of (Mohd Thas Thaker et al., 2016), who identified institutional capacity weaknesses and lack of innovation in management models as major barriers to optimizing waqf assets.

Another critical challenge is the absence of structured and comprehensive data to evaluate the extent of waqf's contribution to economic development. Data-based evaluation is essential for formulating systematic policies for waqf enhancement. Currently, economic development in Indonesia is measured by various macroeconomic indicators such as the Human Development Index (HDI), the Open Unemployment Rate (OUR), and the poverty rate. However, the empirical linkage between waqf management performance and these indicators has not been sufficiently explored. (Ismail & Possumah, 2015) showed that while waqf holds significant potential to support community welfare, the quantitative relationship between waqf performance and economic indicators remains scarcely addressed in the literature. Most previous studies have focused on the normative, legal, and religious aspects of waqf without directly linking it to measurable economic impacts. Moreover, existing studies tend to be descriptive and have yet to provide substantial quantitative evidence regarding the contribution of waqf to economic development at the provincial level (M. K. Hassan et al., 2021; Kachkar, 2017).

In recent years, the Indonesian Waqf Board (BWI) has developed the National Waqf Index (IWN) as an instrument for measuring waqf performance. This index covers institutional, regulatory, asset management, literacy, and socio-economic impact dimensions. Nevertheless, few studies have utilized IWN as a primary variable in analyzing the relationship between waqf management performance and regional economic development. Research by Aziz et al. (2020) employed the IWN to assess national-level waqf management readiness but did not extend the analysis to the provincial level, which is particularly relevant under Indonesia's decentralized governance system. Therefore, it is crucial to develop a data-based analytical model to explore the spatial relationship between waqf performance and economic development achievements across provinces. One potential method is quadrant analysis, which enables the classification of regions based on a combination of IWN scores and economic development indicators, thereby facilitating more targeted policy direction.

This study aims to fill that gap by mapping waqf management performance and examining its relationship with economic development indicators in 34 Indonesian provinces. By utilizing data from the IWN and macroeconomic indicators (HDI, OUR, and poverty rates), this study will classify provinces into four quadrants based on waqf performance and economic development levels. This approach not only provides a spatial overview of waqf contributions but also offers opportunities to deliver context-specific and evidence-based policy recommendations. In other words, this study provides a new contribution by integrating waqf performance measurement and economic development indicators within a unified empirical framework.

Thus, this research is expected to enrich the Islamic economics literature, particularly concerning the role of waqf in economic development. The findings are anticipated to serve as a reference for policymakers and stakeholders in formulating strategies to strengthen waqf governance at the regional level. Moreover, the research outcomes can be used as a means of advocacy and public education about the importance of waqf as an Islamic economic instrument with tangible impacts on welfare improvement and social inequality reduction. Specifically, this study offers a new perspective that strengthening waqf institutions must be integrated into the broader national and regional economic development agenda. Therefore, this research is not only academic in nature but also holds wide practical implications for planning value-based economic development.

2. LITERATURE REVIEW

Waqf is aligned with *Maqashid Sharia* goals and can support the realization of several Sustainable Development Goals (SDGs), especially in Muslim-majority countries (Abdullah, 2018; R. Hassan et al., 2021; Mukharrom et al., 2022). The study by Abdullah (2018) ound that the majority of the 17 SDGs are aligned with the long-term goals of maqasid sharia, suggesting that waqf stakeholders can develop waqf-based development plans in line with the SDGs. Waqf practices can support the achievement of the SDGs, as revealed in the explanatory research by Karimah et al. (2023) that waqf has characteristics that are in line with the SDGs, especially 7 out of 17 SDGs goals. Thus, waqf can play an important role in addressing poverty, hunger, health, education, clean energy, decent work, and economic growth, in line with the SDGs goals (Karimah et al., 2023). Programs such as productive waqf initiatives in agriculture show waqf can provide income support to the poor, address food insecurity, and improve livelihoods (Karimah et al., 2023). Historically, waqf institutions have offered protection and resources to the needy, demonstrating the role of waqf institutions in promoting social justice and economic empowerment (Jaas, 2022).

