

## INTEGRATION OF CASH WAQF IN THE HALAL VALUE CHAIN ECOSYSTEM: A STRATEGY TO STRENGTHEN THE COMPETITIVENESS OF HALAL PRODUCTS

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### Abstract

Cash waqf is an Islamic social finance instrument that has great potential in supporting sustainable economic development, especially in the halal value chain ecosystem. This study aims to analyze the integration strategy of cash waqf in strengthening the competitiveness of halal products based on Islamic economic principles. Through a qualitative approach with literature study and conceptual analysis, this study finds that the integration of cash waqf can be a stable and inclusive alternative funding source for strategic sectors in the halal value chain, such as halal agriculture, food and beverage industry, pharmaceuticals, cosmetics, and Islamic logistics. Cash waqf that is managed professionally and transparently can be used to support working capital financing, capacity building for halal MSMEs, and halal infrastructure development, thus encouraging efficiency, innovation, and standardization of halal products. In addition, this integration also strengthens aspects of social justice and wealth distribution through a sustainable empowerment model. This research recommends synergy between nazir institutions, halal industry, Islamic financial authorities, and the government in building a policy framework that allows cash waqf management to be integrated with the halal value chain. The main contribution of this study lies in its effort to develop a strategic and integrative framework that positions cash waqf as a catalytic financial instrument within the Halal Value Chain ecosystem, thereby enhancing the global competitiveness of halal products through a practical application of Sharia-based economic principles.

**Keywords :** Cash waqf, Halal MSMEs, Halal products

### Abstrak

Wakaf tunai adalah instrumen keuangan sosial Islam yang memiliki potensi besar dalam mendukung pengembangan ekonomi berkelanjutan, terutama dalam ekosistem rantai nilai halal. Studi ini bertujuan untuk menganalisis strategi integrasi

wakaf tunai dalam memperkuat daya saing produk halal berdasarkan prinsip-prinsip ekonomi Islam. Melalui pendekatan kualitatif dengan studi literatur dan analisis konseptual, penelitian ini menemukan bahwa integrasi wakaf tunai dapat menjadi sumber pendanaan yang stabil dan inklusif untuk sektor-sektor strategis dalam rantai nilai halal, seperti pertanian halal, industri makanan dan minuman, farmasi, kosmetik, dan logistik Islam. Uang wakaf yang dikelola secara profesional dan transparan dapat digunakan untuk mendukung pembiayaan modal kerja, pengembangan kapasitas UMKM halal, dan pembangunan infrastruktur halal, sehingga mendorong efisiensi, inovasi, dan standarisasi produk halal. Selain itu, integrasi ini juga memperkuat aspek keadilan sosial dan distribusi kekayaan melalui model pemberdayaan berkelanjutan. Penelitian ini merekomendasikan sinergi antara lembaga nazir, industri halal, otoritas keuangan Islam, dan pemerintah dalam membangun kerangka kebijakan yang memungkinkan pengelolaan waqf tunai terintegrasi dengan rantai nilai halal. Kontribusi utama studi ini terletak pada upayanya untuk mengembangkan kerangka kerja strategis dan integratif yang menempatkan wakaf tunai sebagai instrumen keuangan katalis dalam ekosistem rantai nilai halal, sehingga meningkatkan daya saing global produk halal melalui penerapan praktis prinsip-prinsip ekonomi syariah.

**Kata Kunci :** Wakaf tunai, UMKM halal, Produk halal

## **Introduction**

Islamic economics has developed into one of the important pillars in the global economic architecture, with the halal industry as one of its flagship sectors. The growth in demand for halal products and services comes not only from Muslim-majority countries, but also from the international community who are beginning to realize the advantages of halal standards in terms of safety, quality, and production ethics. In this context, the halal value chain is a key concept that covers the entire process of production, distribution and consumption in accordance with sharia principles (Fathoni et al., 2025). However, despite the huge potential of the halal market, challenges in terms of competitiveness, financing, innovation, and business empowerment are still a major obstacle, especially for micro, small, and medium enterprises which are the backbone of the halal sector in many countries.