2.1 Waqf and Poverty

In a bibliometric study of waqf research in poverty alleviation, Yusra et al. (2022) revealed the potential of cash waqf in reducing poverty is enormous. The flexibility of cash waqf allows more people to get involved. Haryanto (2012) has elaborated on poverty alleviation through cash waqf from micro and macroeconomic perspectives. From a micro perspective, cash waqf can help individuals and small businesses by providing financial assistance. From a macro perspective, cash waqf can strengthen the social welfare system by raising funds for large-scale development projects, thus potentially improving economic stability and reducing poverty at large. However, management constraints such as the lack of understanding of human resources and the community hinder the optimization of cash waqf potential (Yusra et al., 2022). Cash waqf can help alleviate poverty by creating jobs, reducing unemployment, and empowering the real sector through selective production activities that are in line with Sharia principles (Kalimah, 2020). Cash waqf can be a source of funding for various sectors, including social enterprises and financial technology startups, thus supporting economic stability and community welfare (Fauziah & Kassim, 2022; Nurjanah & Hasanah, 2021). Moreover, integrating waqf with microfinance can increase its effectiveness in addressing poverty by providing Sharia-compliant financial solutions for the underprivileged (Fitriani et al., 2024).

On the other hand, some studies also show that the implementation of cash waqf is not effective in alleviating poverty. For example, the implementation of cash waqf in Nu-Care LazisNU Yogyakarta is considered ineffective due to legal, social, and infrastructural challenges, which limit its impact on poverty alleviation even though some beneficiaries exceed the absolute poverty threshold (Anam, 2024). Furthermore, while waqf has a historical role in supporting social welfare, its modern implementation often lacks the necessary strategic alignment with current socio-economic needs, resulting in underutilization of available resources (Abdullah, 2018). In addition, the need for skills and professionalism in waqf management is crucial, as ineffective management can cause obstacles in waqf management (Fitriani et al., 2024; Kalimah, 2020).

2.2 Waqf and Unemployment

Waqf is also identified as a potential tool to address unemployment. By allocating funds for investment and development projects, waqf can create jobs and contribute to the socio-economic development of communities (Jaas, 2022; Moslim, 2021). Cash waqf in particular can be used to finance small projects and micro-enterprises, which are effective in reducing unemployment by providing opportunities for individuals to start their own businesses (Alani et al., 2016). Thus, by optimizing the waqf, efforts to combat unemployment can be made through providing interest-free loans and financing small projects, which helps in economic development including poverty reduction (Jaas, 2022). Cash waqf can therefore be used to create jobs, support community enterprises, and fulfill basic needs, thereby contributing to social welfare and economic stability (Kalimah, 2020; Syamsuri et al., 2020).

2.3 Waqf and HDI

Basically, cash and non-cash waqf have an impact on the welfare of society. Under Law No. 41 of 2004, the Indonesian Waqf Board (BWI) is authorized to manage waqf to empower communities in various fields, including education, health, social, and economic, with the principle that waqf assets remain perpetual and eternal. Non-productive waqf, such as for schools and hospitals, helps improve access to education and healthcare, which in turn improves the Human Development Index (HDI) (Salsabilah, 2024). Productive waqf such as effective management and optimization of cash waqf funds can also have a positive impact on various sectors such as religious, health, education, and economic facilities (Kholili et al., 2023). This is especially true when funds are allocated according to the specific needs and urgencies of the community. In the research Salsabilah (2024) proves that waqf performance as measured by the national waqf index (IWN) has a significant effect on the human development index (HDI).

Many studies have explored the role of waqf in addressing socioeconomic problems. However, research that specifically addresses the effect of IWN on socioeconomic indicators is limited. Research by (Salsabilah, 2024) has examined the relationship between IWN and HDI, but the effect of IWN on unemployment and poverty indicators has not been explored. Therefore, this study contributes to filling this gap by analyzing the local context at the provincial level in Indonesia.

3. METHODOLOGY

This study adopts a quantitative research approach, as it seeks to empirically map and analyze the relationship between waqf management performance and economic development outcomes across Indonesia's 34 provinces. Quantitative analysis is considered appropriate for this study because it allows for objective measurement and statistical interpretation of complex relationships between variables. Two main analytical techniques are utilized: Quadrant Analysis and Correlation Analysis. Quadrant Analysis serves to categorize provinces based on the relative position of their waqf management performance and economic development indicators, providing a visual and strategic understanding of regional disparities. Meanwhile, Correlation Analysis is applied to quantify the strength and direction of the association between waqf performance and development achievements. By combining these methods, the study not only identifies spatial patterns but also provides statistical insights into the extent of waqf's contribution to regional development. The integration of these two techniques aims to support evidence-based policy recommendations by highlighting which regions require strategic interventions.

The data employed in this research are entirely secondary, collected from reputable and authoritative sources to ensure validity and reliability. Economic development indicators are drawn from the Central Bureau of Statistics (BPS), specifically focusing on the Human Development Index (HDI), the Open Unemployment Rate (OUR), and the poverty rate, as these are critical measures of socio-economic progress. Meanwhile, the performance of waqf management is proxied by the National Waqf Index (IWN), developed and published by the Indonesian Waqf Board (BWI) in 2023. The IWN offers a comprehensive assessment across several dimensions, including regulatory, institutional, and socio-economic impact aspects. This combination of datasets enables a holistic examination of the research questions. Detailed operational definitions of all variables used in the analysis are presented systematically in Table 1, ensuring clarity and consistency throughout the empirical investigation.

Table 1. Operational Definition

No	Variable	Source	Definition
1	IWN	(BWI, 2023)	An index designed to be an instrument or tool to measure the performance of waqf in a region from various measurement dimensions.
2	Pov	(Todaro & Smith, 2011)	People who are undernourished and in poor health, have low levels of education, live in areas with poor environments, and earn low incomes.
3	TPT	BPS, 2015	Percentage of the population who are looking for work, who are preparing a business, who are not looking for work because they do not think they can find a job, who have a job but have not yet started working out of the total labor force.
4	IPM	(Todaro & Smith, 2011)	A country's socioeconomic development achievement, which combines achievements in education, health, and adjusted real income per capita.

Source: processed by the author (2024)

3.1 Quadrant Analysis

This study employs Quadrant Analysis to map the relative performance of Indonesia's 34 provinces based on two critical dimensions: waqf management performance, as measured by the National Waqf Index (IWN), and economic development indicators, specifically the Human Development Index (HDI), the Open Unemployment Rate (OUR), and the poverty rate. This analytical approach facilitates a systematic categorization of provinces, highlighting their respective strengths and weaknesses, and providing strategic insights into regional disparities and developmental needs.

To structure the quadrant logic effectively, the study applies the Importance-Performance Analysis (IPA) framework. IPA is a widely recognized tool in strategic management and service quality assessment, enabling organizations to prioritize areas for improvement by evaluating the importance and performance of various attributes (Martilla & James, 1977). In this context, the X-axis represents the importance of development outcomes (e.g., poverty reduction, employment creation, and human development), while the Y-axis denotes the actual performance of waqf management (IWN scores). This two-dimensional matrix divides the provinces into four quadrants, each with specific strategic implications:

i. Quadrant I (High Importance – High Performance): Provinces demonstrating both strong waqf management and significant development achievements. These areas are categorized as "Keep up the Good Work," indicating that current practices should be preserved and continuously strengthened.
ii. Quadrant II (Low Importance – High Performance): Provinces where waqf management performance is robust, but development challenges are less critical. Termed "Possible Overkill," this quadrant suggests that resources might be optimized elsewhere without compromising current performance.

iii. Quadrant III (Low Importance – Low Performance): Provinces exhibiting weak waqf management and less pressing development needs. Identified as "Low Priority," these areas require attention but are not immediate strategic concerns.
iv. Quadrant IV (High Importance – Low Performance): Provinces facing urgent development challenges yet displaying poor waqf management performance. Referred to as "Concentrate Here," these regions demand immediate and focused policy interventions to enhance waqf governance and accelerate socio-economic improvements.

This quadrant-based mapping serves as a strategic diagnostic tool, enabling policymakers and stakeholders to visualize and prioritize interventions effectively. By clearly positioning each province within a specific quadrant, the analysis not only identifies regions performing well but also highlights those significantly lagging. Provinces in Quadrant I can serve as benchmarks, while those in Quadrant IV should be prioritized in policy formulation, capacity building, and resource allocation efforts. The IPA framework thus enhances the relevance and precision of policy responses, ensuring that interventions are evidence-based and context-sensitive (Seng Wong et al., 2011)

3.2 Correlation Analysis

To analyze the relationship between waqf management performance and economic development indicators, this study uses both Pearson's correlation coefficient (r) and R-squared (R^2). Pearson's r measures the strength and direction of the linear relationship between two variables, with values ranging from -1 to +1. Meanwhile, R-squared (R^2) measures the proportion of variance in the dependent variable that can be explained by the independent variable, ranging from 0 to 1. Both values are reported to provide a clearer understanding of the correlation between waqf management and development outcomes. Reporting Pearson's r allows readers to understand whether the relationship is positive or negative, while R-squared provides a measure of how much of the variation in economic development indicators is explained by waqf management performance.