One strategic opportunity that has not been optimally utilized is the integration of cash waqf into the halal value chain ecosystem. Cash waqf as an Islamic social finance instrument offers a unique and sustainable approach to value-based financing (Zahro & Widiastuti, 2022). Unlike profit-oriented

commercial instruments, cash waqf has strong spiritual and social dimensions. Productively managed cash waqf funds can be a source of long-term financing that not only supports the growth of the halal sector, but also strengthens the justice and empowerment dimensions of the economy. Amidst the limited access to conventional financing and the risk of reliance on interest-bearing credit, cash waqf presents an alternative solution that complies with the maqashid principles of sharia and supports Islamic financial inclusion (Khoirun Nissa & Syariah dan Ekonomi Islam, 2023).

Research on the integration of cash waqf into the Halal Value Chain (HVC) ecosystem remains limited and has not been extensively explored, particularly in the context of strategies to enhance the competitiveness of halal products based on Sharia economics. Most of the existing literature tends to focus on the individual aspects of cash waqf and the Halal Value Chain separately. Studies on cash waqf often highlight its socio-economic potential and its role in sustainable development, education, healthcare, and poverty alleviation. Meanwhile, research on the Halal Value Chain mainly emphasizes halal standards, certification, supply chain mechanisms, and the role of governments and Islamic financial institutions in supporting the halal industry. However, the integration of both components into a strategic, mutually reinforcing system remains significantly underexplored (Prinaldi et al., 2025).

Furthermore, the majority of studies discussing the integration of Islamic social finance, including cash waqf, into economic development still focus on macro-level approaches and have yet to delve into micro-level applications such as implementation in the production process, distribution channels, and marketing of halal products. Few studies examine how cash waqf schemes can be productively utilized to strengthen the structure and competitiveness of the Halal Value Chain whether in terms of production cost efficiency, financing for halal MSMEs, or expansion into global markets.

Thus, there is a critical gap in the literature regarding the need for an integrative model between cash waqf as an Islamic social finance instrument and the Halal Value Chain as a framework for developing the halal industry. Moreover, there is a lack of research offering strategic approaches grounded in Sharia economics that are not only normative but also operational and applicable in supporting the global competitiveness of halal products. This study aims to fill that gap by proposing both a conceptual and practical approach that can serve as a reference for the development of more progressive and competitive Islamic economic policies (Prasetyo et al., 2025).

The integration of cash waqf into the halal value chain demands a strategic and systemic approach that involves collaboration between nazir institutions, halal industry players, Islamic financial regulators, and government authorities (Bawana et al., 2025). Within this framework, cash waqf can be directed to support various critical points in the halal value chain, ranging from financing halal farmers and raw material producers, increasing production capacity through appropriate technology, establishing halal research centers, to building supporting infrastructure such as certification laboratories, halal logistics centers, and sharia-based digital marketing platforms. With proper integration, cash waqf is not only a source of financing, but also an instrument to strengthen the ecosystem and increase the competitiveness of halal products in both domestic and global markets.

Furthermore, the development of this integrative model also reflects a commitment to an equitable and sustainable economic transformation. Waqf as a manifestation of Muslim social solidarity provides additional meaning in building a halal industry that is not only competitive but also inclusive and has a high social impact. In the context of Islamic economics, the integration of cash waqf into the halal value chain emphasizes the importance of harmonization between economic efficiency and spiritual values, between profitability and blessings (Zahro & Widiastuti, 2022). Therefore, this study becomes relevant in formulating policy strategies and implementation models that are able to make cash waqf the main driver in strengthening the competitiveness of halal products based on Islamic economics.