The Pearson correlation coefficient (r) is calculated using the following formula:

$$r = \frac{n(\sum XY) - (\sum X)(\sum Y)}{\sqrt{[n\sum X^2 - (\sum X)^2][n\sum Y^2 - (\sum Y)^2]}}$$

Where:

r = is the pearson correlation coefficient.
X = is the waqf management performance variable.
Y = is the economic development variable.
n = is the number of provinces observed.

Meanwhile, the coefficient of determination (R^2) is simply the square of r ($R^2 = r^2$).

To assess the strength and direction of the relationship between waqf management performance and economic development indicators, this study employs Pearson correlation analysis. This statistical method is suitable for quantifying the linear association between two continuous variables, providing insights into how variations in waqf management may be associated with changes in economic development across different provinces. The variables analyzed encompass waqf management performance metrics, such as the amount of waqf assets and the level of waqf utilization, alongside economic development indicators sourced from the Central Bureau of Statistics (BPS), including the Human Development Index (HDI), the Open Unemployment Rate (OUR), and the poverty rate. The analysis focuses on 34 provinces in Indonesia, aligning with the scope of the 2023 release of the National Waqf Index (IWN) report, which was limited to these provinces. The list of the 34 provinces included in this study is presented in Table 2.

Table 2. List of Analyzed Provinces in Indonesia

No	Provinces	No	Provinces
1	Aceh	18	Nusa Tenggara Barat
2	Sumatera Utara	19	Nusa Tenggara Timur
3	Sumatera Barat	20	Kalimantan Barat
4	Riau	21	Kalimantan Tengah
5	Jambi	22	Kalimantan Selatan
6	Sumatera Selatan	23	Kalimantan Timur
7	Bengkulu	24	Kalimantan Utara
8	Lampung	25	Sulawesi Utara
9	Kep. Bangka Belitung	26	Sulawesi Tengah
10	Kep. Riau	27	Sulawesi Selatan
11	DKI Jakarta	28	Sulawesi Tenggara
12	Jawa Barat	29	Gorontalo
13	Jawa Tengah	30	Sulawesi Barat
14	DI Yogyakarta	31	Maluku
15	Jawa Timur	32	Maluku Utara
16	Banten	33	Papua
17	Bali	34	Papua Barat

Source: Processed by the author (2024)

4. RESULTS AND DISCUSSION

4.1 Result

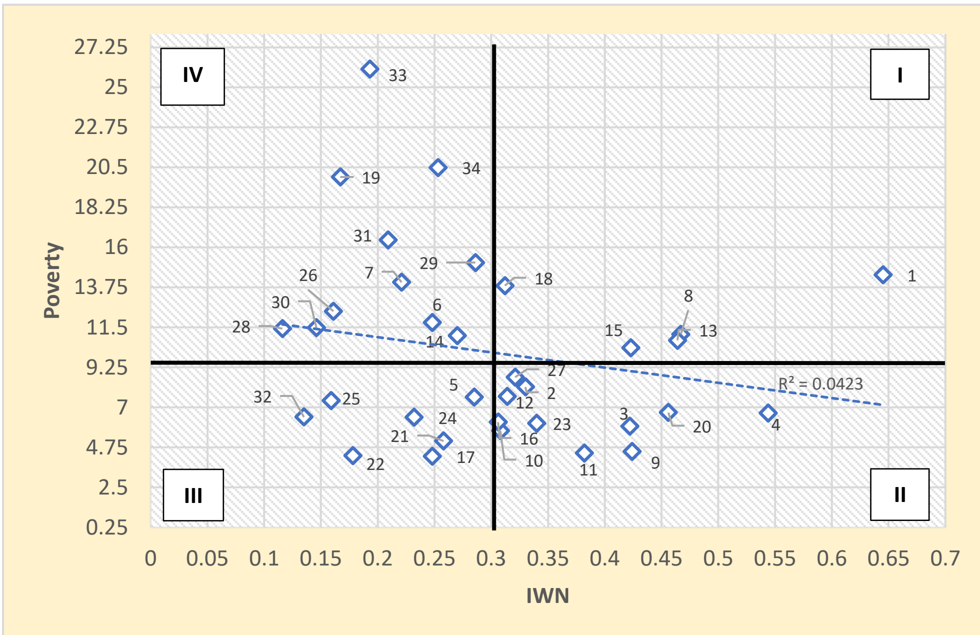

Figure 1. Analysis of IWN Contribution to Poverty
Source: BAZNAS and BPS (processed by the author, 2024)

The coefficient of determination (R-squared) in figure 1 is 0.0423, This value is very small and close to 0 indicating that there is almost no linear relationship between the IWN variable and the poverty rate. This means that variations in the poverty rate are very little affected by variations in IWN. It also indicates that other factors outside of waqf management have a much greater influence on the poverty rate. The results of this analysis of the contribution of IWN to poverty suggest that although waqf management is important, it is not the main factor in determining the poverty level of a region. To achieve significant poverty reduction, a more comprehensive approach involving various sectors is required.

Quadrant I contains 5 provinces with high IWN and poverty rates that are more than the national average with the percentage of poor people above 9.36 percent and an IWN score above 0.30. This condition shows that despite good waqf management, the poverty rate is still high so that the performance of waqf has not been able to be optimized to overcome poverty problems. The five provinces are Aceh, East Java, Central Java, Lampung, and NTB. As for quadrant II, there are 11 provinces with high IWN and low poverty rates. This condition is ideal and expected because it shows that good waqf management can contribute to the reduction of poverty. Meanwhile, in quadrant III, there are 7 provinces with high IWN scores and low poverty rates. This indicates that both waqf management and poverty levels in this region are low. Then in quadrant IV, 11 provinces have low IWN scores and high poverty rates. This condition is the worst and least expected of the economic development conditions as it indicates that the poverty rate is high and waqf management is less than optimal.

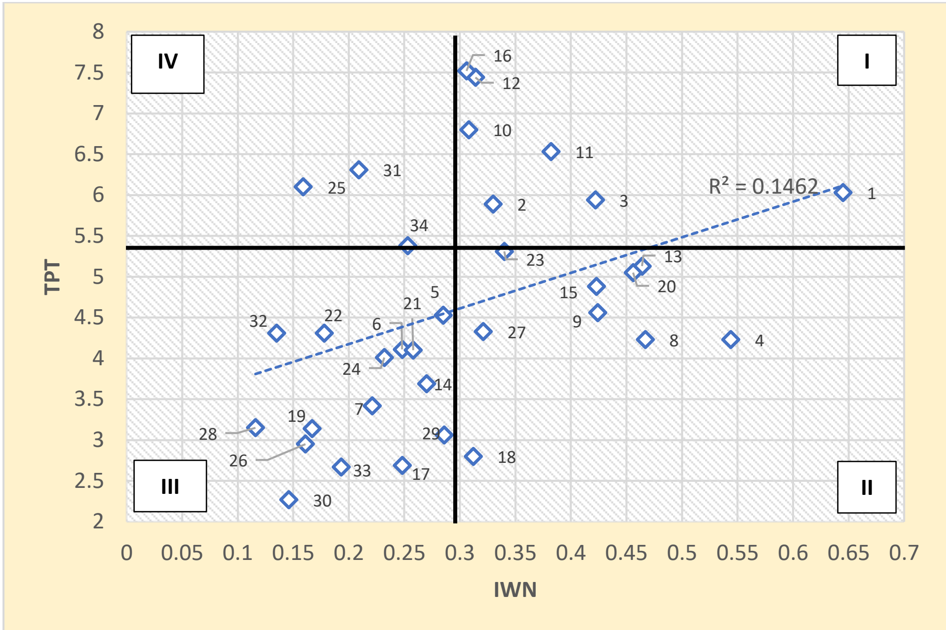

Figure 2. Analysis of IWN Contribution to TPT
Source: BAZNAS and BPS (processed by the author, 2024)

Figure 2 above is a scatterplot graph illustrating the relationship between the Index of National Waqf (IWN) and the Open Unemployment Rate ("TPT") in 34 provinces in Indonesia. The listed R-squared value (0.1462) indicates that the correlation between IWN and TPT is relatively weak. This means that the variation in the TPT can only be explained to a small extent by the variation in IWN at 14.6 percent. Therefore, although waqf management has an influence on the unemployment rate, the influence is not very strong and there are many other factors that also play a role. In addition, the data points are spread fairly evenly across the four quadrants, suggesting that there is no clear and consistent pattern between IWN and unemployment.

Regions in quadrant I have high IWN and TPT scores that both exceed the national average IWN (0.30) and TPT scores (5.32). Quadrant I indicates that although waqf management in these 7 regions is good, the unemployment rate is also high. The regions included in quadrant I include Aceh, West Sumatra, North Sumatra, Riau Islands, West Java, DKI Jakarta, and Banten. Furthermore, quadrant II shows that the 9 regions in this quadrant have high IWN values and low TPT. Quadrant II is an ideal condition and it is expected that waqf can contribute to the reduction of the unemployment rate. Meanwhile, quadrant III shows 15 regions that have low IWN and TPT values, indicating that both waqf management and the level of employment in this region are still low. The 3 regions in quadrant IV have low IWN values but high TPT. This condition is the least expected from economic development.