In the last decade, the development of the halal industry has experienced a significant surge, both in quantity and quality. The State of the Global Islamic Economy Report 2023/24 notes that global Muslim consumer spending reached USD 2.29 trillion in 2022 and is expected to grow to USD 3.1 trillion by 2027 (Haron & Nursofiza Wan Azmi, 2008). The halal industry is no longer limited to the food and beverage sector, but has penetrated the fields of pharmaceuticals, cosmetics, tourism, and fashion. Indonesia, with the largest Muslim population in the world, plays an important role in this ecosystem. However, reality shows that Indonesia's contribution to the global halal industry is still not optimal.

The main obstacles for local halal products lie in limited access to financing, low levels of halal literacy, and difficulties in obtaining expensive and complicated halal certification. Halal MSMEs, which should be the backbone of the national halal industry, still face major obstacles in expanding their business. This is

exacerbated by the dominance of debt-based financing from conventional financial institutions, which is not fully compliant with sharia principles.

At this point, cash waqf comes as a potential solution that offers social and sharia-based financing. Unfortunately, according to Hidayatullah, the implementation of cash waqf in Indonesia is currently still very limited to traditional social fields such as mosque construction or education, not yet strategically directed to productive economic sectors, including the halal value chain (HVC). Thus, there needs to be a serious effort to integrate cash waqf into the HVC ecosystem to strengthen the competitiveness of local and national halal products.

## **Method**

This research uses a qualitative approach with an explorative-descriptive design to explore in depth the potential integration of cash waqf in the halal value chain ecosystem and formulate strategies to strengthen the competitiveness of halal products based on Islamic economics. The qualitative approach was chosen because it is considered capable of providing a comprehensive understanding of complex and multidimensional phenomena, especially in the socio-economic and spiritual context inherent in waqf management and halal industry development. Data collection is done through an in depth literature study. The literature study was conducted by reviewing relevant literature, both from academic journals, books, official reports of waqf institutions and Islamic financial authorities, as well as publications from organizations involved in the development of the halal industry, both at the national and global levels. This literature is used to build a theoretical framework and identify cash waqf integration models that have been implemented in various contexts.

## **Results and Discussion**

Halal Value Chain (HVC) is the concept of integrating halal principles in the entire product production and distribution chain, from raw material procurement, production process, logistics, to consumption. This concept aims to ensure the overall halalness of products and increase global consumer confidence in halal products. However, building a strong HVC is not an easy task. Based on the findings of Hasyim, the challenges faced by local halal industry players include limited financing to obtain halal certification, low product innovation, and dependence on conventional interest-bearing financing (Fathoni et al., 2025). On

the other hand, halal certification is often considered expensive, complicated, and less affordable for MSMEs, thus slowing down the growth of halal businesses.

The concept of *Halal Value Chain* (HVC) has developed as a comprehensive approach that views each segment, from the production of halal raw materials to the end consumer, as an interrelated ecosystem that must maintain halal values throughout the chain (Prinaldi et al., 2025). This concept has received increasing academic attention, especially related to halal supply chain management, pricing, and decision making that considers sharia standards throughout the production to distribution process. In HVC systems, sustainability of halal values demands integrity in the flow of materials, information and financial transactions. A study by institutional studies such as Seuring and Müller highlighted that halal supply chains are much more complicated than conventional chains because they involve physical separation of halal products from haram materials, contamination control, and shariah-compliant transportation and storage management. This requires strict control at all levels-manufacturer, logistics, distribution, and retail-so that consumer perceptions of halal are not compromised.

Technologies such as blockchain play a strategic role in strengthening transparency and traceability in HVC. Emphasized that traceability is a vital component, covering all information from raw material procurement to final market share, and blockchain offers assurance of data security and validity of halal processes. In addition, the technology supports automation and publicly accessible documentation, increasing credibility and consumer confidence.

However, the challenges of halal products do not only come from technical and operational aspects. The limited competence of human resources in understanding halal standards and logistics is a real obstacle, especially for MSMEs.

The level of readiness of small and medium enterprises in dealing with the complexity of HVC is still low, especially regarding technology adoption and certification practices. In addition, the existence of diverse regulations and high certification costs also weakens the competitiveness of halal products in the global market.

Furthermore, there is a research and application gap in countries with large Muslim populations. The despite hundreds of publications on HVC through Scopus, local contexts such as Indonesia still receive little attention, so relevant and adaptive implementation strategies have not been fully developed. Overall, HVC is a paradigm that places halal as a core value in all stages of the product value chain. This concept presents an opportunity to build consumer trust and

expand global market reach. However, structural challenges such as logistics integration, human resource competencies, certification costs, and regulatory adaptation remain significant obstacles. Going forward, collaboration between academia, industry, certification authorities and transparency-based technology will be key in ensuring that halal products not only meet sharia standards, but also have a competitive advantage in the global economy.

Research on the integration of cash waqf into the Halal Value Chain (HVC) ecosystem remains relatively scarce and underdeveloped, particularly in the context of a strategic effort to enhance the competitiveness of halal products through a Sharia-based economic approach. Most studies tend to examine cash waqf and the Halal Value Chain in isolation. Research on cash waqf primarily focuses on its role in social welfare, such as education, healthcare, poverty alleviation, and infrastructure development, while research on the Halal Value Chain emphasizes standardization, certification, supply chain management, and global market access. Literature rarely intersects these domains to explore how cash waqf can serve as a sustainable financing mechanism within the HVC ecosystem, especially for halal micro, small, and medium enterprises (MSMEs) that often face funding constraints.

A comparative look at other Muslim-majority countries reveals important insights. For example, Malaysia has made notable progress in integrating Islamic social finance tools like cash waqf into its halal economic agenda. Through institutions like Waqf Selangor Muamalat and the Halal Development Corporation (HDC), Malaysia has experimented with channelling waqf funds into entrepreneurship programs and halal business incubation. Similarly, Singapore's Majlis Ugama Islam Singapura (MUIS) has successfully mobilized waqf funds for community development, including the support of halal food businesses. Despite these advancements, such integration efforts are still fragmented and lack a cohesive, scalable model that systematically aligns cash waqf with each node of the Halal Value Chain ranging from raw material sourcing and processing to distribution, marketing, and export facilitation.

This study addresses the gap by proposing a comprehensive and practical implementation framework that integrates cash waqf into the HVC ecosystem. The framework consists of three interlinked components:

1. Waqf-Based Halal Business Incubator: Establish waqf-funded incubators targeting startups and MSMEs in the halal sector, providing not only shariah-compliant financing but also training, mentoring, and access to certified halal supply chains.

2. **Digital Waqf-Halal Platform:** Create a centralized digital platform that connects waqf contributors, halal-certified producers, regulatory bodies, and consumers. This enhances transparency, traceability, and trust in halal funding and product origins.
3. **Policy and Institutional Alignment:** Encourage collaboration among waqf institutions, halal certification bodies, Islamic financial institutions, and government agencies to formulate regulations that facilitate the flow of cash waqf into productive halal economic sectors.

### **Cash Waqf: Potential and Barriers to Implementation**

Cash waqf is a form of waqf in the form of cash assets that are managed productively, with the proceeds used for social and economic purposes. The potential for cash waqf in Indonesia is enormous. with the support of regulations such as Law No. 41/2004 on Waqf, the potential of national cash waqf is estimated to reach IDR 180 trillion per year (Dewi et al., 2020). Nevertheless, the implementation of cash waqf is still far from optimal. Factors such as low public literacy about cash waqf lack of innovation in waqf-based financial products, and the lack of involvement of the halal industry sector in the use of waqf funds are the main obstacles.

Digital innovation offers a way out of this stagnation. State that the digitalization of cash waqf through Islamic financial technology (fintech) platforms can expand the reach of waqf collection, increase management transparency, and open up opportunities for waqf integration into productive sectors (Ramadhina et al., 2024).