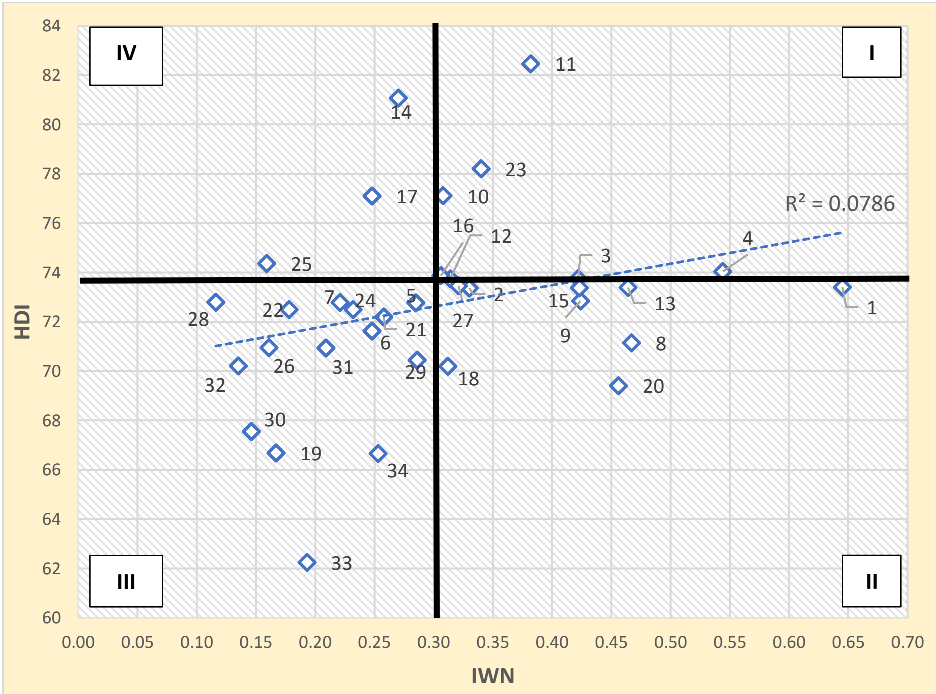

Figure 3. Analysis of IWN Contribution to IPM
Source: BAZNAS and BPS (processed by the author, 2024)

Based on the scatterplot graph analysis presented, there is a weak correlation between IWN and HDI. This is indicated by the distribution of data points that do not form a clear pattern and the low coefficient of determination (R-squared) (0.0786). This means that the variation in HDI cannot be significantly explained by the variation in IWN. In addition, the data points are spread fairly evenly across the quadrants, indicating that there is no clear pattern between provinces with high IWN and high HDI, or vice versa.

Quadrant I shows that the 7 regions in this quadrant have good waqf management judging from the IWN score that is above the Indonesian average (0.301) and also a high level of human development judging from the HDI value that is more than the Indonesian average HDI value (73.55). As for quadrant II, 9 provinces in it have good waqf management, but the level of human development is still low. The nine provinces are Aceh, Lampung, North Sumatra, Bangka Belitung Islands, West Kalimantan, Central Java, East Java, West Nusa Tenggara and South Sulawesi. Furthermore, in quadrant III, these 15 provinces have poor waqf management and low levels of human development, indicating major challenges in both aspects. Meanwhile, in quadrant IV, there are 3 provinces that have poor waqf management, but high levels of human development. This could be due to the fact that human development in these areas is driven by factors other than waqf.

Table 3. Summary of Quadrant Classification

Quadrant	IWN Score	Development Indicator	Status of Indicator	Implication
I	High	Poverty / Unemployment	High (undesirable)	Good waqf management but poverty/unemployment remains high; waqf potential not fully optimized.
	High	HDI	High (desirable)	Ideal condition; waqf likely supports human development.
II	High	Poverty / Unemployment	Low (desirable)	Ideal condition; waqf management contributes to lowering poverty/unemployment.
	High	HDI	Low (undesirable)	Good waqf management, but human development still low; waqf potential needs strengthening.
III	Low	Poverty / Unemployment	Low (desirable)	Poor waqf management, but poverty/unemployment low; improvements likely driven by other factors.
	Low	HDI	Low (undesirable)	Poor waqf management and low human development; facing major development challenges.
IV	Low	Poverty / Unemployment	High (undesirable)	Poor waqf management and high poverty/unemployment; double challenge for development.
	Low	HDI	High (desirable)	Poor waqf management but good human development; achievements likely due to other sectors.