The proposed integration model in an effort to strengthen the link between cash waqf and the halal industry is the establishment of a digitized Halal Waqf Fund. This collective fund comes from the collection of community cash waqf that is managed productively and transparently through a sharia-based digital platform (Qizam et al., 2025). The utilization of these funds is directed towards three main programs that support each other in strengthening the halal value chain ecosystem. First, financing the halal certification process for MSMEs, which has been a serious obstacle due to the high administrative and technical costs of certification. With support from cash waqf, MSMEs can obtain halal certification more affordably, enabling their products to compete in domestic and global markets (Athar et al., 2023).

Second, waqf funds are used to support research activities and innovation of new halal products. Without innovation, it will be difficult for the local halal



industry to thrive amidst the increasingly fierce global competition. Research is needed not only for product development, but also to meet the increasingly complex and dynamic halal standards in various export destination countries. Funding support from cash waqf will be an alternative non-commercial financing that encourages the creation of high-quality halal products based on research.

Third, the Halal Waqf Fund is focused on financing the expansion of the halal product market, both at the national and international levels. Many potential halal MSMEs are hampered from accessing the global market due to limited capital for promotion, logistics, and distribution network development. Through financing from waqf funds, these obstacles can be overcome, while encouraging the penetration of Indonesian halal products into the global market whose value continues to increase every year. Thus, the Halal Waqf Fund model not only expands the social function of cash waqf, but also strategically strengthens the competitiveness of the halal industry based on the principles of justice, sustainability, and productivity of the Islamic economy.

The Halal Waqf Fund implementation scheme requires cross-sector synergy to ensure its effectiveness and sustainability (Nizar et al., 2025). The Indonesian Waqf Board (BWI) as the main authority for national waqf management plays a central role in designing professional, transparent, and productive-oriented waqf fund governance. In collaboration with the Cash Waqf Recipient Sharia Financial Institution (LKS-PWU), BWI is tasked with collecting waqf funds from the public and ensuring that the entire collection and management process complies with sharia principles. To make the collection process more inclusive and adaptive to the times, the involvement of Islamic fintech digital platforms is crucial. This platform functions not only as a collection medium, but also as a transparent reporting tool that can be accessed by the public in *real-time*, thus increasing public trust in cash waqf management.

Furthermore, in order for the use of waqf funds to be in line with the strengthening of the halal ecosystem, the involvement of halal certification agencies such as the Halal Product Guarantee Agency (BPJPH) is essential. BPJPH plays a role in verifying funded projects, such as financing halal certification for MSMEs, so that waqf funds are actually used to support the strengthening of the halal value chain. However, this integration effort is not without challenges. One of the main obstacles is the need for adaptive regulations that can accommodate the dynamics of digital innovation while maintaining sharia principles in waqf transactions. In addition, public literacy about digital waqf is still relatively low, thus requiring massive and sustainable education programs. Last but not least, strengthening the national Islamic fintech ecosystem is an absolute prerequisite

to support a safe, reliable, and efficient waqf digitization infrastructure. Without this strategic collaboration and ecosystem improvement, the great potential of cash waqf integration into the halal value chain will be difficult to realize optimally.

## Conclusion

The integration of cash waqf into the halal value chain ecosystem is a strategic step that can accelerate the strengthening of the national halal industry while expanding the role of cash waqf in the economic empowerment of the ummah. With digitalization, cash waqf can be more easily collected and channeled to finance the productive halal sector, which has been constrained by access to capital. Therefore, there is a need for synergy between the government, waqf institutions, halal industry players, and technology platforms in building a digital-based Halal Waqf Fund model. In addition, public education campaigns on the benefits of productive cash waqf, strengthening Islamic fintech regulations, and incentives for halal industry players who utilize waqf-based financing are key to the success of this strategy.

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