Source: processed by the author (2025)

4.2 Discussion

4.2.1 Waqf contribution to Poverty

The analysis of Figure 1 reveals that there is an equal distribution of 11 provinces with high IWN and low poverty rates in quadrant II (ideal conditions) and 11 provinces with low IWN scores and high poverty rates in quadrant IV (worst conditions). The condition in quadrant II is the expected condition as found in previous studies that waqf can contribute to poverty alleviation (Haryanto, 2012; Kalimah, 2020; Syamsuri et al., 2020; Yusra et al., 2022). Quadrant I should be a critical point for the government in developing strategies to optimize waqf as an instrument in overcoming poverty. Of the 5 provinces in quadrant I, Aceh Province with a Muslim majority and the highest IWN achievement, in fact, has not been able to show that high waqf performance can contribute to reducing poverty in Aceh Province.

Aceh Province has many waqf lands, but the reality is that many waqf lands in Aceh do not have administrative legality, causing disputes, conversion, and claims from heirs (Fitriani et al., 2024). On the other hand, Nazirs have difficulty maintaining the assets because the waqf pledge is done orally. Waqf management in Aceh is usually carried out by individuals or community groups with direct attachment to the assets, making its governance more personalized and community-based (Fitriani et al., 2024). As such, this traditional approach often faces challenges in administration and transparency. Research by Fitriani et al. (2024) explains that a combination of inadequate management, limited use of productive assets, cultural barriers, lack of institutional support, and the need to build capacity are factors contributing to the inability of waqf performance in Aceh to effectively address poverty. Addressing these issues is crucial to maximizing the potential of waqf as a tool for social and economic development.

4.2.2 Waqf Contribution to Unemployment Rate

Based on the analysis results in Figure 2, quadrant II (ideal conditions) contains 9 regions that have high IWN values and low TPT and only 3 regions in quadrant IV (worst conditions) that have low IWN values but high TPT. The ideal condition in quadrant II is in line with previous studies that reveal the contribution of waqf in overcoming unemployment (Alani et al., 2016; Jaas, 2022; Kalimah, 2020; Moslim, 2021). Furthermore, the discussion of this graph 2 analysis is focused on quadrant I, namely regions that have high IWN and TPT values. Because in fact, the good performance of waqf has not been able to overcome the unemployment problem in 7 provinces in Indonesia. The provinces of Aceh and West Sumatra as Muslim-majority regions that are famous for the application of Islamic values in culture are also included in this quadrant. The results of this study also prove that high waqf performance does not guarantee an optimal contribution to economic development in Muslim-majority areas that have the largest waqf potential.

The problems of waqf management in West Sumatra cover several key aspects, namely Nazir, institutional/regulatory, community, waqif, and *mauquf 'alaih* (Wira et al., 2021). For example, the problems faced in Aceh province (Fitriani et al., 2024), In West Sumatra, research by Wira et al. (2021) also identified the lack of knowledge and professionalism of Nazirs as waqf managers and the delay in replacing Nazirs who died. In addition, the difficulty of certifying waqf land, BWI's lack of coordination, and the lack of socialization are also still obstacles that should be overcome by the government as a policy maker. From the community side, there is also a lack of understanding about productive waqf, lack of education, and trust in waqf management. Many waqifs lack coordination with their heirs so that land is often disputed. Another obstacle is the distribution of waqf proceeds that are still consumptive so that they cannot be productive to overcome unemployment.

4.2.3 Waqf Contribution to Human Development Index (HDI)

Analysis of the results of graph 3 shows that there are 7 regions in quadrant I (ideal condition), indicating that 7 regions have high waqf performance and HDI, and 15 regions in quadrant III (worst condition) with poor waqf management and low levels of human development. The focus of this discussion of the contribution of waqf to HDI is on quadrant II because 9 provinces have good waqf management, but their level of human development is still low. Among them are Aceh, Lampung, West Nusa Tenggara, East Java and Central Java whose waqf contributions have not optimally addressed HDI and poverty.

According to Rusydiana & Marlina (2018) the challenges of waqf management in East Java are due to several factors such as lack of accessibility, ineffective Nazir roles, regulatory challenges, public awareness, and financial transparency. Many potential waqf contributors find it difficult to access waqf-related information and services. This lack of accessibility limits community participation in waqf activities, which is crucial for its growth and sustainability. Furthermore, the role of Nazirs has not been fully optimized due to their lack of skills. Furthermore, gaps in the regulations governing waqf can lead to inconsistencies in waqf management practices. The lack of clear guidelines can create confusion and hinder effective governance. In addition, there is a lack of knowledge and understanding of waqf among the public. This includes limited awareness of the benefits and mechanisms of waqf, which affects community engagement and contribution. Finally, transparency and accountability in financial management are essential. The absence of clear financial reporting can lead to distrust among stakeholders, which is essential for the sustainability of waqf institutions.

Kholili et al. (2023) revealed that optimized cash waqf funds can potentially increase the Human Development Index (HDI). Optimal cash waqf management can promote economic empowerment, redistribute wealth, meet community needs, ensure sustainable development, and utilize a supportive regulatory framework. Research by Kholili et al. (2023) highlighted that effective waqf management can lead to substantial improvements in various aspects of people's lives, ultimately raising the HDI. Despite the potential of cash waqf to reduce poverty and improve people's welfare, the understanding and implementation of productive waqf remains limited, as many still associate waqf primarily with land and buildings rather than mobile assets (Kholili et al., 2023). Furthermore, the lack of effective management practices and transparency has resulted in underutilized waqf assets, which could otherwise contribute to economic empowerment (Karimah et al., 2023; Mustofa et al., 2020).

5. CONCLUSION

Waqf instruments can ideally contribute to economic development, particularly in reducing poverty, improving the human development index, and reducing unemployment. The Indonesian government supports efforts to optimize waqf management by introducing the National Waqf Index (IWN) as a waqf performance measurement tool for each province in Indonesia. The results of this study reveal 4 quadrants of the distribution of 34 provinces in Indonesia based on the contribution of IWN to each development indicator, namely poverty, unemployment rate and HDI. There are ideal conditions (high IWN and development indicators), worst conditions (low IWN and development indicators), low IWN and high development indicators, and the focus of discussion is the condition when IWN is high but development indicators are low. This indicates that the high performance of waqf has not been able to overcome the problems of poverty, TPT, or HDI in the area.

Some of the inhibiting factors of waqf contribution that can be identified based on the characteristics of waqf management in each region are the problems of waqf land certification and disputes, the lack of Nazir competence in empowering waqf, and the understanding of waqf that has not yet shifted to productive. As the findings of this study reveal, the high IWN in Aceh Province has not been able to overcome the problems of poverty, TPT, and HDI in Aceh Province which are still low, placing Aceh in quadrant 1. In provinces categorized as having high IWN but low development indicators, such as Aceh, Lampung, Central Java, and NTB, the findings suggest that while waqf management infrastructure and processes may be robust, broader structural and socio-economic challenges hinder the realization of waqf's potential benefits. Factors such as limited integration of waqf programs with government poverty alleviation strategies, lack of focus on productive waqf initiatives (e.g., education, healthcare, microfinance), and regional economic disparities could explain this mismatch. Therefore, actionable insights for these regions include strengthening the alignment of waqf projects with local development priorities, promoting investment in productive waqf assets rather than consumptive ones, enhancing collaboration between Nazir and regional development agencies, and developing community-based waqf empowerment models tailored to specific socio-economic contexts.

This research's novelty is examining the contribution of waqf to economic development in provincial level by using data from the National Waqf Index (IWN) 2023 in 34 provinces in Indonesia. On the other hand, this study also has limitations because the 2023 IWN data used in this study only released the scores but not the scores of each IWN measurement indicator as in previous years. Therefore, researchers are less able to explore the reasons behind the contribution of IWN in each province in Indonesia. In addition, in analyzing the relationship between IWN and economic development indicators such as poverty percentage, TPT, and HDI, it is limited to Importance-Performance Analysis (IPA) scatterplot quadrant analysis and correlation analysis of the R-squared value. So that further research can be developed with more comprehensive methods quantitatively and qualitatively by directly researching at the regional BAZNAS.

The implications of this study suggest that future research should not only advocate for improvements in waqf governance and Nazir capacity building but also explore the contextual socio-economic factors that may moderate the impact of waqf on development outcomes. Additionally, studies could develop other method and more detailed frameworks for assessing the effectiveness of waqf programs at the local level, especially when aggregate IWN scores alone are insufficient to capture ground realities.

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